Stocks THE NUTS AND BOLTS
5-STEP PROCESS

1. WHERE AM I TODAY?
2. WHERE WOULD I LIKE TO BE?
3. CAN I GET THERE?
4. HOW DO I GET THERE?
5. HOW CAN I STAY ON TRACK?

MY FINANCIAL NEEDS
Stock Basics
## COMMON STOCK VS. PREFERRED STOCK

| Ownership stake in the company | Yes | Yes |
| Dividend payments | Dividend amount may fluctuate. Dividends can be suspended or eliminated at any point without notice. | Dividend amount is fixed and is usually a percentage of the stock’s par value. Dividends can be suspended or eliminated at any point without notice. |
| Priority if the company goes bankrupt | Paid last in the event of bankruptcy or liquidation | Paid before common stockholders but after creditors in the event of bankruptcy or liquidation |
| Voting rights | One vote per share | Few or no voting rights |
HOW STOCKS MAKE MONEY

- Capital appreciation
- Dividends
  - Dividend yield
INVESTMENT STRATEGY

- Quality
- Diversification
- Long-term perspective
SELECTING STOCKS: THE PROCESS MATTERS

Stock Selection Process

<table>
<thead>
<tr>
<th>Filter</th>
<th>Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>65,000</td>
</tr>
<tr>
<td>Longevity</td>
<td>18,000</td>
</tr>
<tr>
<td>Risk</td>
<td>9,000</td>
</tr>
<tr>
<td>Size</td>
<td>8,000</td>
</tr>
<tr>
<td>Analysis</td>
<td>750</td>
</tr>
</tbody>
</table>
Diversification
INVESTMENT PYRAMID

- Aggressive
- Growth
- Growth & Income
- Income
- Cash
DIVERSIFICATION BY SECTOR

Diversification does not guarantee a profit or protect against loss.
# Diversification by Sector

## Balance Sectors by Offense and Defense

### Finding Sector Balance

<table>
<thead>
<tr>
<th>Offense</th>
<th>Defense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication Services</td>
<td>Health Care</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>Consumer Staples</td>
</tr>
<tr>
<td>Energy</td>
<td>Utilities</td>
</tr>
<tr>
<td>Financials</td>
<td></td>
</tr>
<tr>
<td>Industrials</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td></td>
</tr>
</tbody>
</table>
DIVERSIFICATION BY COMPANY SIZE

- Large cap: Greater than $19.5 billion
- Mid cap: $3.3 billion to $19.5 billion
- Small cap: $500 million to $3.3 billion
- Micro cap: Less than $500 million
- Micro cap also includes stocks trading under $4/share
Diversification does not guarantee a profit or protect against loss.
DIVERSIFICATION EXAMPLE

Stock D outperforming the rest

Diversification does not guarantee a profit or protect against loss.
**Diversification Example**

**Solutions**
- Add funds
- Rebalance portfolio

Diversification does not guarantee a profit or protect against loss.
## Rising Income: Combating Inflation

The inflation rate used to calculate 2044 prices is based on historical inflation rates from 1994-2019: Car = 1.3%; Gas = 3.2%; Groceries = 2.2%; Health care = 4.7%. Car: MSRP for automatic transmission Toyota Camry; Gas: National average for unleaded regular gasoline; Groceries: Family of two with moderate cost plan. Healthcare: 2017 data. Median household expenditure for married couple from Consumer Expenditure Survey.


<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>2019</th>
<th>2044 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Car</strong></td>
<td>$17,500</td>
<td>$24,100</td>
<td>$33,189</td>
</tr>
<tr>
<td><strong>Tank of Gas (17 gallons)</strong></td>
<td>$18</td>
<td>$38</td>
<td>$85</td>
</tr>
<tr>
<td><strong>Month of groceries</strong></td>
<td>$351</td>
<td>$612</td>
<td>$1,067</td>
</tr>
<tr>
<td><strong>Annual health care expenses</strong></td>
<td>$2,376</td>
<td>$7,515</td>
<td>$23,769</td>
</tr>
</tbody>
</table>
Long-term Perspective
TIME IN THE MARKET IS BETTER THAN TIMING THE MARKET

Value of a $10,000 investment in the S&P 500 (12/31/1979–10/02/2020)

- **Buy and Hold**: $883,952
- **Missed 10 Days**: $394,617 (9.43%)
- **Missed 20 Days**: $229,087 (7.98%)
- **Missed 30 Days**: $142,897 (6.74%)
- **Missed 40 Days**: $93,475 (5.63%)
- **Missed 50 Days**: $63,129 (4.62%)

Source: Ned Davis Research, Edward Jones calculations. 12/31/1979–10/02/2020. These calculations assume the best days, as defined as the top percentage gains for the S&P 500, including dividends, for the time period designated. These calculations do not include any commissions or transaction fees that an investor may have incurred. If these fees were included, it would have a negative impact on the return. The S&P 500 is an unmanaged index and is not available for direct investment. Past performance is not a guarantee of future results. Dividends can be increased, decreased or eliminated at any point without notice.

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DISCIPLINED APPROACH

• 5-step Process
• Systematic Investing
Systematically Investing vs. Lump-sum Investment

Lump Sum – $5,000

- Average Price: $20/share
- Total Purchased: 250 Shares

Dollar Cost Averaging – $417/Month

- Average Price: $17/share
- Total Purchased: 300 Shares

Source: Edward Jones. These charts are for illustrative purposes only and are not intended to represent the performance of any security. These illustrations do not include commissions or fees. Past performance does not guarantee future results.

Equity investments will fluctuate in value and, when sold, may be worth more or less than the original investment.

Systematic investing does not guarantee a profit or protect against loss. Such a strategy involves continual investment in securities regardless of fluctuating price levels of such securities. You should consider your financial ability to continue the purchases through periods of low price levels.
OTHER WAYS TO OWN STOCK

- Mutual Funds
- ETFs
### Passive vs. Active: Benefits and Trade-offs

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Passive</th>
<th>Active</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Likely to perform close to index</td>
<td>• Opportunity to outperform index</td>
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<tr>
<td></td>
<td>• Generally lower fees</td>
<td>• Potential for limiting the downside</td>
</tr>
<tr>
<td></td>
<td>• Typically more tax efficient</td>
<td>• Buy/sell decisions based on research</td>
</tr>
<tr>
<td>Trade-offs</td>
<td>• Unlikely to outperform index</td>
<td>• Potential to underperform index</td>
</tr>
<tr>
<td></td>
<td>• Participate in all of index downside</td>
<td>• Generally higher fees</td>
</tr>
<tr>
<td></td>
<td>• Buy/sell decisions based on index, not research</td>
<td>• Typically less tax efficient</td>
</tr>
</tbody>
</table>
RECAP

• Stock basics
• How to make money with stocks
  - Dividends
  - Capital appreciation
• Principles of Stock Investing
  - Quality
  - Diversification
  - Long-term perspective

Diversification does not guarantee a profit or protect against loss.
Questions & Answers
Thank You

PLEASE COMPLETE YOUR EVALUATION NOW
IMPORTANT CONSIDERATIONS

The contents of this presentation are for informational purposes only. While the information is believed to be accurate, it is not guaranteed and is subject to change without notice.