What will the return on your day be? #ROYD

Ross Women’s Week
March 2021

Hi, it’s nice to meet you

- Started pHERsonal Finance Day to encourage high-earning woman to take action on their money
- Fellow MBA frustrated by the lack of formal financial education with the $200K degree
- Former management consultant and head of sales operations for Revolution Foods
- Went full-time with my business in October

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Agenda

- 5:30 – 5:40 Foundations: Save Less than you Earn
- 5:40 – 5:50 Asset allocation
- 5:50 – 6:05 Sample portfolios, Sins of Investing & Risk
- 6:05 – 6:15 Exercise & Q&A

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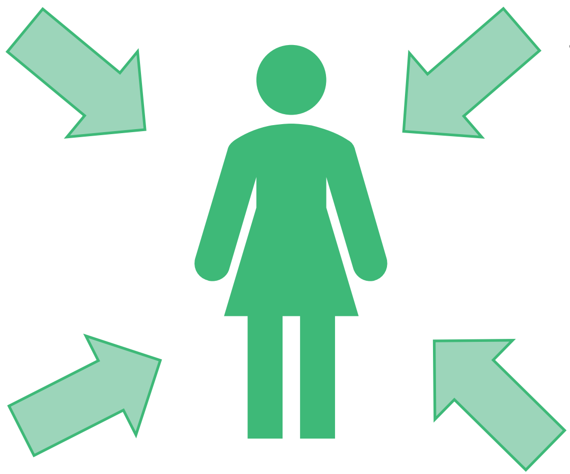
The Wealth Gap

4% Motherhood Penalty (per child)

Wage Gap
Women earn $0.81 for every dollar men make



Investing Gap
11% more of assets in low-returning cash

5-8 year longer life expectancy means $250K*+ more needed in retirement income

Note: Assumes $50K a year in living expenses times six.

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Who is better at money?

Secretary at
Abbott
Laboratories

U Chicago
Morgan Stanle
Finance Bro

Source: Collaborative Fund, Morgan Housel.

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Who is better at money?

Left $7M to charity

Declared bankruptcy & his 18K ft house was foreclosed

Source: Collaborative Fund, Morgan Housel.

How?

"There is no plausible scenario in which a 100-year old country secretary could beat Tiger Woods at golf or perform brain surgery better than a brain surgeon. But – fairly often – that same country secretary can out-finance a Wall Street titan."

Behavior > Financial Wizardry

Source: Collaborative Fund, Morgan Housel.

Disclaimer

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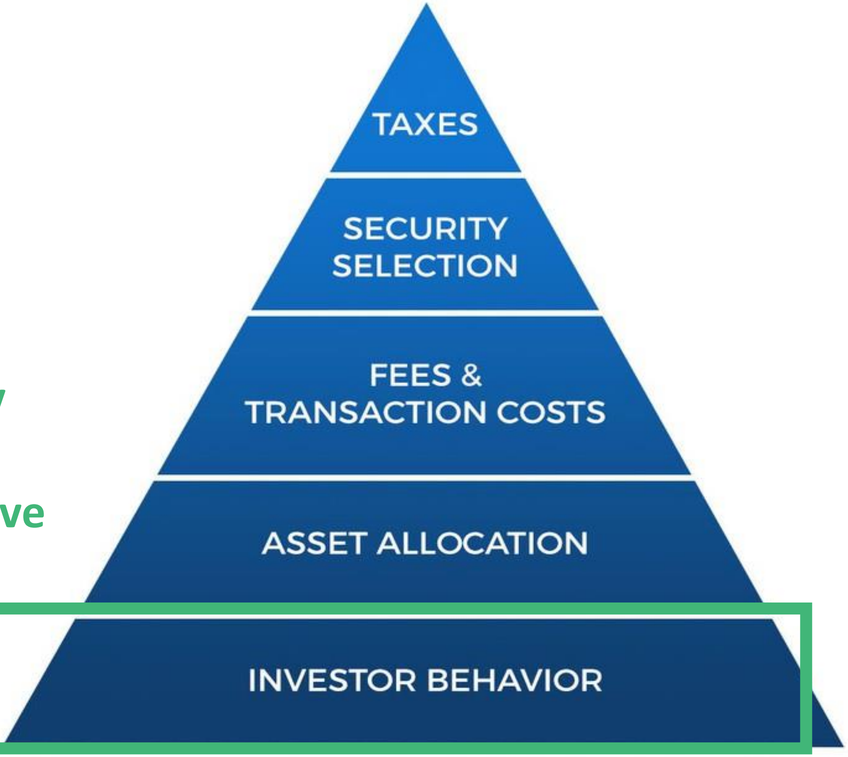
Investing



WHAT you pay

WHERE you save your money

Consistent Saving

Source: Morgan Housel, https://www.fool.com/investing/general/2015/07/09/needs.aspx

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Impact of Saving Early

- Earns $150,000 / year
- Saves $1,250* / month (6% of her paycheck + 4% match)

- Earns $150,000 / year
- Saves $2,250* / month (14% of her salary + 4% match)

Wait 30 years earning 7% / year in low-cost index funds

$1,416,912

$2,550,441

Notes: Investor 1 saves $750 / month from her paycheck and receives $500 / month in a corporate match.
Investor 2 saves (14%) $1,750 / month from her paycheck plus receives $500 / month in a corporate match.
https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator

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Impact of Saving Early

- Earns $150,000 / year
- Saves $1,250* / month (6% of her paycheck + 4% match)
- Earns 8% return

- Earns $150,000 / year
- Saves $2,250* / month (14% of her salary + 4% match)
- Earns 7% return

Wait 30 years
in low-cost index funds

$1,699,248

$2,550,441

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Notes: Investor 1 saves $750 / month from her paycheck and receives $500 / month in a corporate match.
Investor 2 saves (14%) $1,750 / month from her paycheck plus receives $500 / month in a corporate match.
https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator

How to Save $2.5K / month

	Annual	Monthly
Salary	$150,000	$12,500
Federal & FICA Taxes	$37,816	$3,151
State & Local Taxes	$13,962	$1,164
Rent	$24,000	$2,000
Student Loans	$12,900	$1,075
Credit Card	$39,000	$3,250
Total Expenses	$127,678	$10,640
Remaining for Retirement	$22,322	$1,860

- Assumes NYC taxes
- $100K in student loans
- $1.7K / month in rent
- No bonus
- $750 / month (6%) corporate match

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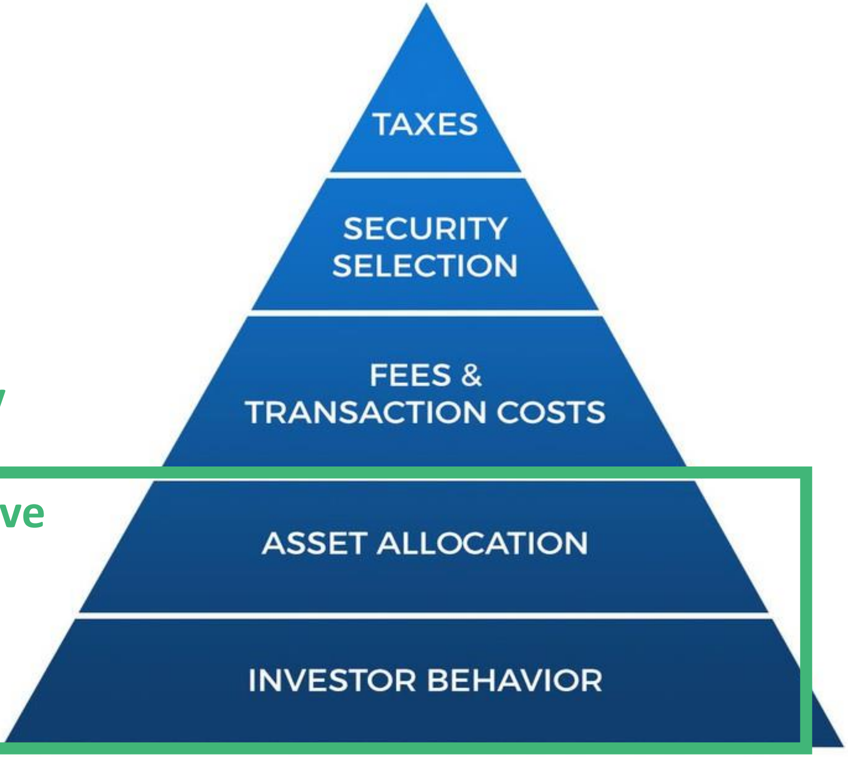
Asset Allocation

WHAT you pay

WHERE you save your money

Consistent Saving



Source: Morgan Housel, https://www.fool.com/investing/general/2015/07/09/needs.aspx

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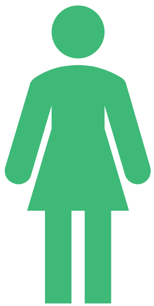
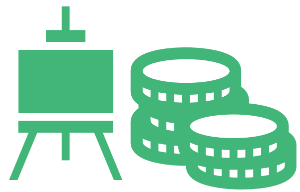
Asset Classes



Cash / Cash Equivalent



Alternative Investments

Bonds / Fixed Income

Stocks

Real Estate

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Average Asset Class Returns

																2005 - 2019	
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	Ann.	Vol.
EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Fixed Income 6.8%	Large Cap 9.0%	REITs 22.2%
Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	Large Cap 5.6%	REITs 8.3%	EM Equity 22.1%
DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Cash 0.5%	Small Cap 7.9%	Comdty. 18.6%
REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. -0.1%	EM Equity 7.8%	Small Cap 17.7%
Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	High Yield -0.6%	High Yield 7.2%	DM Equity 17.3%
Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	EM Equity -0.9%	Asset Alloc. 6.6%	Large Cap 14.0%
Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	DM Equity -6.7%	DM Equity 5.3%	High Yield 10.9%
High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Small Cap -8.7%	Fixed Income 4.1%	Asset Alloc. 10.0%
Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -12.1%	Cash 1.3%	Fixed Income 3.4%
Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -12.3%	Comdty. -2.6%	Cash 1.0%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management. Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/04 – 12/31/19. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of September 30, 2020.

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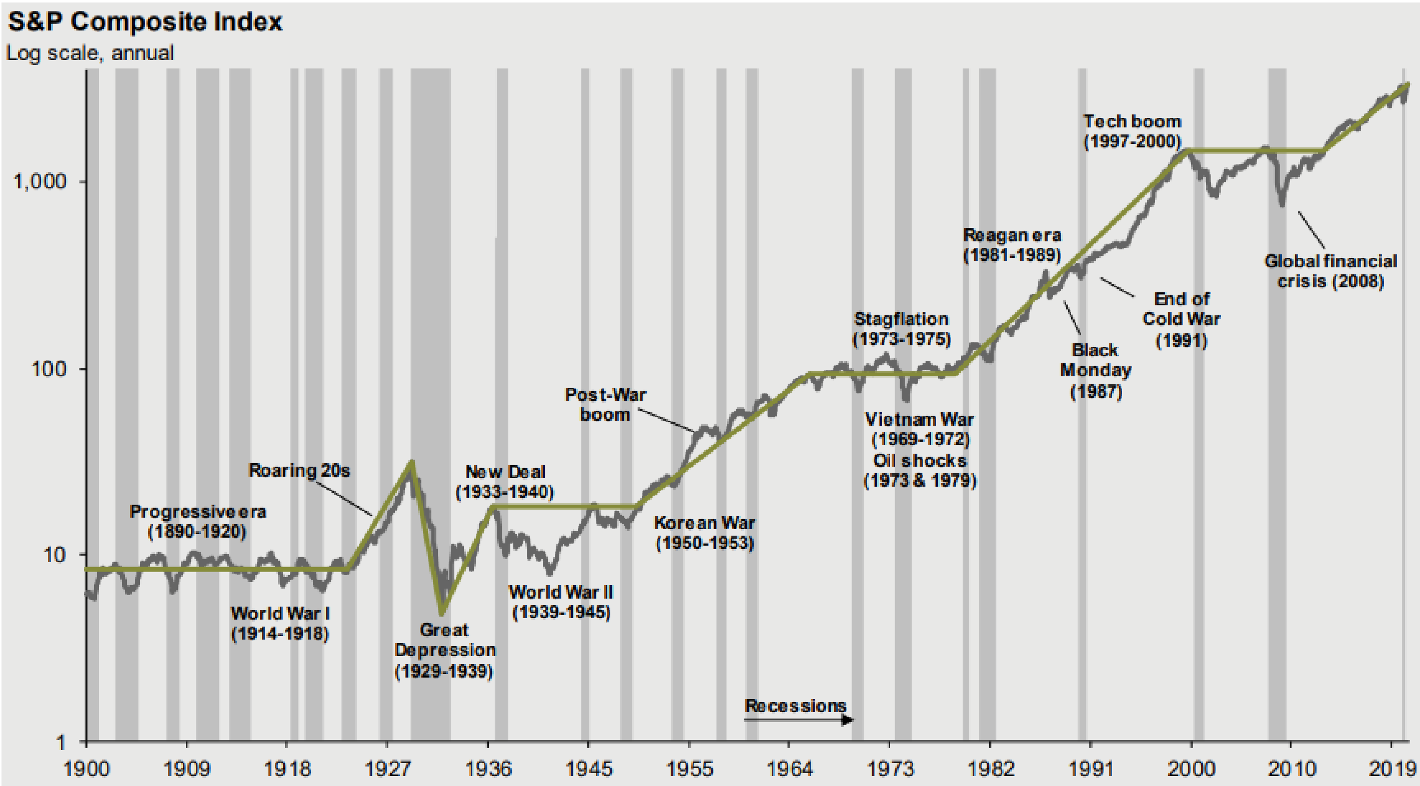
120 years of Market Performance



Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management. Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only. Guide to the Markets – U.S. Data are as of September 30, 2020.

How to divide your money?

- **Diversification:** don't put all your money in one basket. If you have $100,000 in assets, having it all in a single asset (a home or Tesla or $GME stock) increases your risk.

- **Investing in different asset classes gives you more diversification:** In general, bonds are less volatile and tend to move in the opposite direction of stocks.

- **General investing rule has been to reduce your risk as you get older:** In retirement, you don't have time to catch up from a market dip. This translated to a general rule of putting 100 minus your age in stocks. It's now been revised to 110 or 120!

Asset Allocation

- Make sure you have an emergency fund (5-6 months of living expenses saved away in a high-yield savings account)
- Consider your circumstances
  - **Be more aggressive**: If you are 90-years old with $2M in the bank and your social security check covers 90% of your living expenses then keeping 80% of your income in bonds might not make sense.
  - **Be more conservative**: If you are 32-years old working in construction with a kid, don't put 80-90% of your savings for a house down payment into the stock market.

Asset allocation

7%?

So how do you get it?

Total Market Index Funds

Boring Investments like Vanguard's Total Stock Market Fund

Average annual returns—updated monthly
as of 12/31/2020

	1-yr	3-yr	5-yr	10-yr	Since inception 11/13/2000
Total Stock Mkt Idx Adm	20.99%	14.49%	15.42%	13.78%	7.82%
Spliced Total Stock Market Index* (Benchmark)	20.99%	14.50%	15.44%	13.80%	7.84%

Important fund performance information

Cumulative, yearly, and quarterly historical returns

Source: https://investor.vanguard.com/mutual-funds/profile/fees/vtsax

Total Stock Market Funds

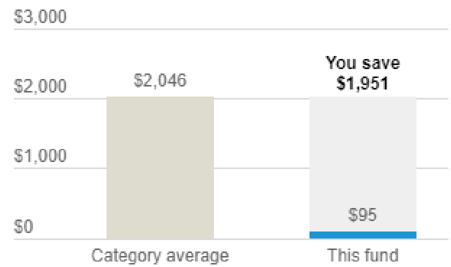
Month-end ten largest holdings
as of 12/31/2020

Rank/holdings	
1	Apple Inc.
2	Microsoft Corp.
3	Amazon.com Inc.
4	Alphabet Inc.
5	Facebook Inc.
6	Tesla Inc.
7	Berkshire Hathaway Inc.
8	Johnson & Johnson
9	JPMorgan Chase & Co.
10	Visa Inc.

Expenses

	Expense ratio
Total Stock Mkt Idx Adm	0.04%
Average expense ratio of similar funds*	0.90%

Fees on $10,000 invested over 10 years



Source: https://investor.vanguard.com/mutual-funds/profile/fees/vtsax

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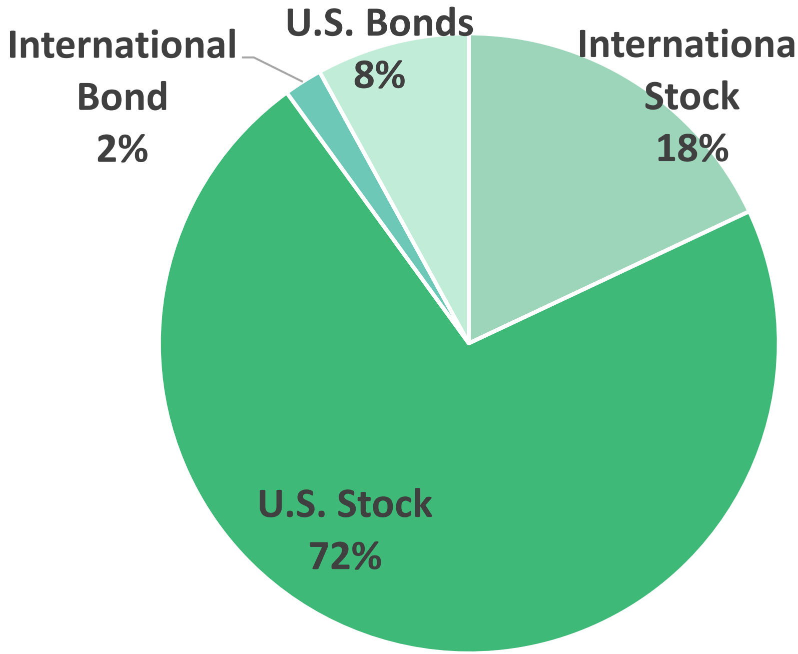
Sample 4-Portfolio Strategy

For someone <35 investing for the long-term (60+):

- International Stock Fund
- U.S. Stock Market Fund
- Domestic Bond Fund
- International Bond Fund



Source: https://www.bogleheads.org/wiki/Vanguard_four_fund_portfolio.

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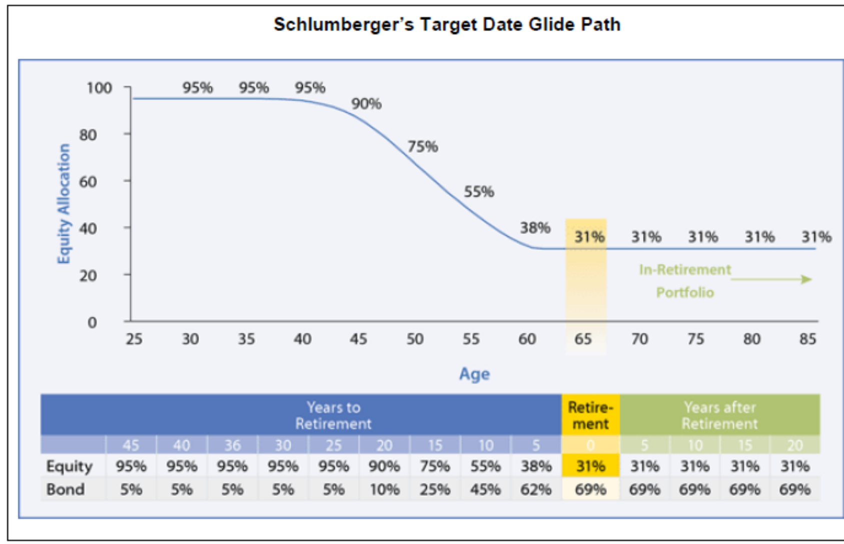
Target Date Funds

- **Target Date Funds** are a common investing option available to you in your 401K & IRA
- If you don't make any other election, many 401Ks default to the **Target Date fund that closely corresponds to the year when you are 65**.
- Target Date Funds **transition from riskier to less risky over time** as you get closer to retirement
- To get the ideal allocation, the plan is designed for you to invest in **ONE target date fund**



Source: Amazon 401K Plan Summary

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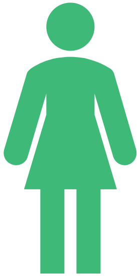
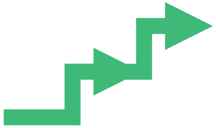
Investing Takeaways

Expect market volatility. Ride out dips.



Cash is not your friend over the long-term.



Buy and hold.

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Sins of Investing

1. Holding too much cash
2. Picking individual stocks (Kodak, Enron, Worldcom, Blockbuster)
3. Keeping more than 10% of your net worth in your company stock
4. Chasing past performance
5. Trying to time the market
6. Paying high fees
7. Thinking short term
8. Not investing early and consistently
9. Selling during a crash
10. Maintaining multiple accounts (e.g., not rolling over old 401Ks)
11. Paying for money management but not holding them accountable
12. Not comparing your annual returns to the market

Your 401K

- Find out how your company provides you with a match. Many still provide your match in their company stock including Amazon.
- Due to insider trading laws, trades may be limited. Check your policy!
- The percentage of your portfolio in company stock may grow over time without rebalancing. The below example models Amazon stock growing at 15% while the TDF grows at 10% (note: Amazon stock is more volatile).

	In'tl Amt	Year 1	Year 2	Year 3	Year 4	Year 5
Amazon Stock	$ 25,000	$ 28,750	$ 33,063	$ 38,022	$ 43,725	$ 50,284
Target Date Fund	$ 25,000	$ 27,500	$ 30,250	$ 33,275	$ 36,603	$ 40,263

Source: https://www.morningstar.com/articles/919235/is-it-ever-a-good-idea-to-hold-company-stock-in-a-401k

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Risk

(c) The Importance of Diversifying Your Savings

To help achieve financial security, you should carefully consider the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments in your Account can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20% of your savings in any one company or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

The Company Stock Fund is not a diversified investment, meaning that it is subject to greater volatility and therefore greater risk. You should carefully and periodically evaluate the amount of your Account invested in the Company Stock Fund. You want to ensure that the amount of your investment in this fund, or any fund, does not exceed the percentage of your overall savings that is appropriate for your situation. You should consult with your financial advisor if you have any questions.

Source: Amazon 401K Plan Summary

Risk

10%

Amount of your net worth you should have in one company

Exercise: Where is your money?

Retirement Account	Security	$101,000	%	Asset	$'s	Expense Ratio	Return (1-year)
Current 401K	E.g., Vanguard 2050 Target Date Fund	$30,000	85%	Stocks	$25,500		
			13%	Bonds	$3,900		
			2%	Cash	$600		
Spouse's Current 401K	E.g. Fixed Income	$30,000	10%	Bonds	$3,000		
	E.g., Fidelity International Growth Fund		72%	Stocks	$21,600		
			18%	Stocks	$5,400		
Old 401Ks		$10,000	100%	Stocks	$10,000		
Old 401Ks		$15,000	75%	Stocks	$11,250		
			5%	Cash	$750		
			20%	Bonds	$3,000		

Stay in touch

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10-Week Course

- **10-week, 1-hour per week course**.
- **Cost of $600** per participant or $60 / week of content.
- **All classes are recorded** to fit a busy clinicians schedule.
- **Classes are capped at 25** to create shared learning and a community of peers also working towards financial literacy.
- **Each class includes worksheets and Excel sheets** to identify and quantify goals, create an investing baseline, determine the costs of homeownership, etc.
- **30-minute office hours** included to answer individual questions
- **Review of individual homework assignments** with feedback

https://phersonalfinanceday.thinkific.com/

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Questions