

# Investment

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A 10 Minute Practical Stroll

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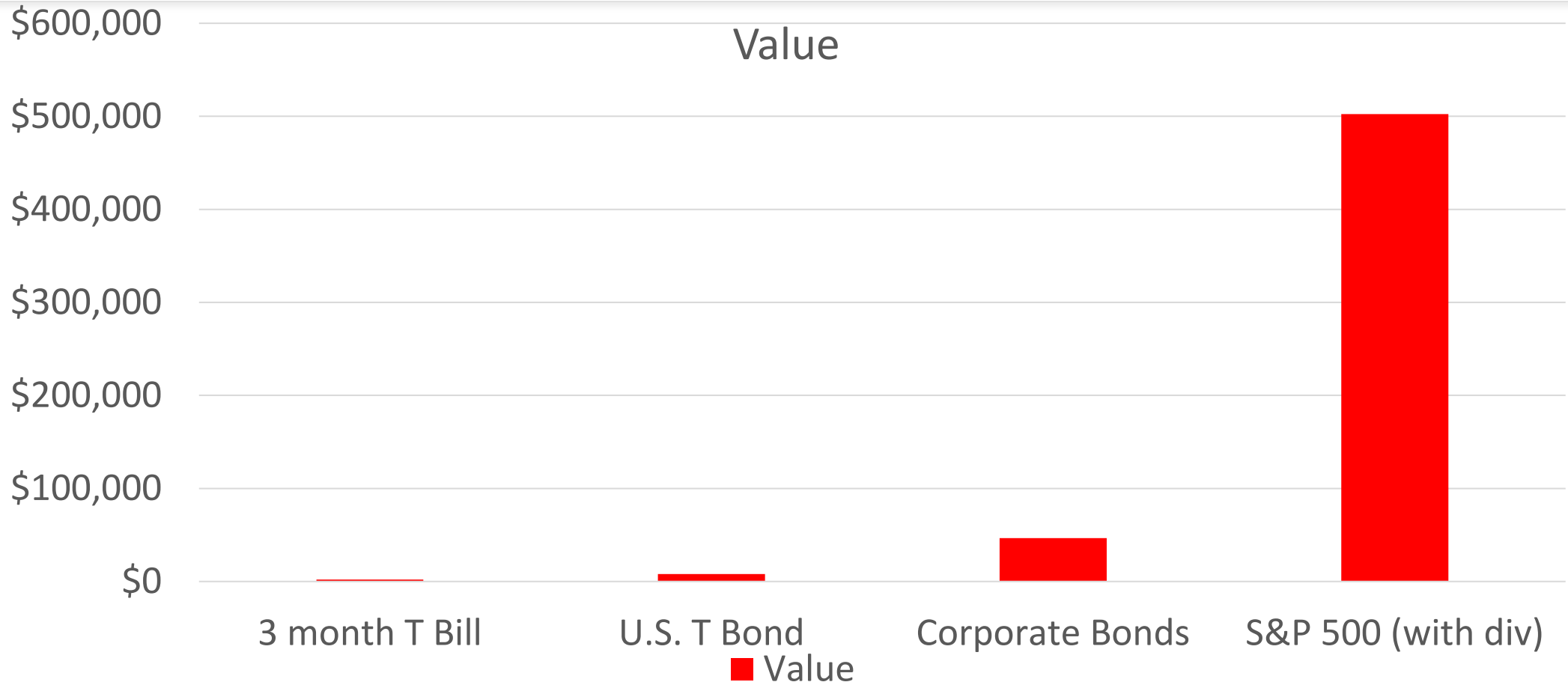
# Investing Arithmetic

- Rule of 72
  - At 8% your money doubles every 9 years
    - Over 36 years - \$100,000 becomes \$1.6 million
  - At 12% your money doubles every 6 years
    - Over 36 years - \$100,000 becomes \$6.4 million
- At 3% inflation in 12 years - \$100,000 in cash becomes \$70,137
- At 3% inflation in 24 years - \$100,000 in cash becomes \$49,193

# History

- **St. Louis Fed** Illustration - 92 years of investment performance history
  - \$100 invested - *one time* – at the start of 1928
  - Today's value of the \$100:
    - 3 month T bill - \$2,079 – average arithmetic return 1928-2019 = 3.40%
    - U.S T Bond - \$8,012 – average arithmetic return 1928-2019 = 5.15%
    - Corporate Bonds – \$46,668 – average arithmetic return 1928-2019 = 7.22%
    - S&P 500 (with div) - \$502,417 – average arithmetic return 1928-2019 = 11.57%

# \$100 after 92 Years - Chart





# Investment Valuation

- Equity Investments
- Unique - Leader
- Proven Performance or Future Star
- Excellent Management Team
- Growing Share in a Large or Expanding Market
- Increasing Revenue
- Increasing Profits



# Investment Strategies

- Inflation never sleeps – your cash is always shrinking
- Quality Equity Investments
- Volatility is your friend
  - Every year - on average - the market top to bottom is 13.5%
  - Every 5 years – on average – the market top to bottom is 33%
- In investing – FEAR overrides all logic and reason
- Your advisor's role is to protect you from fear
- There is only one investment model – long term



## Some things don't change

- If you have retired at 65 - you will continue - on average - 30 years
- therefore
- you still need good investment returns for that period of time.





# What To Do

- Find an advisor that you trust – a coach
- Create and maintain a written financial plan
- Develop and execute an investment plan with your coach
- Remember :
  - 92 Years of Investment History
  - Nick Murray- read his book
  - Warren Buffet- listen to the master - and
- **YOU WILL SLEEP AT NIGHT - WHATEVER THE MARKET IS DOING**

# References

- St. Louis Fed Website -  
<http://www.stern.nyu.edu/~adamodar/pc/datasets/histretSP.xls>
- Simple Wealth, Inevitable Wealth - Nick Murray- Amazon Books
- University of Berkshire Hathaway – Corey Wrenn - 30 years of Warren Buffett