

# Take Charge

Of Your Investments



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Francis LLC



1

## Financial Wellness Resource

Your employer sponsors this great benefit!

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- Holistic Financial Wellness
- [timothy.shirk@francisway.com](mailto:timothy.shirk@francisway.com)

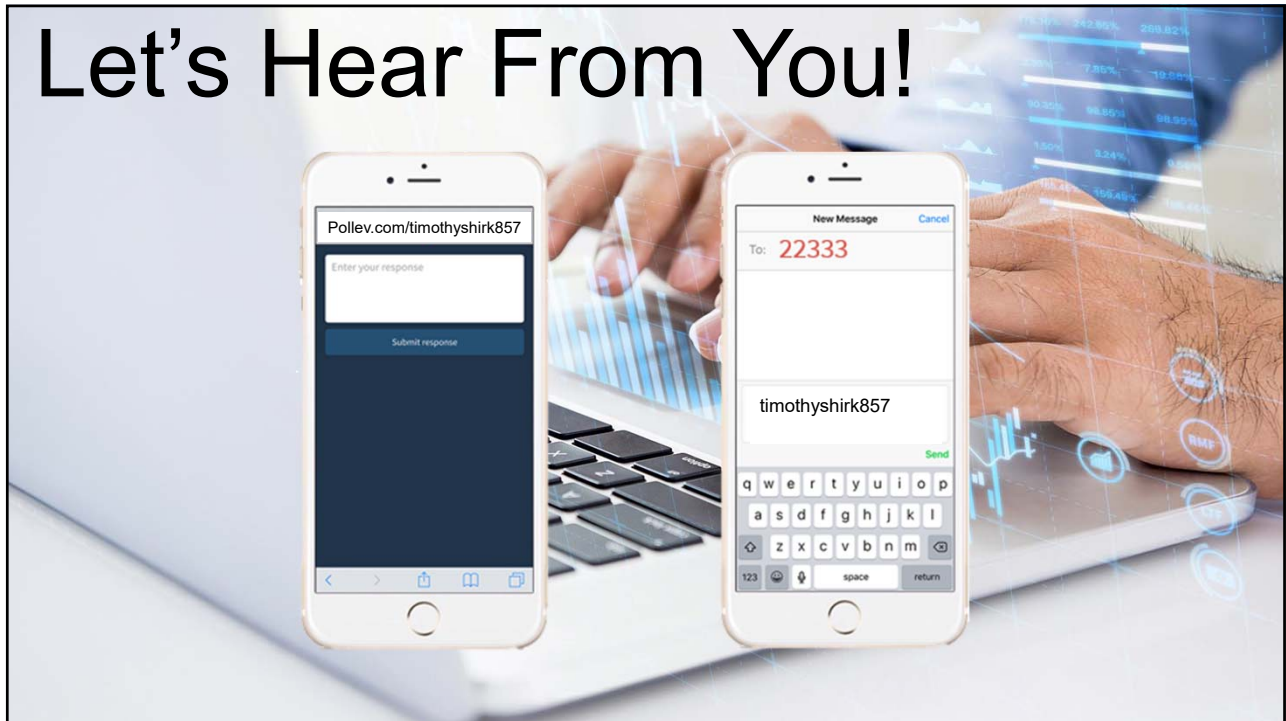


[francisway.com/stanford](https://francisway.com/stanford)



2

# Let's Hear From You!



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## What is your favorite season?

- Spring
- Summer
- Fall
- Winter
- Vacation

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4

# Take Charge

Of Your Investments

1. Understand Your Investments
2. Evaluate Your Investments
3. Chose Your Investment  
Selection Approach



5

# Take Charge

Of Your Investments

1. Understand Your Investments



6

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**On a scale of 1 to 10 with "1" being "I haven't a clue" and "10" being "look out Warren Buffet", how familiar are you with investing?**

9-10  
7-8  
5-6  
3-4  
1-2

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7



## Understand Your Investments

- Stocks
- Bonds
- Mutual Funds
- Exchange Traded Funds
- Speculation
- Target Date Funds

8

- Stocks
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- ETFs
- Speculation
- Target Date Funds

A stock, also known as equity, is a security that represents the ownership of a fraction of the issuing corporation.

9



**Individual Stocks**  
You are an owner!

- Return - Purchased with hope of sale at a higher price
- Risk -
  - Systematic Risk
  - Unsystematic Risk

10

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## Which of the following can be mitigated by diversification?

- Systematic Risk
- Unsystematic Risk
- Neither
- Both

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11

# Unsystematic Risk - Stocks

Diversification

- Size
- Investment Style
- Location

	Large Cap	Mid Cap	Small Cap
Growth			
Blend			
Value			
	> \$10 Billion	Between \$1.5 and \$10 Billion	< \$1.5 Billion

<https://www.morningstar.com/investing-definitions/morningstar-style-box->

12

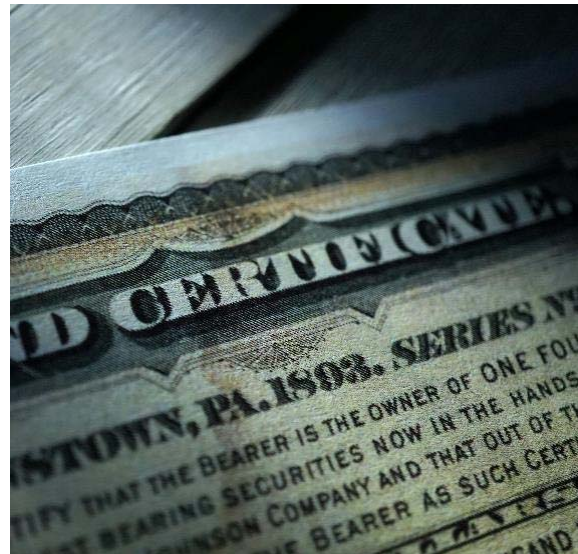
- Stocks
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A bond is a fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).

13

## Individual Bonds You are a Lender!

- Purchase - loan to issuer
- Interest paid to lender (you)
- Maturity - date of repayment
- Risk
  - Credit quality
  - Interest rate



14

# Unsystematic Risk - Bonds

Diversification

- Duration
- Credit Quality
- Location

	Short	Medium	Long
High			
Medium			
Low			

<https://www.morningstar.com/investing-definitions/morningstar-style-box->

15

# Systematic Risk

Asset Allocation – Stock/Bond Mix

Value typically declines 1 out of every 4 years



**Stocks**

8% expected long-term rate of return



**Bonds / MM**

3% expected long-term rate of return

Past performance is not a guarantee of future results. It is possible to lose money with any investment.


16



# Systematic Risk

Asset Allocation – Stock/Bond Mix

Stocks	Bonds / MM
90%	10%
80%	20%
70%	30%
60%	40%
50%	50%
40%	60%
30%	70%



Downshift as you near retirement

17

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**True or False: I am comfortable with the due diligence required to pick my own stocks and bonds.**

True False

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18

- Stocks
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A mutual fund is a financial vehicle that pools assets from shareholders to invest in securities like stocks, bonds, money market instruments, and other assets.

19

## Individual Issue

Single investor purchases one or more assets.



- Bears the entire cost
- Responsible for selection
- Incurs all the risk and reward

20

# Mutual Fund

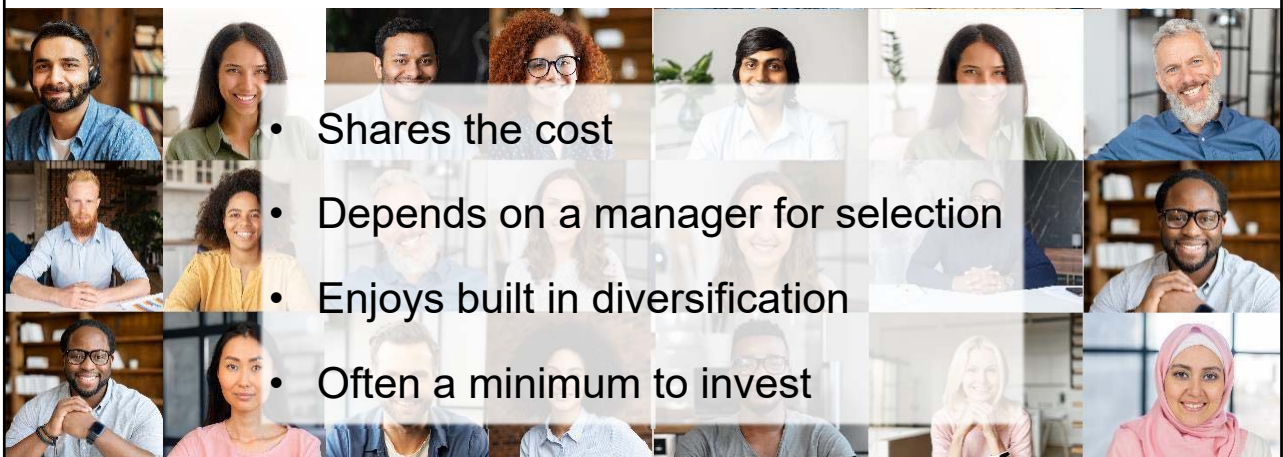
Many investors pool their funds to purchase multiple assets



21

# Mutual Fund

Many investors pool their funds to purchase multiple assets

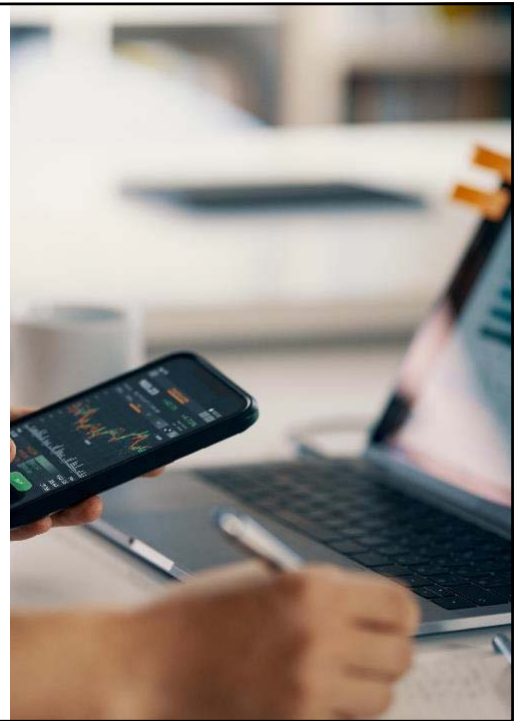


22

# Mutual Fund

## Trading

- Buy and sell at end of day price
- Manager paid through expense ratio
- Generally, have short-term trade restrictions
- Many have minimums to invest



23

A photograph of a person's hands typing on a laptop keyboard. The image is overlaid with a semi-transparent financial data table and a network diagram. The data table includes columns for 'Stocks', 'Bonds', 'Mutual Funds', and 'ETFs', with various numerical values and percentages. The network diagram consists of interconnected nodes and lines, symbolizing a complex financial or data network.

• Stocks

• Bonds

• Mutual Funds

• ETFs

• Speculation

• Target Date Funds

An exchange-traded fund (ETF) is a type of pooled investment security that operates much like a mutual fund, but can be purchased or sold on a stock exchange the same way that a regular stock can.

24

# Exchange Traded Fund

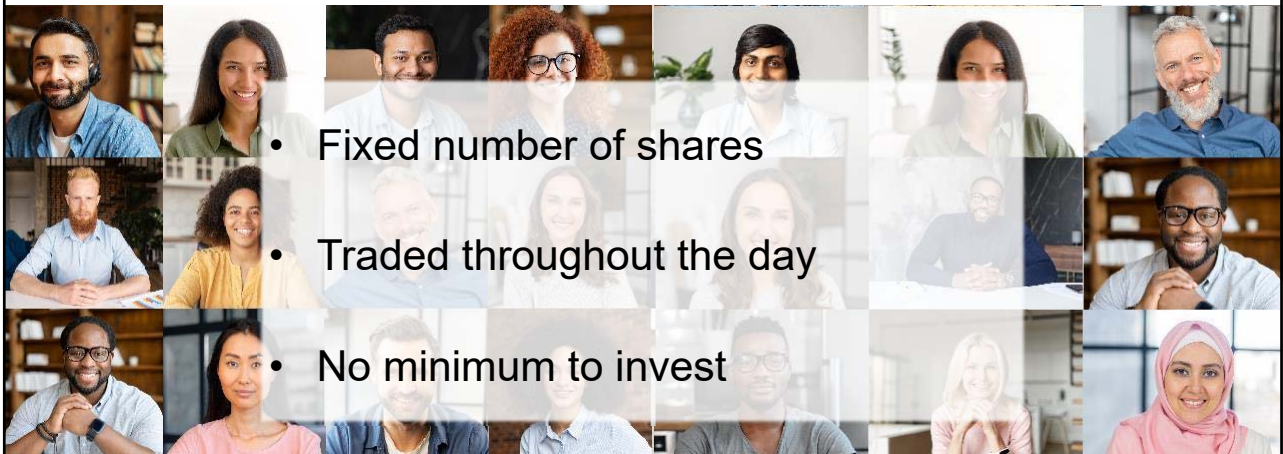
The mutual fund's more agile cousin



25

# Exchange Traded Fund

The mutual fund's more agile cousin



26

- Stocks
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- Speculation
- Target Date Funds

Speculation is the act of conducting a financial transaction that has substantial risk of losing value but also holds the expectation of a significant gain or other major value.

27

## Speculation



28



29



30

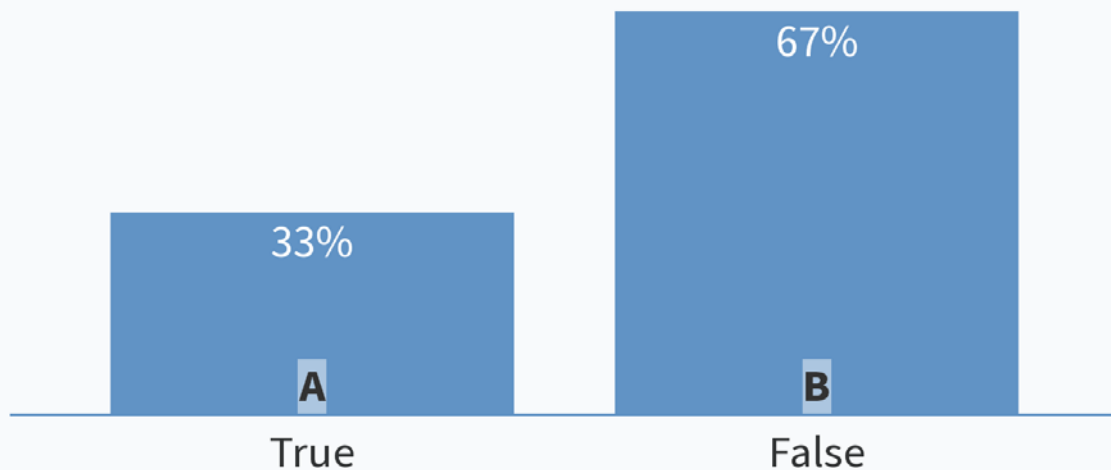
# Speculation



- Use a brokerage account
- Use money you can afford to lose
- Play with the house's money

31

**In order for your investment to succeed, you need to have a basic understanding of stocks, bonds, and mutual funds**



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32



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Target-date funds are structured to maximize the investor's returns by a specific date.

33

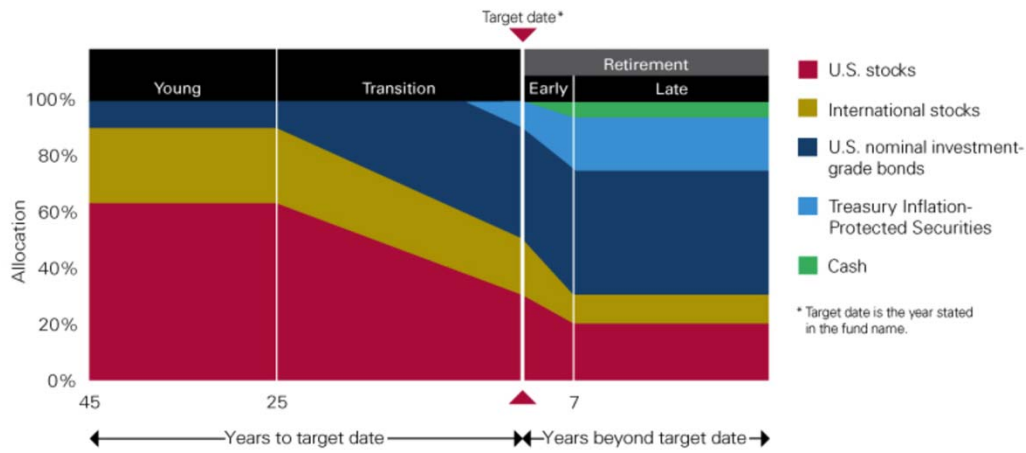


## Target Date Funds

- Premixed portfolio of mutual funds
- Rebalanced on an ongoing basis
- Risk follows target date

34

# Target Date Funds



All investing is subject to risk. Investments in Target Retirement Funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in the Target Retirement Fund is not guaranteed at any time, including on or after the target date. Investments in bond funds are subject to interest rate, credit, and inflation risk. Diversification does not ensure a profit or protect against a loss in a declining market.

Source: [Vanquard - The power behind Target Retirement Funds](#)

35

# Target Date Funds



- Premixed portfolio of mutual funds
- Rebalanced on an ongoing basis
- Risk follows target date
- Easy button!

36

# Take Charge

## Of Your Investments

1. Understand Your Investments
2. Evaluate Your Investments



37

# Evaluate

## Your Investments

### Evaluate Your Investments

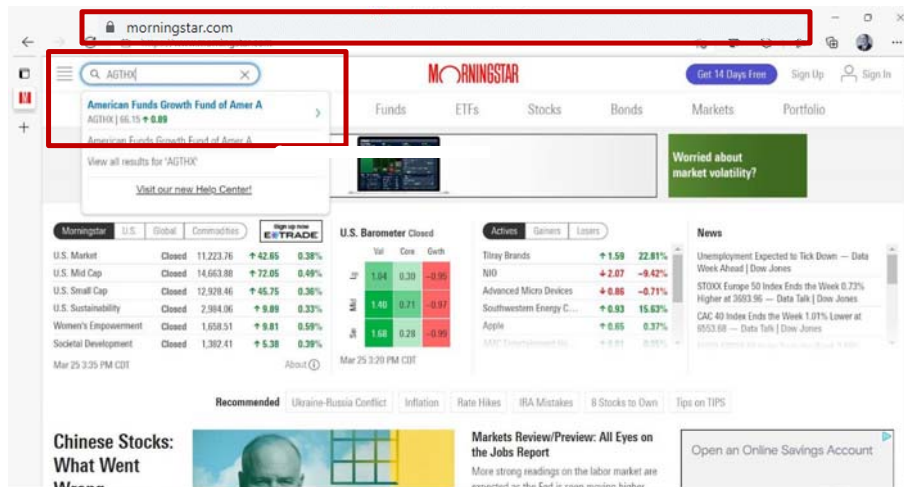
Search for each of the funds available in your account at [www.morningstar.com](http://www.morningstar.com). List the name, category, Morningstar star rating, expense ratio, and historical rank in category. Compare each fund in each category to all other funds in the same category and find the best fund for each category.

Fund Name	Category	Rating	Expense Ratio	Load Fee	Rank in Category			
					1 yr	3 yrs	5 yrs	10 yrs
<i>Growth Fund of America (AGTHX)</i>								
<i>Fidelity Diversified International (FDVAX)</i>								
<i>Dodge &amp; Cox Stock Fund (DODGX)</i>								

38

# Identify Your Investment

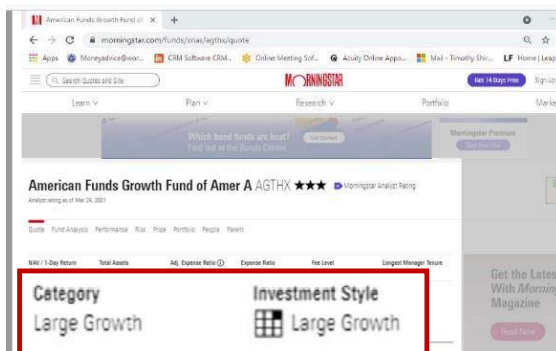
www.Morningstar.com



39

# Identify The Category

What type of investment is it?



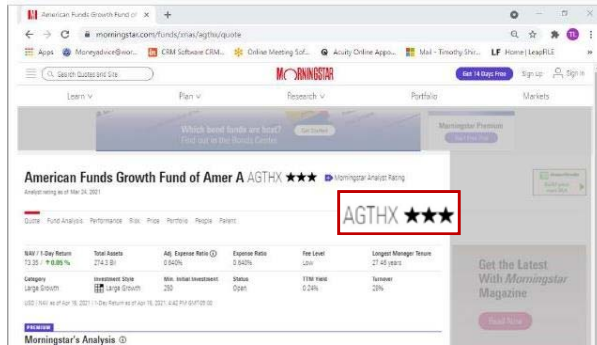
- “Blend” means a mix of growth and value.
- Foreign = International
- World = Domestic and International
- Balance = Mix of stocks and bonds.

Fund Name	Category	Rating	Expense Ratio	Load fee	Rank in Category			
					1 yr	3 yrs	5 yrs	10 yrs
<i>Growth Fund of America (AGTHX)</i>	<i>Large Growth</i>							

40

# Identify The Rating

How does it compare to its competitors?



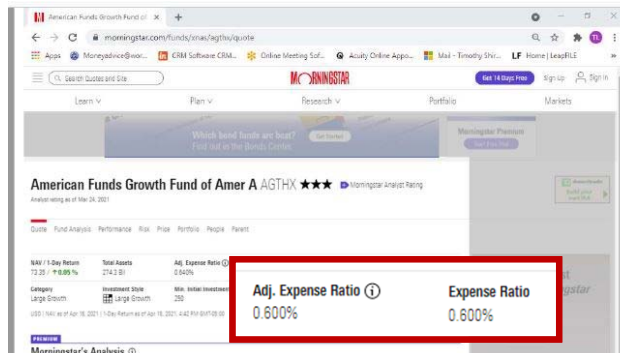
- 1 to 5 star rating
- Based on performance
  - Three, Five, and Ten year performance
  - Adjusted for risk and accounting for sales charges
  - Against similar funds
- 1 Star = bottom 10%
- 5 Stars = top 10%
- Color Rating is Subjective

Fund Name	Category	Rating	Expense Ratio	Load fee	Rank in Category			
					1 yr	3 yrs	5 yrs	10 yrs
<i>Growth Fund of America (AGTHX)</i>	<i>Large (Cap) Growth</i>	<i>5*</i>						

41

# Identify The Cost

How much does it cost each year?



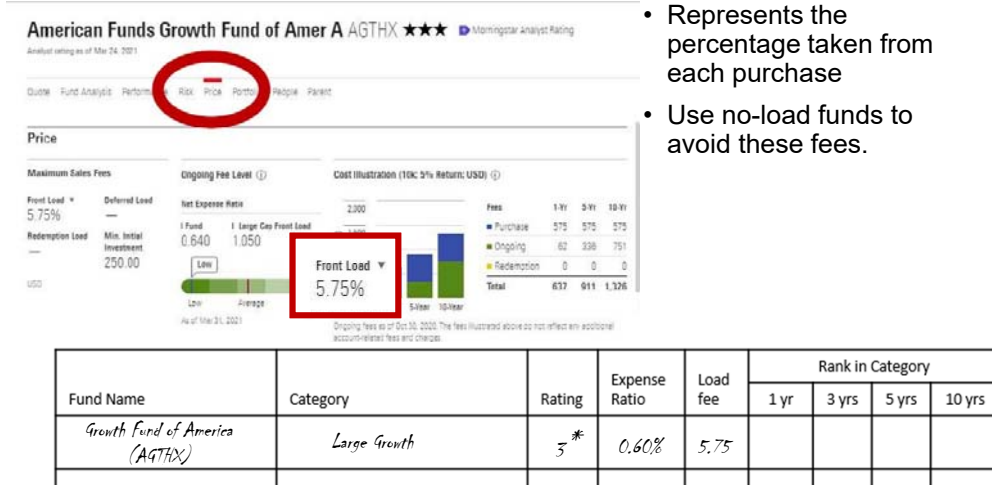
- Expense will be taken out of return
- Be aware of expenses but don't base your investment decision on expense alone

Fund Name	Category	Rating	Expense Ratio	Load fee	Rank in Category			
					1 yr	3 yrs	5 yrs	10 yrs
<i>Growth Fund of America (AGTHX)</i>	<i>Large Growth</i>	<i>5*</i>	<i>0.60%</i>					

42

# Identify The Load Fee

What is the cost of each purchase?

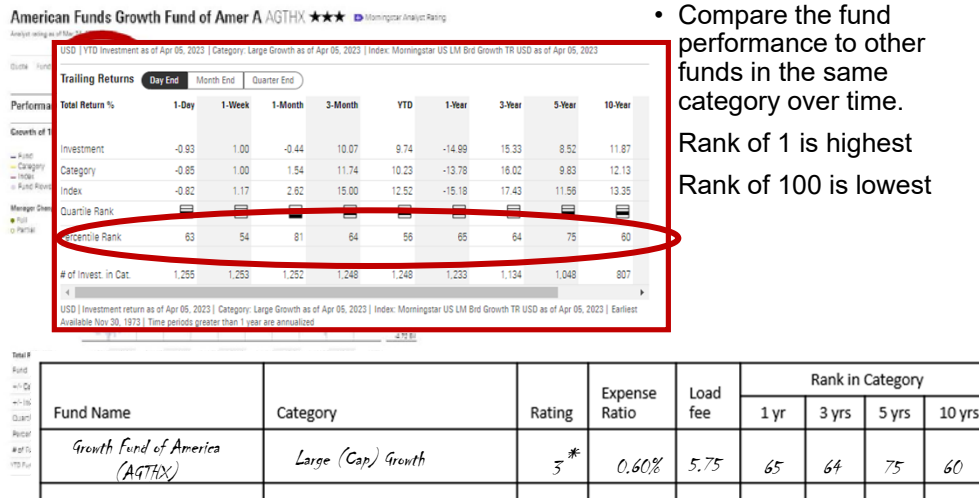


- Represents the percentage taken from each purchase
- Use no-load funds to avoid these fees.

43

# Identify The Rank

How does the performance compare to its peers?



- Compare the fund performance to other funds in the same category over time.
- Rank of 1 is highest
- Rank of 100 is lowest

44

# Identify The Best Options

2. identify the funds available in your account

Fund Name	Category	Rating	Expense Ratio	Load fee	Rank in Category			
					1 yr.	3 yrs	5 yrs	10 yrs
Growth Fund of America (AGTHX)	Large Growth	3★	0.67	5.75	65	64	75	60

- Compare like funds and determine the best for each category

Fund Name	Category	Rating	Expense Ratio	Load fee	Rank in Category			
					1 yr	3 yrs	5 yrs	10 yrs
Growth Fund of America (AGTHX)	Large (Cap) Growth	3★	0.61%	5.75	65	64	75	60

Vanguard International Explorer Fund (VEXBX)	Europe Small/Mid Growth	3★	0.57	HL	72	48	49	42
Fidelity Small Cap Growth Fund (FSDGX)	Small Cap Growth	3★	1.10	HL	40	47	-	-
Wells Fargo Advantage Small Cap (WFSGX)	Small Cap Growth	3★	0.70	HL	70	15	6	24
West Gate Small Cap Value (WSTGX)	Small Cap Value	3★	1.30	HL	49	49	36	-
Fidelity Community Real Return (FORDX)	Community-Based Real Estate	3★	0.74	HL	12	1	4	-
Oppenheimer Sustainable Markets Fund (OSMFX)	Diversified Emerging Markets	3★	1.04	HL	35	3	1	3

Vanguard Primecap Admiral (VPMAX)	Large Growth	4★	0.31	None	9	34	48	1
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Vanguard Primecap Admiral (VPMAX)	Large Growth	4★	0.36	HL	48	32	28	6
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45

## Take Charge

Of Your Investments

1. Understand Your Investments
2. Evaluate Your Investments
3. Chose Your Investment Selection Approach



46

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**True or false - It is not possible to beat the market.**

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True False

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47

# Investment Selection Approach

Active vs. Passive



**Active Manager**  
Goal: BEAT the Market

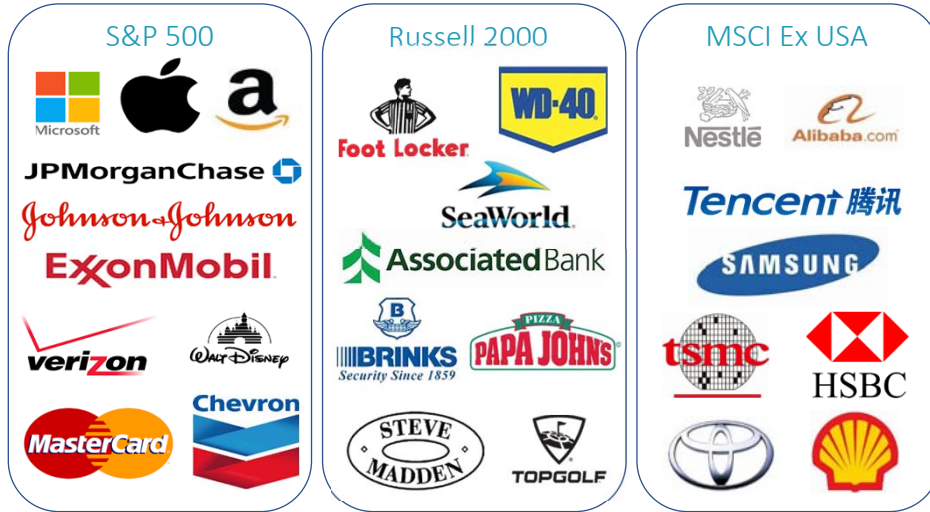
**Passive (Index) Manager**  
Goal: BE the Market!



48



# What is an index?



Sample of S&P 500, Russell 2000, and MSCI Ex USA Companies

49

# Large US Companies



Sample of S&P 500 Companies

50

# Option 1 – Pay a manager to pick the best



S&P 500 Index

Microsoft Apple Amazon Meta BERKSHIRE HATHAWAY INC. Alphabet

Johnson & Johnson Exxon Mobil Bank of America Verizon

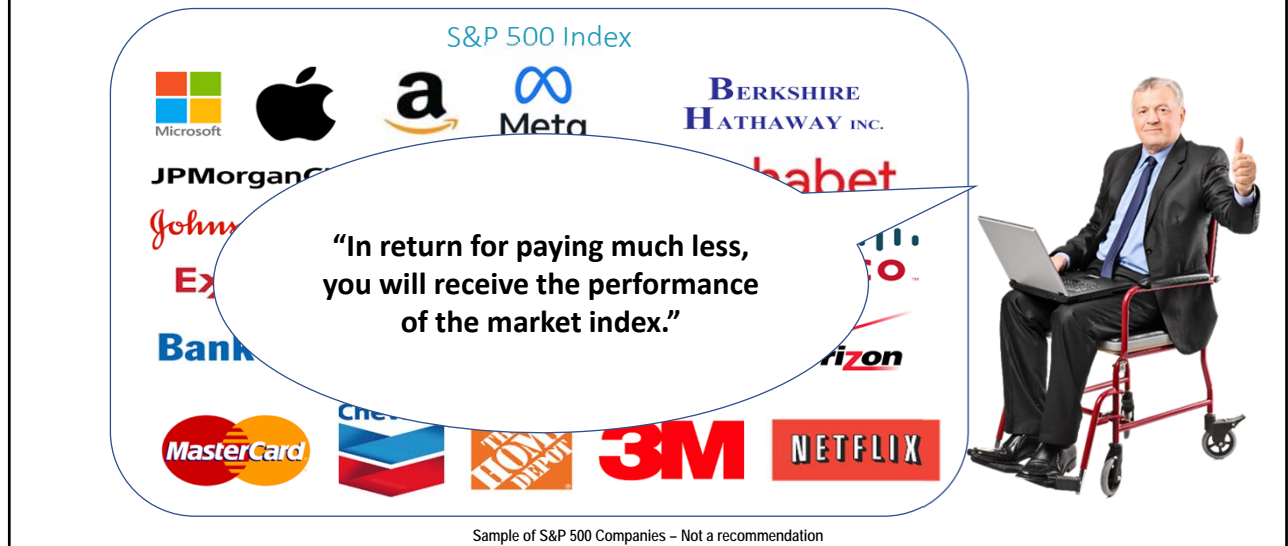
MasterCard Home Depot 3M NETFLIX

“While this will cost you a little more, the hope is you will obtain a better return.”

For illustration purposes only – Not a recommendation.

51

# Option 2 – Pay a manager less to buy the whole market



S&P 500 Index

Microsoft Apple Amazon Meta BERKSHIRE HATHAWAY INC. Alphabet

JPMorgan Chase Johnson & Johnson Exxon Mobil Bank of America Verizon

MasterCard Home Depot 3M NETFLIX

“In return for paying much less, you will receive the performance of the market index.”

Sample of S&P 500 Companies – Not a recommendation

52

## So, which should you use?



- Both are appropriate
- Resist the temptation to chase returns by moving from one to the other
- Consider diversifying your investment approach by using both!



53

## Questions to ask yourself



- Do you have access to low-cost active funds?
- Will you be investing in a well defined, efficient market?
- Will you be able to pick and exercise due diligence on the active managers?

54

# Questions to ask yourself

- Is your first and primary concern cost?
- Do you lack access to low-cost active funds?
- Does your risk tolerance suggest a lower long-term rate of return?
- Are you unable to pick and exercise due diligence on the active managers?



55

## Questions?



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56