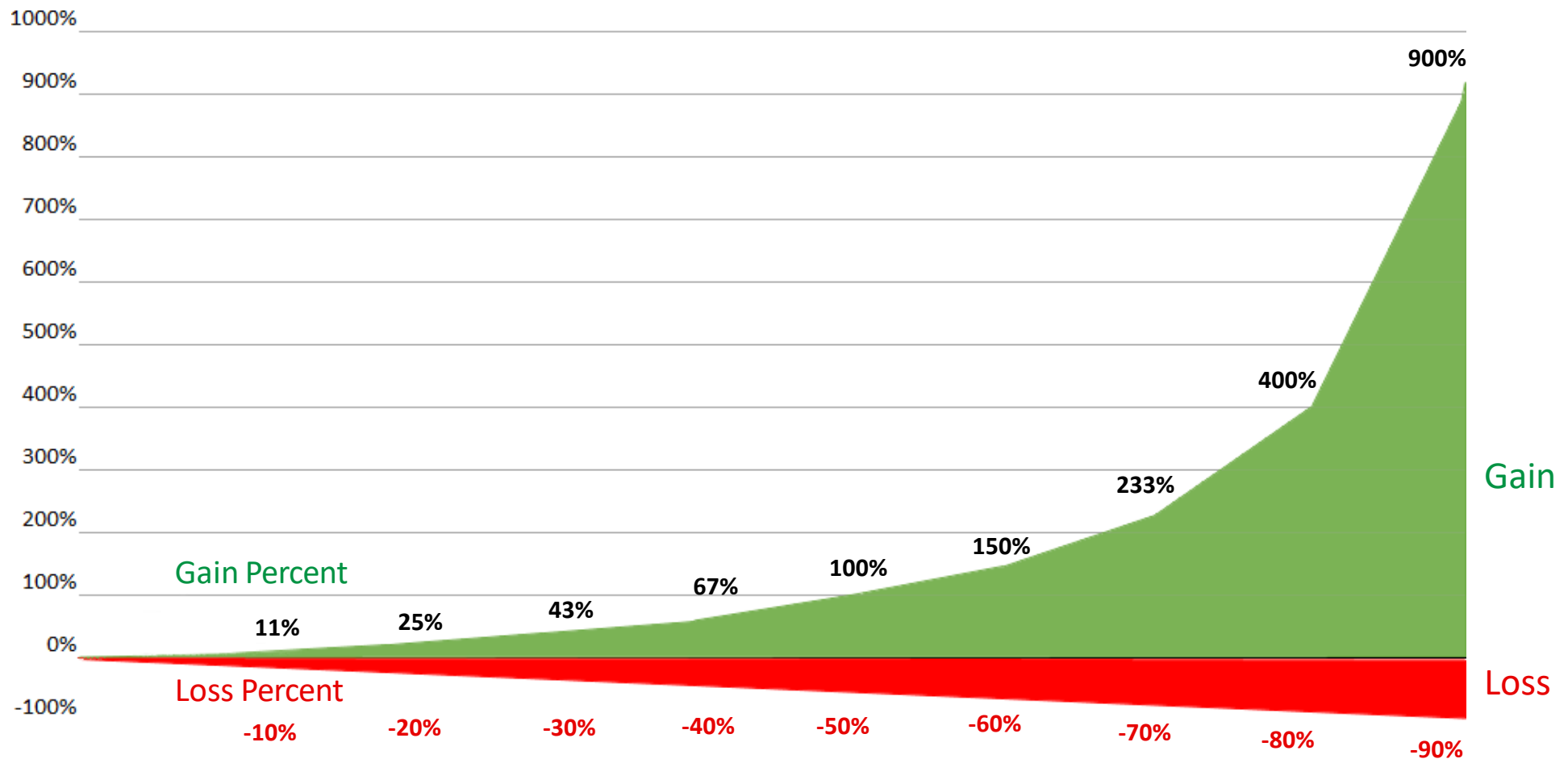


Why Avoiding Big Losses Matters

Practical Investor Insights – Math Behind Investing Success

The Math Behind Investment Losses

Gains Needed to Recover from Losses



Wealth Accumulation Phase

Primary Objective: Grow the Account

Goals: retirement, children's education, care for parents, etc.

Many believe seeking big returns is the best way to achieve big goals.

Big returns often come with big risks.

Am I better off forgoing some big gains in order to avoid big losses?



Avoiding Big Losses Matters in the Wealth Accumulation Phase

This hypothetical presentation should not serve as the sole determining factor for making investment decisions.

Option A				Option B			
		Account Balance				Account Balance	
Option A big gains and big losses.	Years	Return	\$		Return	\$	
			\$	10,000		\$	10,000
	1	19%	\$	11,900	9%	\$	10,900
	2	9%	\$	12,971	4%	\$	11,336
	3	-16%	\$	10,896	-3%	\$	10,996
	4	23%	\$	13,402	11%	\$	12,205
	5	13%	\$	15,144	6%	\$	12,938
	6	15%	\$	17,415	7%	\$	13,843
	7	19%	\$	20,724	10%	\$	15,228
	8	-17%	\$	17,201	-3%	\$	14,771
	9	-37%	\$	10,837	-5%	\$	14,032
	10	13%	\$	12,246	5%	\$	14,734
	11	19%	\$	14,572	9%	\$	16,060
	12	9%	\$	15,884	4%	\$	16,702
	13	-16%	\$	13,342	-3%	\$	16,201
	14	23%	\$	16,411	11%	\$	17,984
	15	13%	\$	18,544	6%	\$	19,063
	16	15%	\$	21,326	7%	\$	20,397
	17	19%	\$	25,378	10%	\$	22,437
Sum of Returns are the same: 82%	18	-17%	\$	21,064	-3%	\$	21,764
	19	-37%	\$	13,270	-5%	\$	20,675
	20	13%	\$	14,995	5%	\$	21,709
82%				82%			

Option B
smaller gains
and
smaller losses.

The final account
balances are
different.



Withdrawal Phase

Primary Objective: Sustain the Account

For those near or in retirement, the goal broadens beyond growth to include ensuring the money lasts through retirement. (20-30+ years)

Avoiding big losses now becomes critical.

Don't run out of money.

How does forgoing some big gains in order to avoid big losses help later in life?



Avoiding Big Losses *Really* Matters in the Withdrawal Phase

This hypothetical presentation should not serve as the sole determining factor for making investment decisions.

Option A					Option B				
		Account Change					Account Change		
Years	Return	\$ 1,000,000	Withdrawal*	Balance	Return	\$ 1,000,000	Withdrawal*	Balance	
1	19%	\$ 1,190,000	(\$40,000)	\$ 1,150,000	9%	\$ 1,090,000	(\$40,000)	\$ 1,050,000	
2	9%	\$ 1,253,500	(\$40,800)	\$ 1,212,700	4%	\$ 1,092,000	(\$40,800)	\$ 1,051,200	
3	-16%	\$ 1,018,668	(\$41,616)	\$ 977,052	-3%	\$ 1,019,664	(\$41,616)	\$ 978,048	
4	23%	\$ 1,201,774	(\$42,448)	\$ 1,159,326	11%	\$ 1,085,633	(\$42,448)	\$ 1,043,185	
5	13%	\$ 1,310,038	(\$43,297)	\$ 1,266,741	6%	\$ 1,105,776	(\$43,297)	\$ 1,062,479	
6	15%	\$ 1,456,752	(\$44,163)	\$ 1,412,589	7%	\$ 1,136,852	(\$44,163)	\$ 1,092,689	
7	19%	\$ 1,680,980	(\$45,046)	\$ 1,635,934	10%	\$ 1,201,958	(\$45,046)	\$ 1,156,911	
8	-17%	\$ 1,357,825	(\$45,947)	\$ 1,311,878	-3%	\$ 1,122,204	(\$45,947)	\$ 1,076,257	
9	-37%	\$ 826,483	(\$46,866)	\$ 779,617	-5%	\$ 1,022,444	(\$46,866)	\$ 975,577	
10	13%	\$ 880,967	(\$47,804)	\$ 833,163	5%	\$ 1,024,356	(\$47,804)	\$ 976,553	
11	19%	\$ 991,464	(\$48,760)	\$ 942,704	9%	\$ 1,064,442	(\$48,760)	\$ 1,015,683	
12	9%	\$ 1,027,548	(\$49,735)	\$ 977,813	4%	\$ 1,056,310	(\$49,735)	\$ 1,006,575	
13	-16%	\$ 821,363	(\$50,730)	\$ 770,633	-3%	\$ 976,378	(\$50,730)	\$ 925,648	
14	23%	\$ 947,879	(\$51,744)	\$ 896,134	11%	\$ 1,027,469	(\$51,744)	\$ 975,725	
15	13%	\$ 1,012,632	(\$52,779)	\$ 959,853	6%	\$ 1,034,269	(\$52,779)	\$ 981,489	
16	15%	\$ 1,103,830	(\$53,835)	\$ 1,049,996	7%	\$ 1,050,194	(\$53,835)	\$ 996,359	
17	19%	\$ 1,249,495	(\$54,911)	\$ 1,194,583	10%	\$ 1,095,995	(\$54,911)	\$ 1,041,083	
18	-17%	\$ 991,504	(\$56,010)	\$ 935,495	-3%	\$ 1,009,851	(\$56,010)	\$ 953,841	
19	-37%	\$ 589,362	(\$57,130)	\$ 532,232	-5%	\$ 906,149	(\$57,130)	\$ 849,019	
20	13%	\$ 601,422	(\$58,272)	\$ 543,149	5%	\$ 891,470	(\$58,272)	\$ 833,198	
82%			(\$971,895)		82%		(\$971,895)		

* Assumes a recurring annual withdrawal, starting at \$40,000, then adjusted yearly thereafter by 2% per year for inflation.



“By actively seeking to not lose big,
we believe that investors will be
better off in the long run.”

– Randy Swan, CEO and Lead Portfolio Manager



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