

Investing Mistakes to Avoid in the Next 6-12 Months



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Alliance for Investor Education Panel:

Investing Mistakes to Avoid in the Next 6-12 Months



Kathy Stokes
Director, Fraud Prevention
Programs, AARP



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Attorney, President, AIE;
President, PIABA
Foundation



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Vice President and
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Christina Kilroy
Vice President, ICI
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(ICIEF)



Anna Ratner
Public Policy Counsel,
CFP Board

CFP BOARD

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Public Policy Counsel, CFP Board

WHY CHOOSE A FIDUCIARY?

THE IMPORTANCE OF FIDUCIARY ADVICE

CFP BOARD

- 64% of CFP® professionals agree that more Americans will seek professional financial advice in the wake of COVID-19 and 34% of them report an increase in inquiries from prospective clients (April 2020 CFP Board survey)
- 93% of Americans think it is important that all financial advisors who provide retirement advice should be legally required to put their clients' best interest first (2017 Financial Engines survey)
- 53% of Americans *mistakenly* believe that financial advisors are already legally required to put their clients' best interests first when giving retirement advice (2017 Financial Engines survey)
- 21% of investors are not sure what they pay in investment fees, while 10% of investors don't even know if they pay any fees on their accounts (2017 Personal Capital survey)
- Hidden fees can add up to more than \$400,000 in an investor's lifetime (2017 Personal Capital survey)

CODE OF ETHICS AND STANDARDS OF CONDUCT

CFP BOARD

STANDARDS OF CONDUCT

A. Duties Owed to Clients

1. Fiduciary Duty

At all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary, and therefore, act in the best interests of the Client. The following duties must be fulfilled:

- a. Duty of Loyalty. A CFP® professional must:
 - i. Place the interests of the Client above the interests of the CFP® professional and the CFP® Professional's Firm;
 - ii. Avoid Conflicts of Interest, or fully disclose Material Conflicts of Interest to the Client, obtain the Client's informed consent, and properly manage the conflict; and
 - iii. Act without regard to the financial or other interests of the CFP® professional, the CFP® Professional's Firm, or any individual or entity other than the Client, which means that a CFP® professional acting under a Conflict of Interest continues to have a duty to act in the best interests of the Client and place the Client's interests above the CFP® professional's.
- b. Duty of Care. A CFP® professional must act with the care, skill, prudence, and diligence that a prudent professional would exercise in light of the Client's goals, risk tolerance, objectives, and financial and personal circumstances.
- c. Duty to Follow Client Instructions. A CFP® professional must comply with all objectives, policies, restrictions, and other terms of the Engagement and all reasonable and lawful directions of the Client.

KEY QUESTIONS TO ASK

CFP BOARD

- Are you a **fiduciary** at all times in our relationship?
- What **products** and/or **services** do you provide?
- How do you get **paid**?
- What are your **conflicts of interest** and how do you address them?



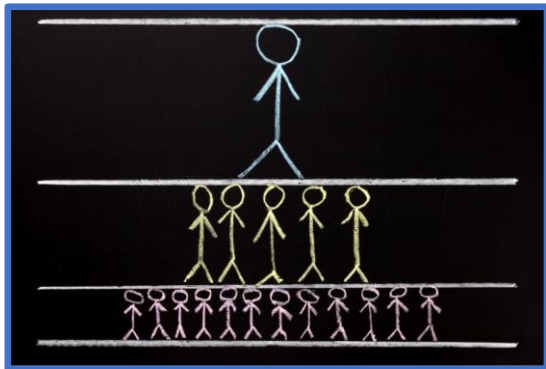
Fraud Watch Network

Kathy Stokes
Director, Fraud Prevention Programs, AARP

Investment Scams



COVID-related

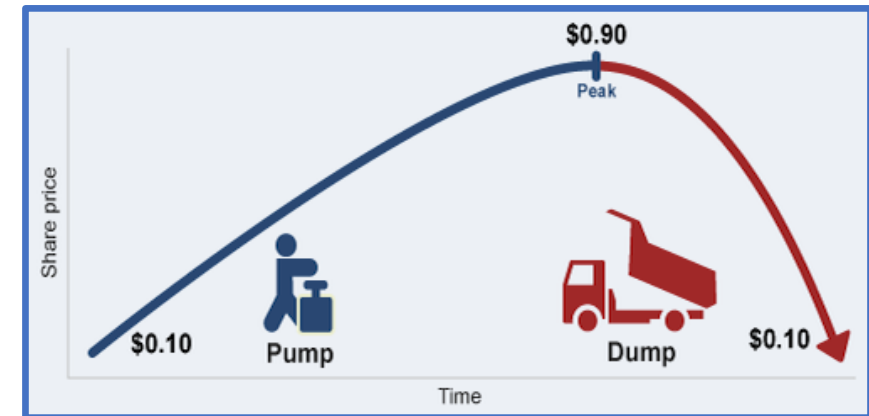


Affinity

High yield



Pump & dump

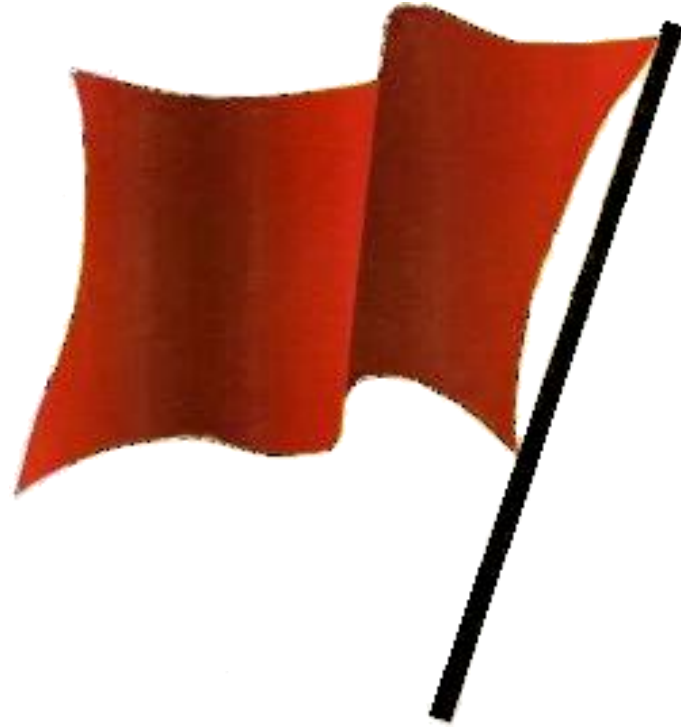


AARP[®]

Fraud Watch Network

Red Flags

- If it sounds too good to be true...
- Guaranteed high returns/no risk
- Pressure to act right away
- “Everyone is buying it”



Fraud Watch Network

Prevention

- Be wary of unsolicited offers
- Ask questions
- Research before you invest
 - www.investor.gov
 - <https://brokercheck.finra.org/>
 - www.cftc.gov/learnandprotect
 - www.nasaa.org/contact-your-regulator



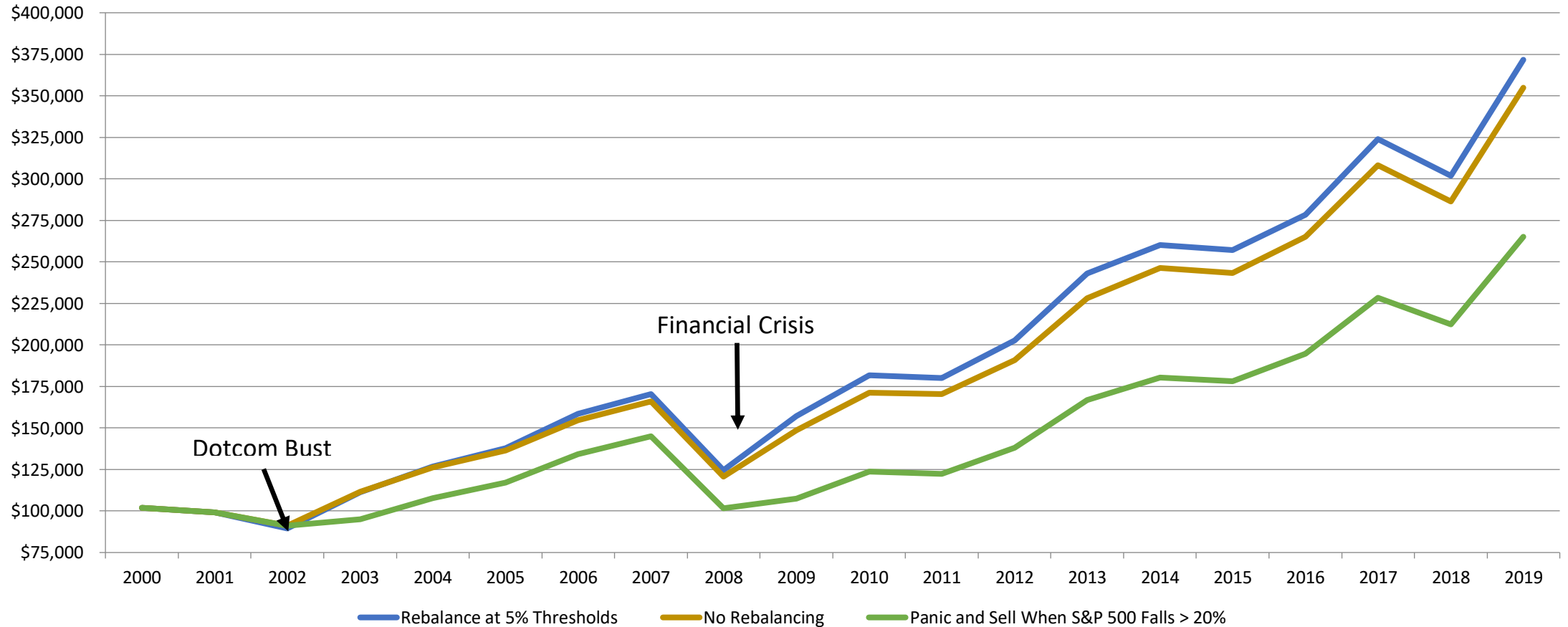
Fraud Watch Network



American
Association of
Individual
Investors

Charles Rotblut, CFA
Vice President and Financial Analyst, AAI

It's What You Do Once Invested That Matters



Source: AAIL.

Our Brains Predate the Financial Markets

- 1975 A.D.: Charles Schwab first opens
 - 1792 A.D.: NYSE founded
 - 1636 A.D.: Tulip mania occurs in Holland
- 
- 10,000 B.C.: Settlements in Mesopotamia

Simple solutions often
work really well.

Our Five-Step Process for Building and Maintaining Wealth





CFA Institute

Robert Stammers, CFA
Secretary/Treasurer AIE, Director of Investor
Engagement, Future of Finance Team, CFA Institute

CFA Institute Investor Tools — Principles & Best Practices

 CFA Institute

STATEMENT OF INVESTOR RIGHTS

The "Statement of Investor Rights" was developed by CFA Institute to advise buyers of financial service products of the conduct they are entitled to expect from financial service providers. These rights reflect the fundamental ethical principles that are critical to achieving confidence and trust in any professional relationship. The list applies to financial products and services such as investment management, research and advice, personal banking, insurance and real estate, whether you are establishing an investment plan, working with a broker, opening a bank account or buying a home. The Statement of Investor Rights is a tool to help you get the information you need and the service you expect and deserve. **Understanding that financial professionals abide by these rights helps you build trust in the person and/or firm you engage with, and thereby collectively restore trust, respect, and integrity in finance.**

WHEN ENGAGING THE SERVICES OF FINANCIAL PROFESSIONALS AND ORGANIZATIONS, I HAVE THE RIGHT TO...

1. **Honest, competent, and ethical** conduct that complies with applicable law.
2. Independent and **objective** advice and assistance based on informed analysis, prudent judgment, and diligent effort.
3. My financial **interests** taking precedence over those of the professional and the organization.
4. **Fair** treatment with respect to other clients.
5. Disclosure of any existing or potential **conflicts of interest** in providing products or services to me.
6. **Understanding** of my circumstances, so that any advice provided is suitable and based on my financial objectives and constraints.
7. Clear, accurate, complete and timely **communications** that use plain language and are presented in a format that conveys the information effectively.
8. An explanation of all **fees** and costs charged to me, and information showing these expenses to be fair and reasonable.
9. **Confidentiality** of my information.
10. Appropriate and complete **records** to support the work done on my behalf.

Visit cfainstitute.org/futurefinance

 CFA Institute

REALIZE YOUR RIGHTS

MAY 2016

Using the Statement of Investor Rights to Find the Right Financial Professional

The Statement of Investor Rights is a tool to clarify what you should expect from a financial professional. The questions inside correspond to each of the investor rights and will help you determine whether the person or firm you hire is willing to put your interests first and is committed to the ethical principles that are critical to achieving your goals.

 CFA Institute

ESSENTIALS OF A MORE SECURE RETIREMENT

CFA Institute is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our goal is to create an environment where investors' interests come first, markets function at their best, and economies grow. We have created the "Essentials of a More Secure Retirement" to highlight key principles and practices that will help individual investors successfully reach their retirement goals. Using the tools, planning insights, and suggestions in the document will help you to Get Started, to Keep It Going, to Invest Wisely, and to eventually Retire Well.

GET STARTED
KEEP IT GOING
INVEST WISELY
RETIRE WELL

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7 STEPS TO FINANCIAL FITNESS

Achieving financial fitness requires discipline and determination over the long term, just like running a marathon. CFA Institute believes that becoming financially fit means feeling good and confident about your financial situation. It means being able to manage your money in order to meet your current and long-term needs. As with any type of training, becoming financially fit requires learning the principles and best practices that others have used to achieve their financial objectives.

 CFA Institute

 CFA Institute

FOCUS ON FEES

The CFA Institute [Statement of Investor Rights](#) lists the rights and expectations investors are entitled to expect when working with financial professionals. Among these is a right to "an explanation of all fees and costs charged to me, and information showing these expenses to be fair and reasonable."

 CFA Institute

Financial Wellness in Uncertain Times

The current health crisis has become an economic and financial crisis. Although it's important to build personal finance and investing skills throughout our lives, it's during these periods of uncertainty when these skills provide the most value. We all feel anxiety and we all have many doubts about the future and how things may unfold in the short term. However, if we focus on building appropriate skills and design a well-thought-out plan to fulfill our financial objectives, we'll all be in a much better position. Undoubtedly, we will face more periods of uncertainty and financial surprises in the future, so the more we learn from this one, the more prepared we'll be going forward!

A saving, spending and investing discipline is necessary for financing short and long-term financial needs and desires, and can help you be better prepared to deal with unexpected events and expenses. To begin building the skills you need now and, in the future, take time to adopt the following financial principles:

Review your financial goals. Having a plan to achieve your goals is crucial.

- Plan how to use savings and investments to reach your financial goals. Update your plan as goals are achieved, circumstances change, and new goals are prioritized.
- Determine how much you need to save and invest over time, to finance your immediate needs and longer-term goals.
- Build an emergency fund to help insure against losses of income, unexpected expenses, and other situations that cannot be planned for.

Be conscious of your spending. By tracking expenses, you can be sure to stay within budget and save appropriately.

- Create a budget that includes necessities, required expenditures, discretionary items, and the periodic savings necessary to finance your goals.
- Track your spending. Compare it regularly against your budget and make changes to your spending where necessary.
- Use the knowledge and skills you gain over time to differentiate needs and wants, spend less where possible, and save more.

"Steady as she goes." Spending less than you make and avoiding the use of debt are crucial steps for optimizing savings and investment accounts.

- Growth in income, bonuses, and other windfalls can increase savings and investment accounts. Deal with current offers of assistance (debt payment deferral, cash infusions, etc.) as you would any unexpected windfall.

 CFA Institute

In Uncertain Times, Rely on Time Tested Principles

COVID 19 and related uncertainty have added to volatility in the stock market. This is a unique and uncertain time for all investors and one that will require all of us to be extra focused and cautious when making financial decisions. Although it's important to build personal finance and investing skills throughout our lives, it's during these periods of uncertainty when these skills provide the most value. We all feel anxiety and have many doubts about the future and how things may unfold in the short term. However, if we focus on building appropriate skills and designing a well-thought-out plan to fulfill our financial objectives, we'll all be in a much better position. We will face more periods of uncertainty and financial surprises in the future, so the more we learn from this one, the more prepared we'll be going forward!

To keep calm and stay confident in your financial plan during turbulent market conditions, investors need to understand how the market has fared through previous periods of extreme volatility and should embrace tried-and-true investment strategies and habits.

Don't panic! Although not panicking is sometimes harder said than done, research has shown that we all make poor decisions when rattled, so try to make financial decisions when you are calm and thinking rationally.

- Avoid the single biggest mistake investors make, which is buying high and selling low. In general, the stock market has been resilient in its recoveries from previous drops. In 7 of 11 historical drops, it only took one year for the S&P 500 index to recover to its previous all-time high.
- Periods of uncertainty and brutal market swings call for caution. Avoid making drastic changes unless absolutely necessary. While the past cannot predict the future, if you are a long-term investor with time on your side, you can generate positive returns by staying invested, despite large periodic declines.
- Review your financial plan. Investors with a solid financial plan are less likely to be affected by unexpected situations and to second-guess their strategies because their long-term plan anticipates the potential for market swings over time. If modifications are needed, having a solid financial plan can help you avoid making bad or irrational decisions.

Don't time the market. Long-term investors are better off contributing consistently to their portfolios than trading in and out trying to time the market.

- *Having the right asset allocation or a mix of assets for a given objective is the most important decision an investor makes because it is critical for achieving investment goals.*
- Investors who were not invested during the top 10 trading days for the S&P 500 index from 2009 to 2019 would have achieved less than half the performance over that same 20-year period.
- Creating an emergency fund of cash or low-risk assets is the best way to insulate yourself from having to sell into a bad market. For you and your family to be better prepared for unexpected events, try to put away a minimum of 3-6 months of household expenses.

AVOIDING COMMON INVESTOR MISTAKES



FOCUSING ON THE WRONG PERFORMANCE

Most firms' performance can often make you second-guess your overall strategy.

Consider looking past near-term results and focusing on what drives long-term performance.

FAILING TO DIVERSIFY ENOUGH

Overexposure to one security or sector, or alternatively too many securities, can adversely affect performance.

Find a balance that matches your investment objectives. Seek the advice of a professional advisor.

TAKING TOO MUCH, TOO LITTLE, OR TOO WRONG RISK

Being too much or too little risk can affect investment performance and prevent you from achieving your financial goals.

Make sure you know your financial and emotional ability to take risk and assess your portfolio to suit your long-term goals.

TRYING TO BE A MARKET TIMING GENIUS

Market timing is possible, but very difficult. Attempts to time the market can lead to poor results.

Investors are better off contributing consistently to their portfolios rather than trying to time the market.

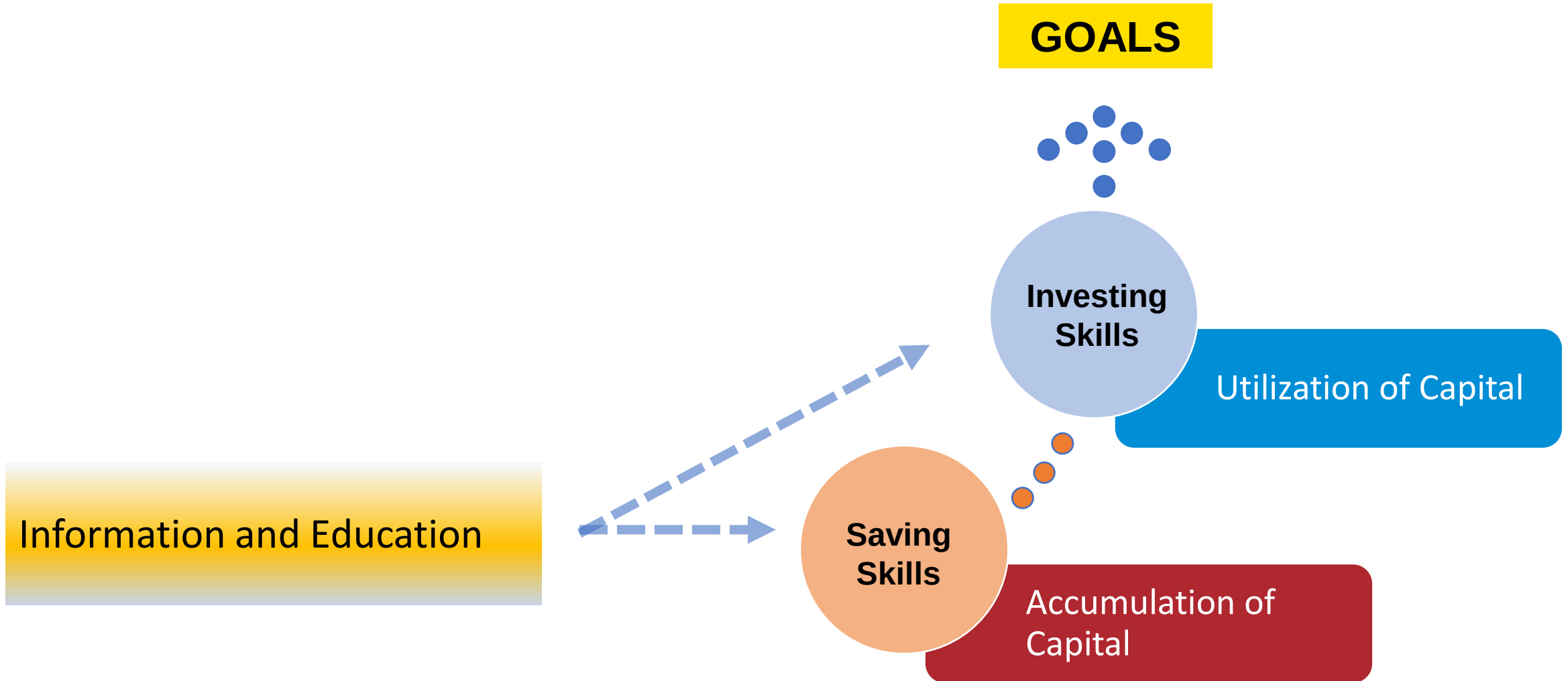
PAYING TOO MUCH IN FEES AND COMMISSIONS

Be aware of the potential cost of every investment decision.

Look for funds with low fees that make sense and avoid a portfolio riddled with fees. Be savvy about how you pay.

TO LEARN HOW YOU CAN AVOID OTHER COMMON INVESTOR MISTAKES, VISIT: <http://bit.ly/avoidingcommoninvestormistakes>

Why Study Personal Finance & Investment Mgt ?



Investment & Money Management in Uncertain Times



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Principles for Uncertain Times

PERSONAL FINANCE	INVESTMENT MGT.
<i>Review your financial goals</i>	<i>Review Financial Plan</i>
<i>Track Spending</i>	<i>Don't time the market</i>
<i>Maintain Steady Lifestyle</i>	<i>Stop reacting to the media.</i>
<i>Insure Yourself from the unexpected (Emergency Fund)</i>	<i>Insure Yourself from the unexpected (Emergency Fund)</i>
<i>Invest in Yourself</i>	<i>Review Your risk profile</i>
<i>Obtain Knowledge & Advice</i>	<i>Obtain Knowledge & Advice</i>

AVOIDING COMMON INVESTOR MISTAKES

ON THE WRONG PERFORMANCE

Short term speculation can often make you second guess your overall strategy.

Consider looking past near term chatter and focusing on what drives long-term performance.

FAILING TO DIVERSIFY ENOUGH

Overexposure in one security or sector, or alternatively too many exposures can adversely affect performance.

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TAKING TOO MUCH, TOO LITTLE, OR THE WRONG RISK

Taking too much or too little risk can affect investment performance and prevent you from achieving your financial goals.

Make sure you know your financial and emotional ability to take risks and assess your portfolio to suit your long term goals.

LETTING EMOTIONS GET IN THE WAY

Do you involve your emotions in financial decisions? What happens to your assets after you die?

Don't let the immediacy of these questions take you. A good advisor will help construct a plan that works no matter what.

IN FEES AND COMMISSIONS

Be aware of the potential cost of every investment decision.

Look for funds with fees that make sense and ensure you're receiving value for advisory fees you pay.

TRYING TO BE A MARKET TIMING GENIUS

Market timing is possible but very difficult, especially for people who aren't well trained.

Investors are better off contributing consistently to their portfolios rather than trying to trade in and out in an attempt to time the market.

TO LEARN HOW YOU CAN AVOID OTHER COMMON INVESTOR MISTAKES, VISIT: [HTTP://BIT.LY/AVOIDINGCOMMONINVESTORMISTAKES](http://bit.ly/avoidingcommoninvestormistakes)

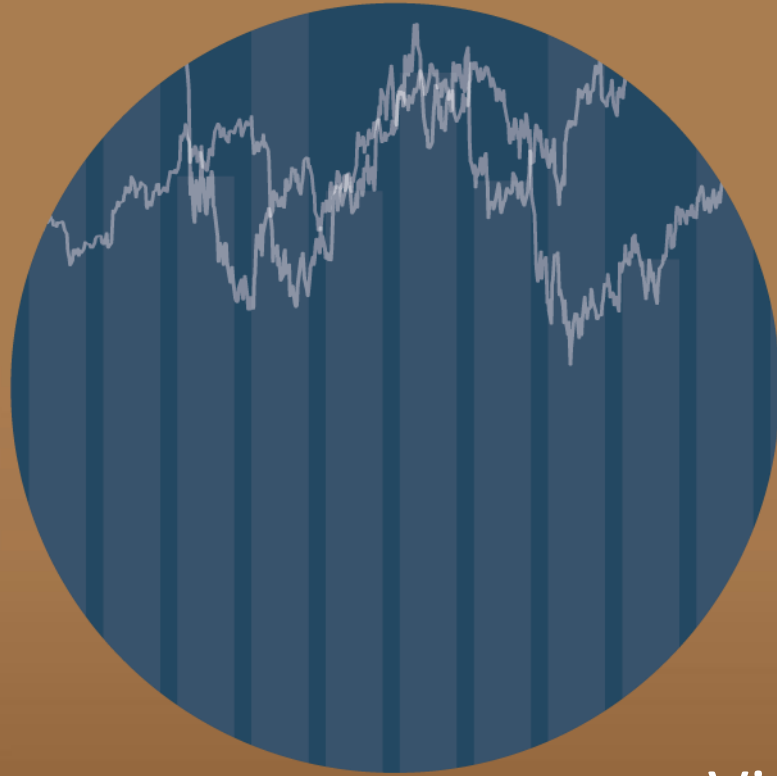
The information contained in this product is intended to provide general information only. It is provided for informational purposes and should not be used as a basis for investment decisions. Please consult a qualified professional for the construction of your specific portfolio.



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EDUCATION FOUNDATION

Christina Kilroy
Vice President, ICI Education Foundation (ICIEF)

Investing Through Economic Uncertainty



Christina Kilroy
Vice President, ICIEF



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**When will my balance
get back on track again?**



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How Did Consistent 401(k) Participants Fare Through Tech Bubble Burst?

S&P 500
lost nearly
50%

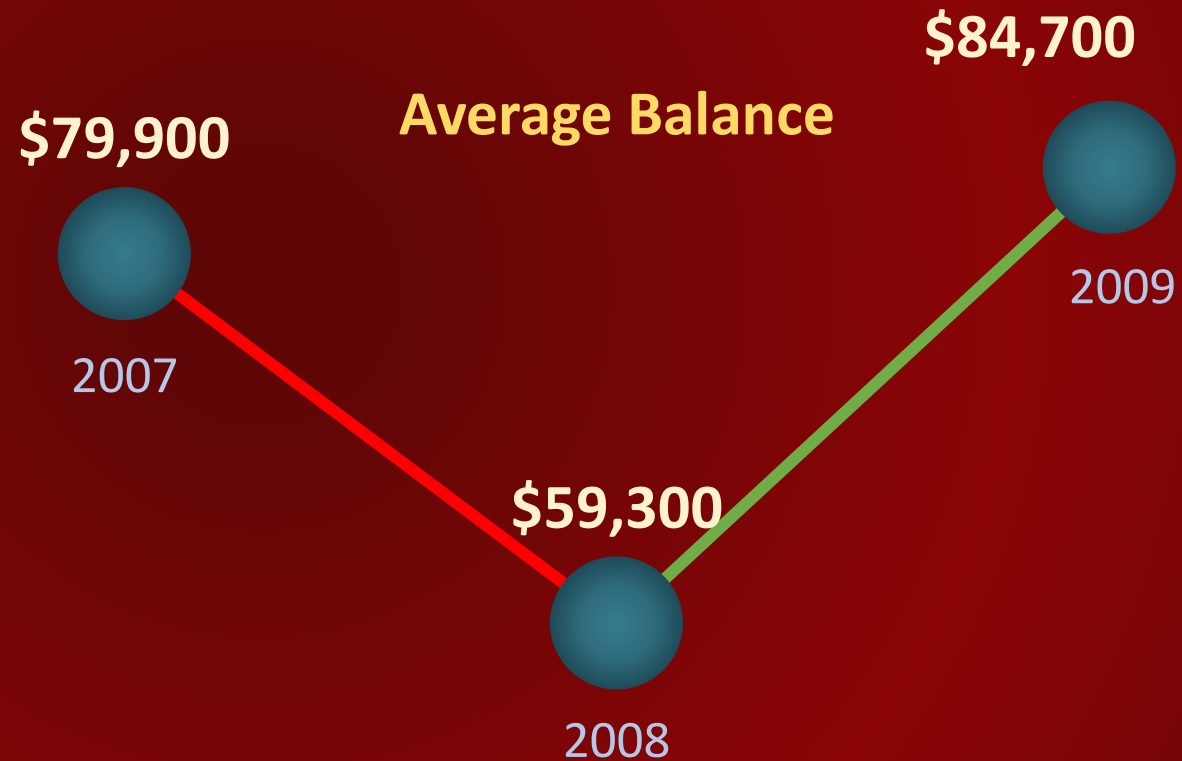


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And Through the Global Financial Crisis?

S&P 500
declined
more than
50%



401(k) participants benefit from



contributions



diversification



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Question & Answer Session



www.investoreducation.org

*Use the hashtag **#AIETownhall** when posting about tonight's webinar*



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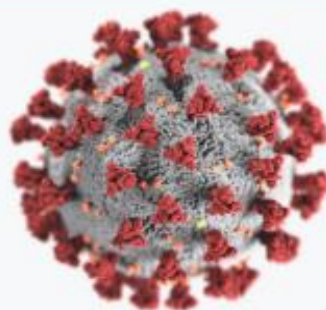
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AIE

INVESTING DURING A PANDEMIC

ALLIANCE FOR
INVESTOR
EDUCATION



10 BEST RESOURCES

To Assist Investors
In Navigating the
Current Crisis Environment

<http://www.investoreducation.org/COVID-19>

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INVESTOR
EDUCATION

What is the
true cost of
investing?



UNDERSTANDING EXPENSES AND FEES

10 BEST RESOURCES FOR
CONSUMERS

TO PREVENT SURPRISES
THAT COULD SHRINK THE
BOTTOM LINE

READ THE FULL POST AT:
[http://www.investoreducation.org/
expensesandfees](http://www.investoreducation.org/expensesandfees)



American
Association of
Individual
Investors

Upcoming Webinars:

www.aaii.com/webinars

Kevin Carter: The Future of Emerging Markets & the Digital Revolution

EMQQ's Founder of Emerging Markets Internet & Ecommerce ETF

Wednesday, June 3, 2020, 7:30 p.m. CDT

Wayne Thorp: Investing Like a Stock Superstar

AAll Senior Financial Analyst

Wednesday, June 10, 2020, 7:30 p.m. CDT

Craig Israelsen: Retirement Portfolio Analysis—A Multi-Decade Review

Executive-in-Residence, Personal Financial Planning Program, Utah Valley University

Wednesday, June 17, 2020, 7:30 p.m. CDT

