Investing Mistakes to Avoid in the Next 6-12 Months

AIE

Alliance for Investor Education

AAII

American Association of Individual Investors®

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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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Christina Kilroy
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Anna Ratner
Public Policy Counsel, CFP Board

AAII AMERICAN ASSOCIATION OF INDIVIDUAL INVESTORS®

CFP BOARD

Anna Ratner
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)

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?

AARP® Fraud Watch Network

Kathy Stokes
Director, Fraud Prevention Programs, AARP

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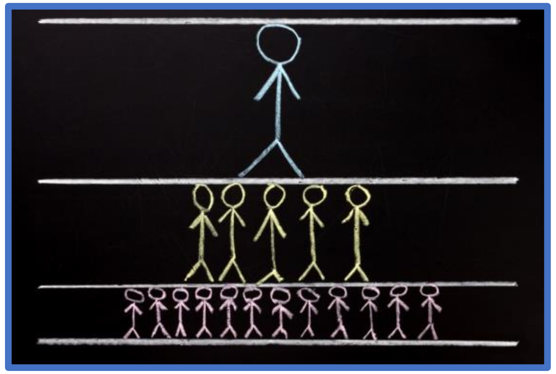
Investment Scams

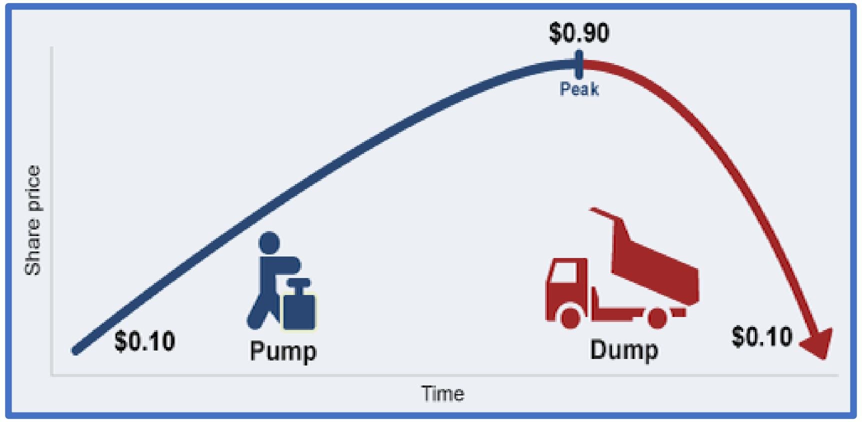
COVID-related

High yield



Affinity

Pump & dump

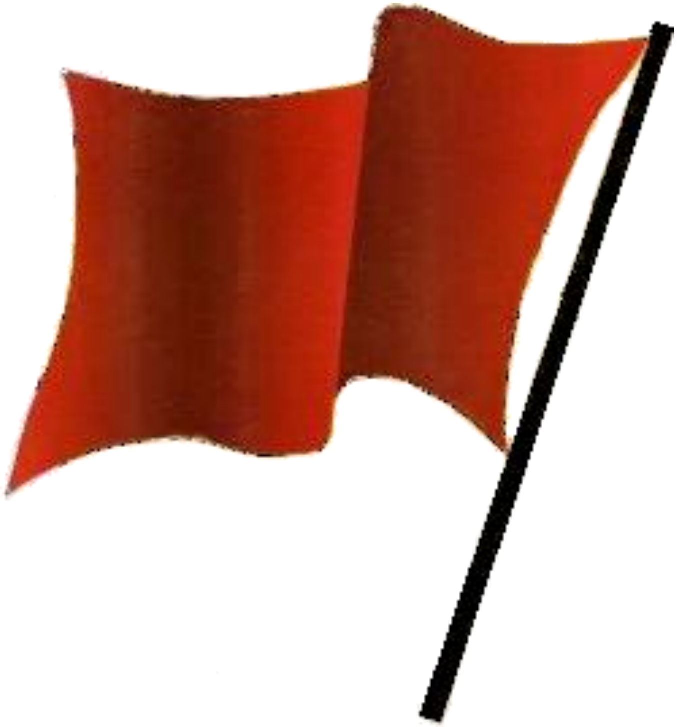


AARP®

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”



AARP
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

AARP®
Fraud Watch Network

AAII

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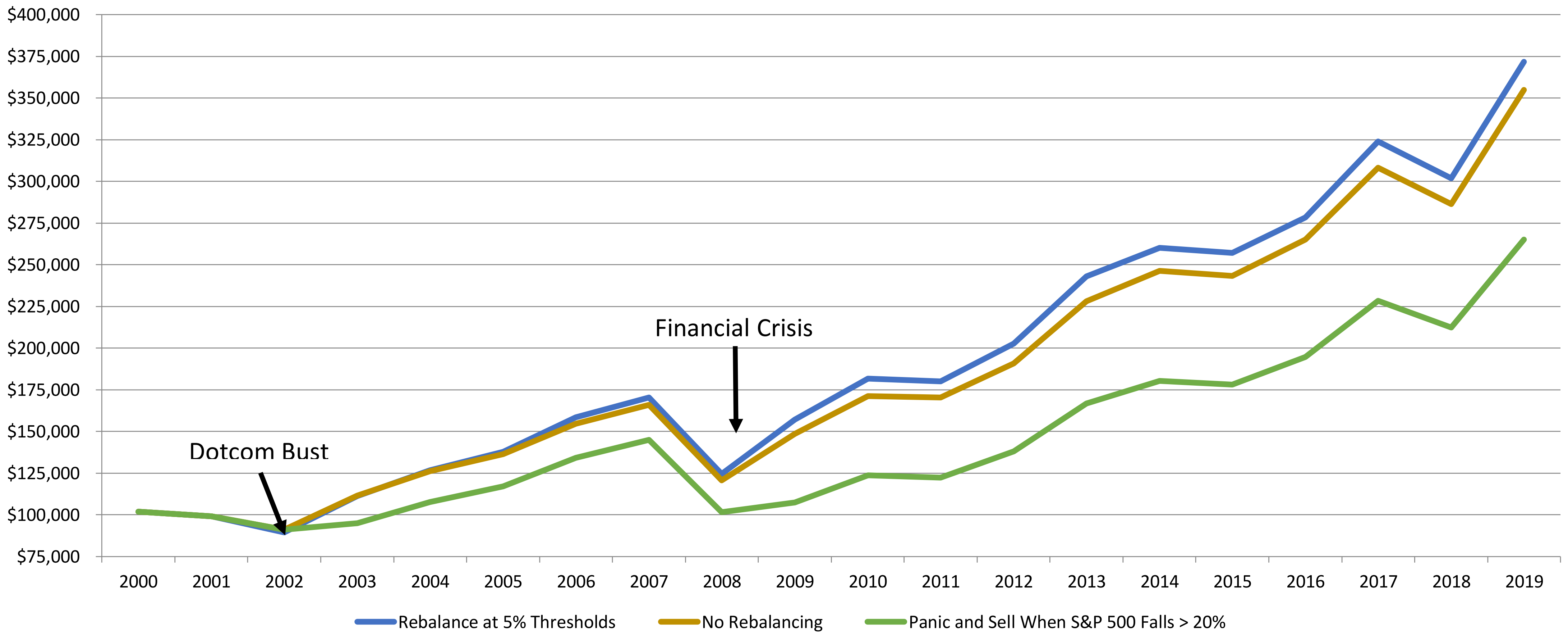
Charles Rotblut, CFA

Vice President and Financial Analyst, AAII

It’s What You Do Once Invested That Matters



Source: AAII.

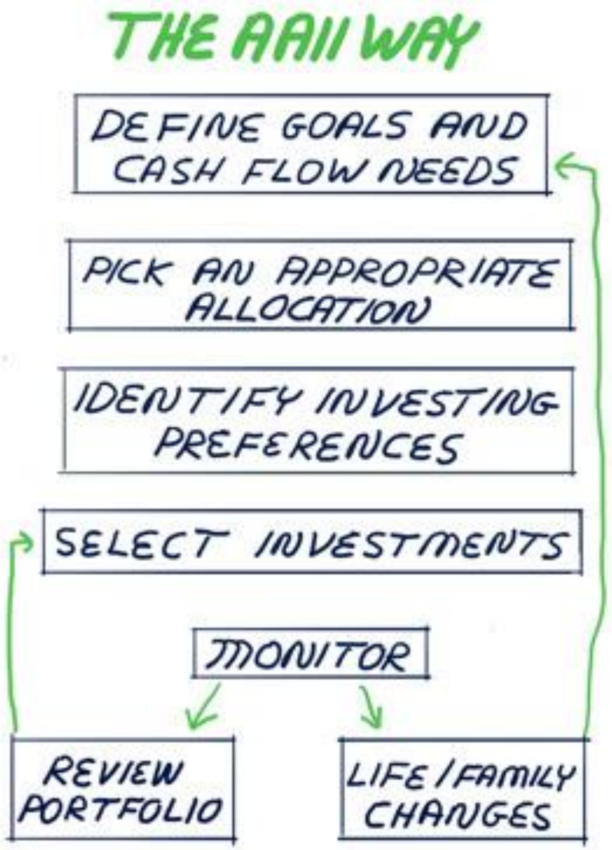
Our Brains Predate the Financial Markets

- 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.

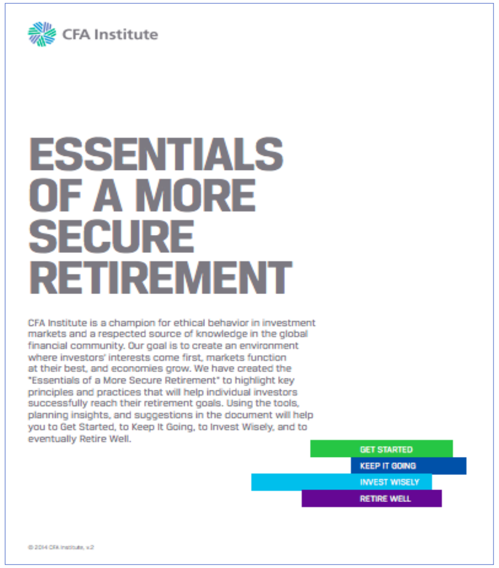
Our Five-Step Process for Building and Maintaining Wealth

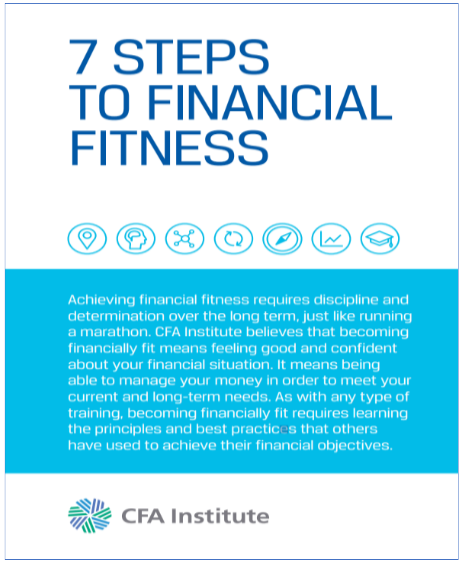


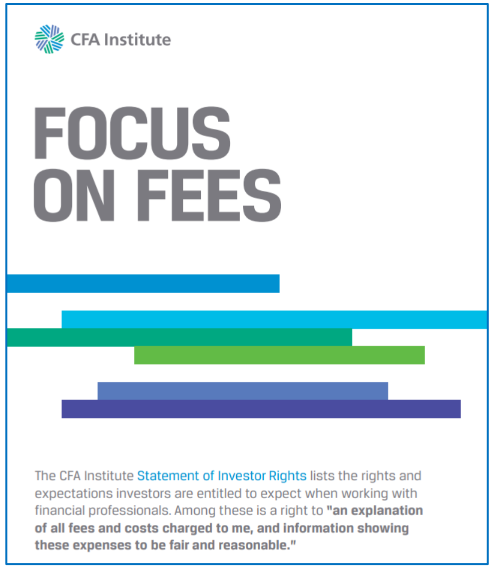
CFA Institute

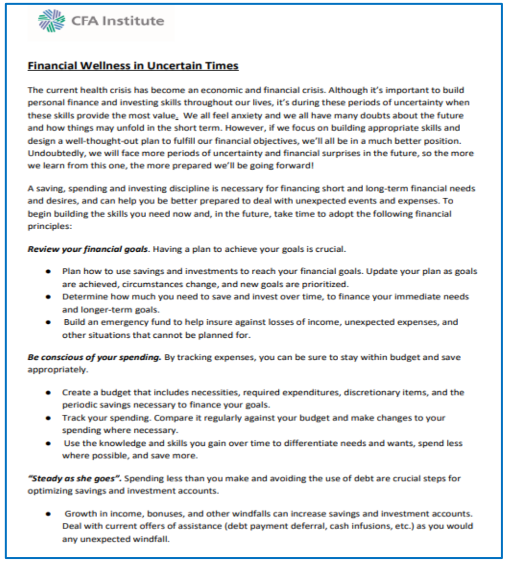
Robert Stammers, CFA
Secretary/Treasurer AIE, Director of Investor Engagement, Future of Finance Team, CFA Institute

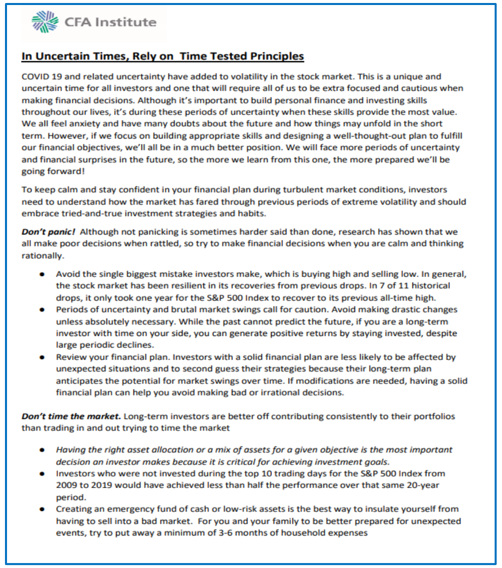
CFA Institute Investor Tools – Principles & Best Practices





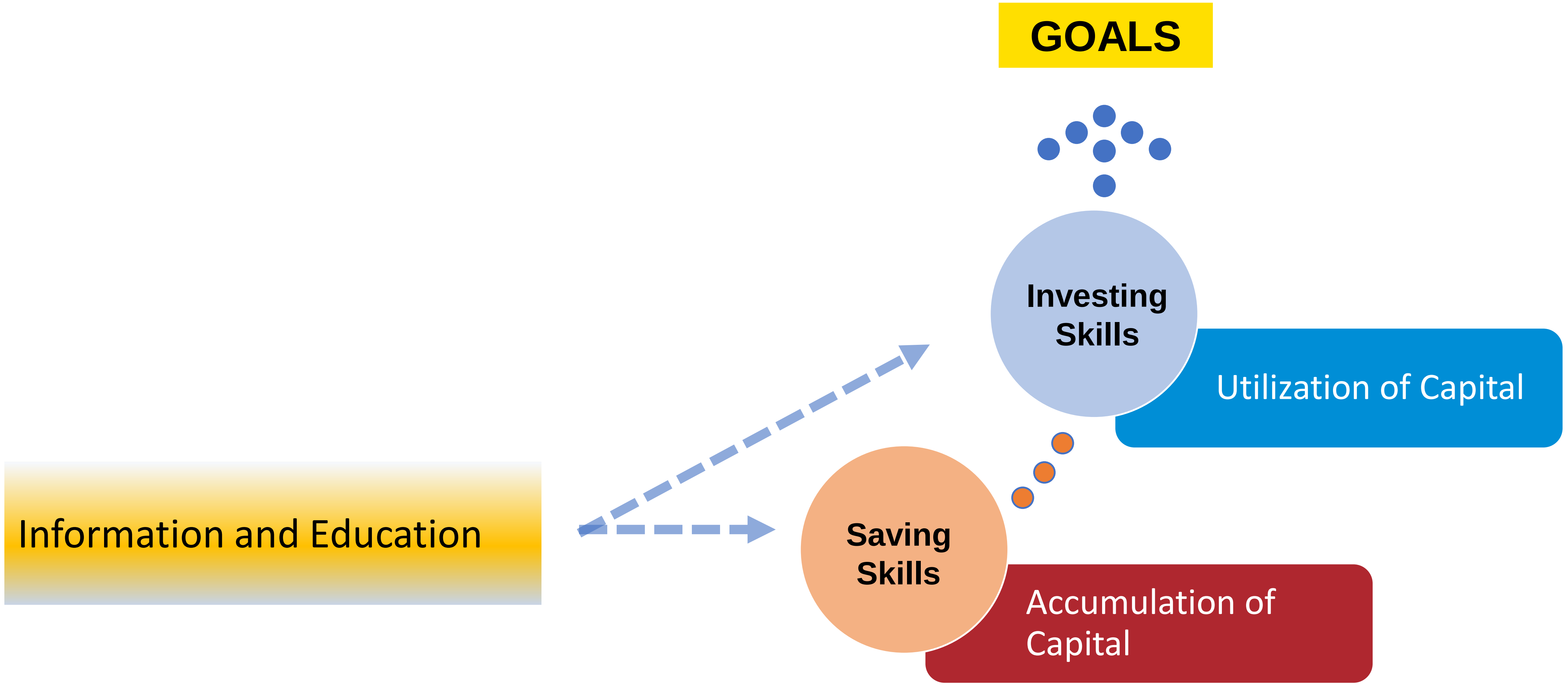






CFAInstitute.org/FutureFinance

Why Study Personal Finance & Investment Mgt ?



Investment & Money Management in Uncertain Times

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.

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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.

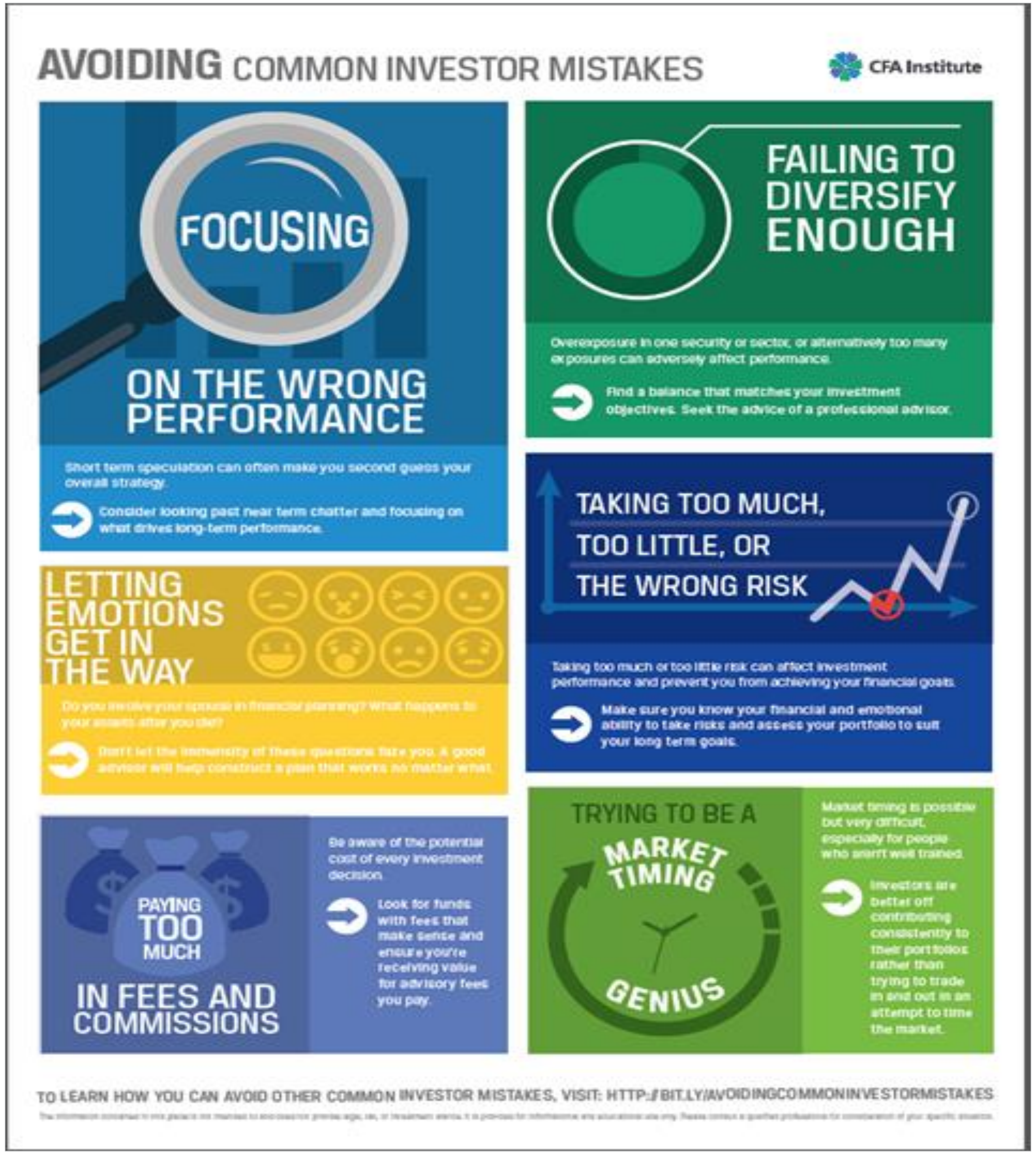
- Avoid the single biggest mistake investors make, which is buying high and selling low. In general, the stock market has been resilient in its recoveries from previous drops. In 7 of 11 historical drops, it only took one year for the S&P 500 Index to recover to its previous all-time high.
- Periods 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

Principles for Uncertain Times

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



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Christina Kilroy
Vice President, ICI Education Foundation (ICIEF)

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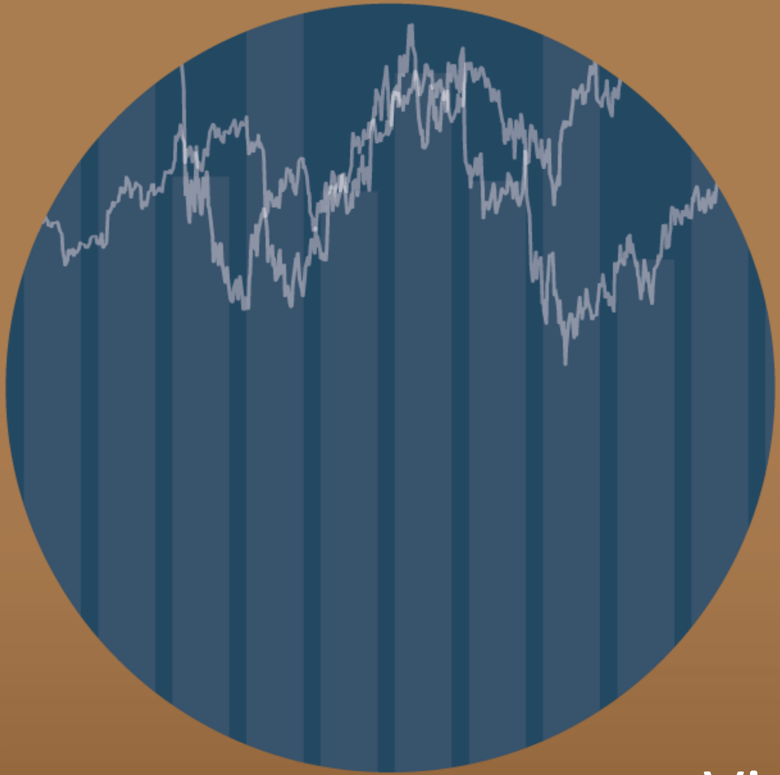
Investing Through Economic Uncertainty



Christina Kilroy
Vice President, ICIEF

When will my balance get back on track again?

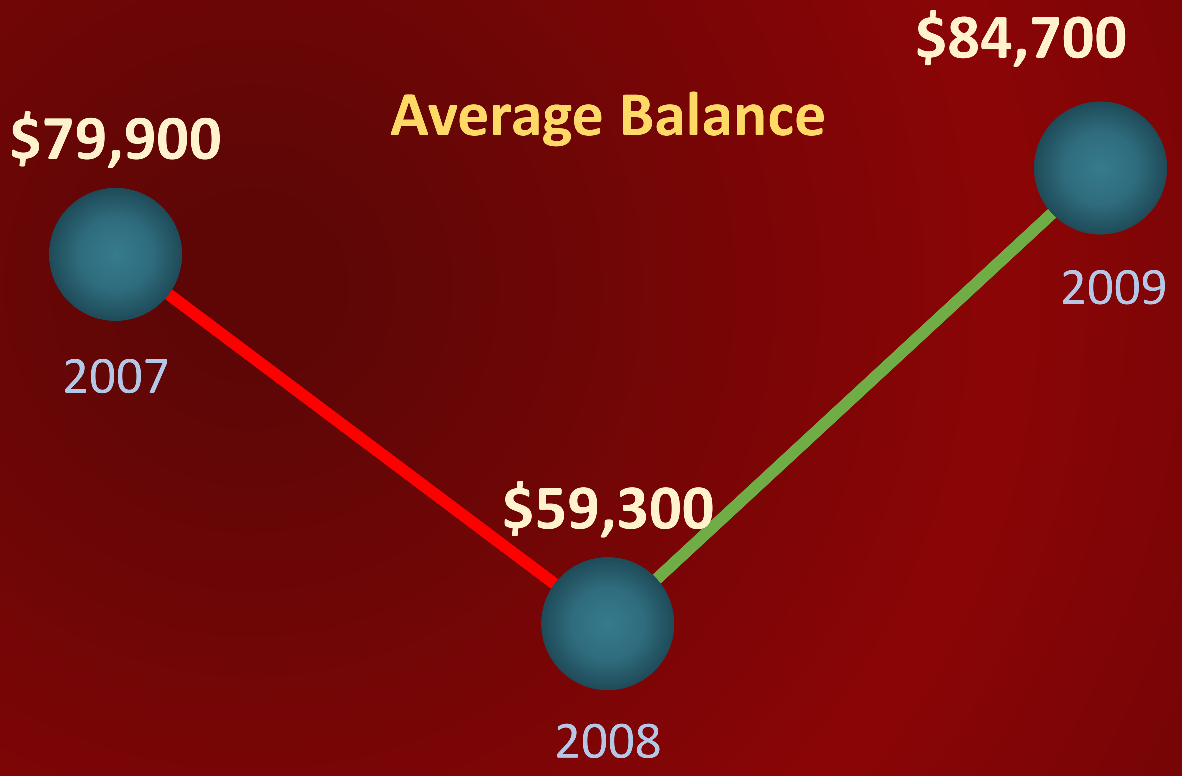
How Did Consistent 401(k) Participants Fare Through Tech Bubble Burst?

S&P 500
lost nearly
50%

And Through the Global Financial Crisis?

S&P 500
declined
more than

50%



401(k) participants benefit from

contributions

+

diversification

Question & Answer Session

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Investing during a Pandemic

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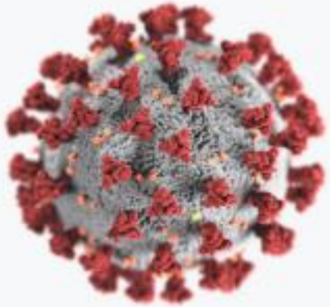

10 best Resources

To Assist Investors
In Navigating the
Current Crisis Environment

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

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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

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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
AAII 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

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