How to Stay Calm and Invest Smarter in 2025

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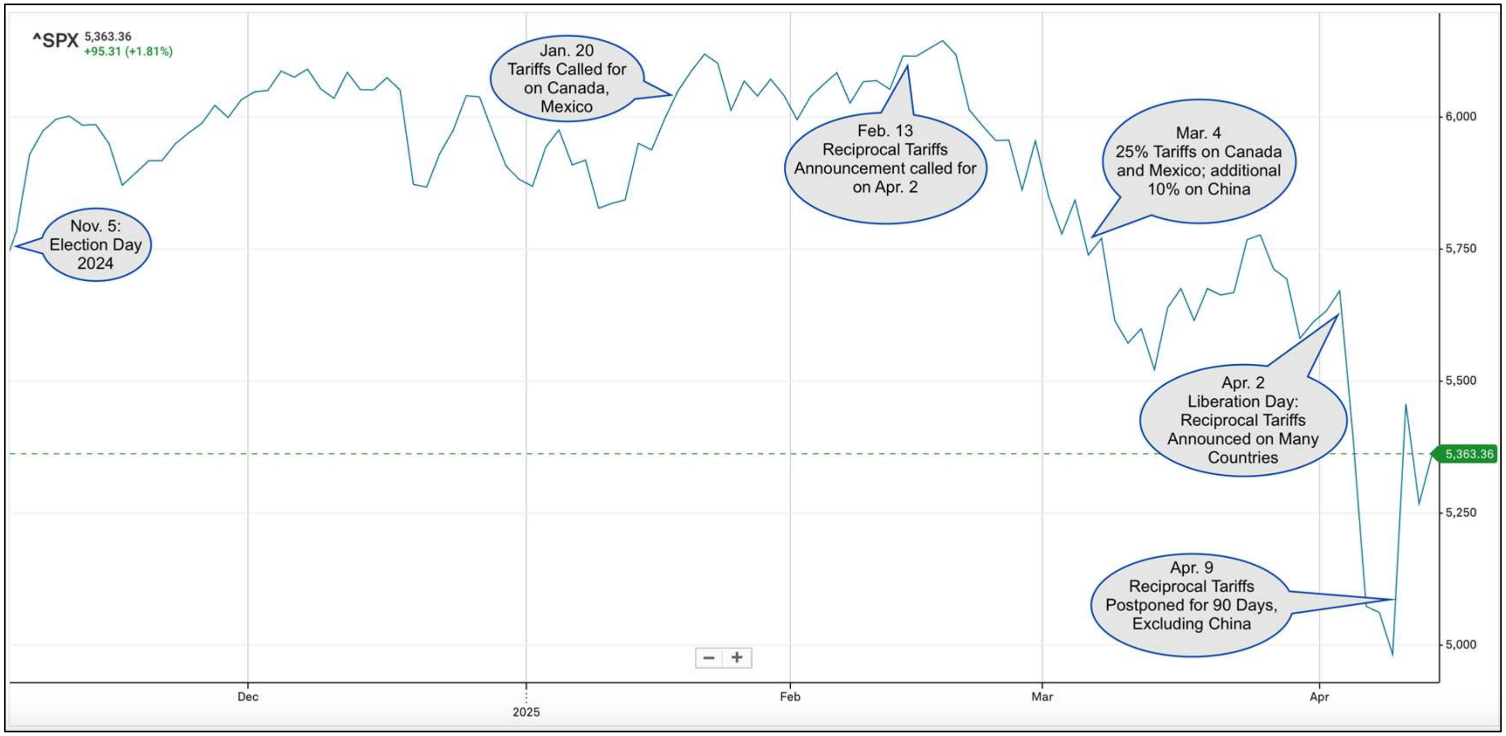
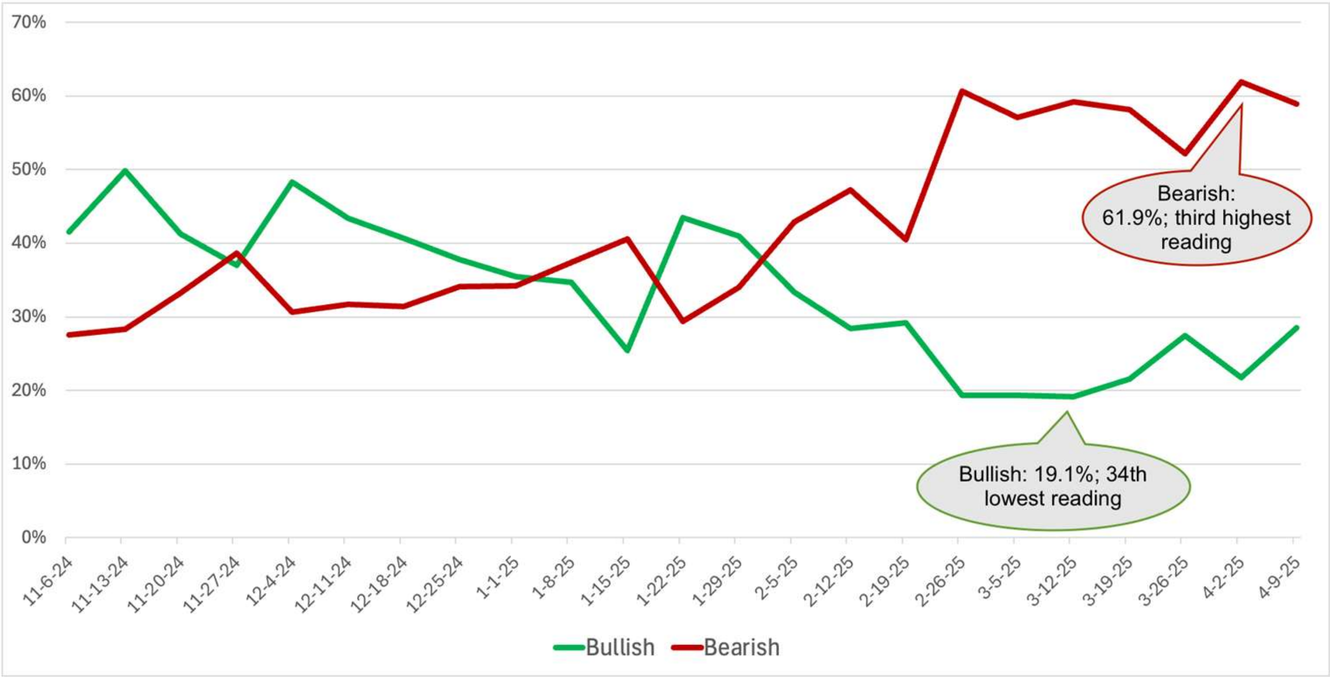
Tariff Announcements and the S&P 500



Source: S&P Capital IQ and NPR. Data as 4/11/2025.

AAII Sentiment Survey



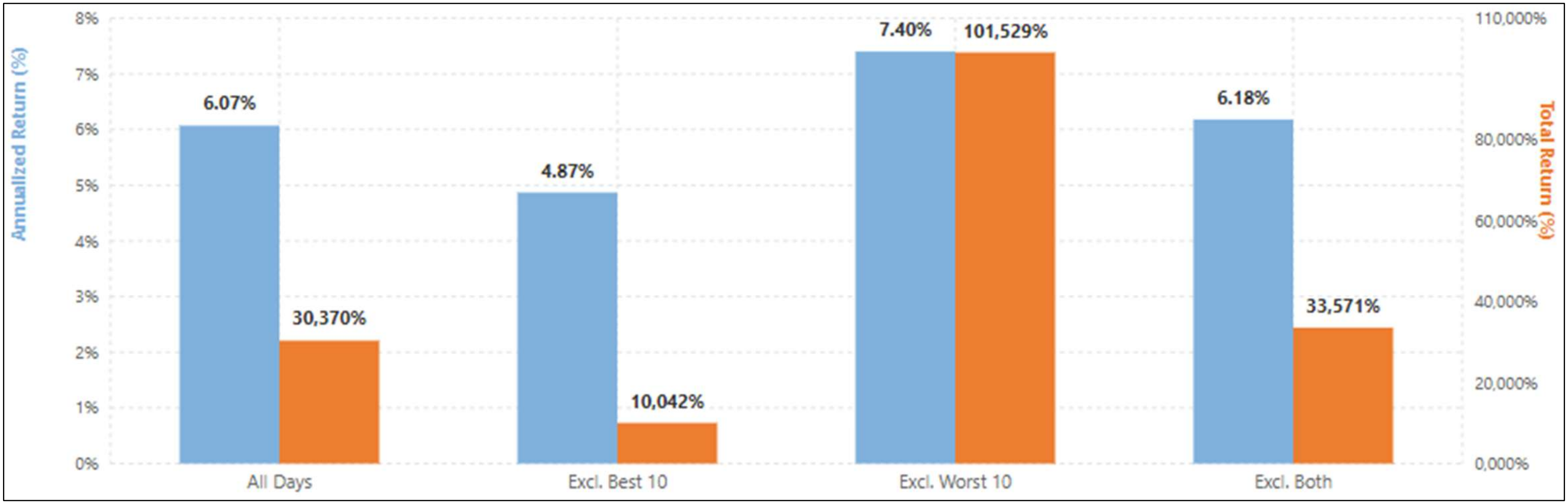
AAII Sentiment Survey results for 11/6/2024–4/9/2025.

Recovery Time From Stock Market Drops (1945–2024)

Type of Decline	Number	Average Drop From Peak	Time to Low (Months)	Time to Recovery (Months)
Pullback (5.0–9.9%)	62	(7%)	1	1.5
Correction (10.0%–19.9%)	24	(14%)	4	4
All Bear Markets (>20%)	14	(32%)	13	23
“Garden Variety” Bear (20%–40%)	10	(27%)	10	13
“Mega-Meltdown” Bear (>40%)	3	(51%)	23	58

Source: Sam Stovall.

Impact of Missing "3%" Days



S&P 500 Index
December 31, 1927 – April 11, 2025

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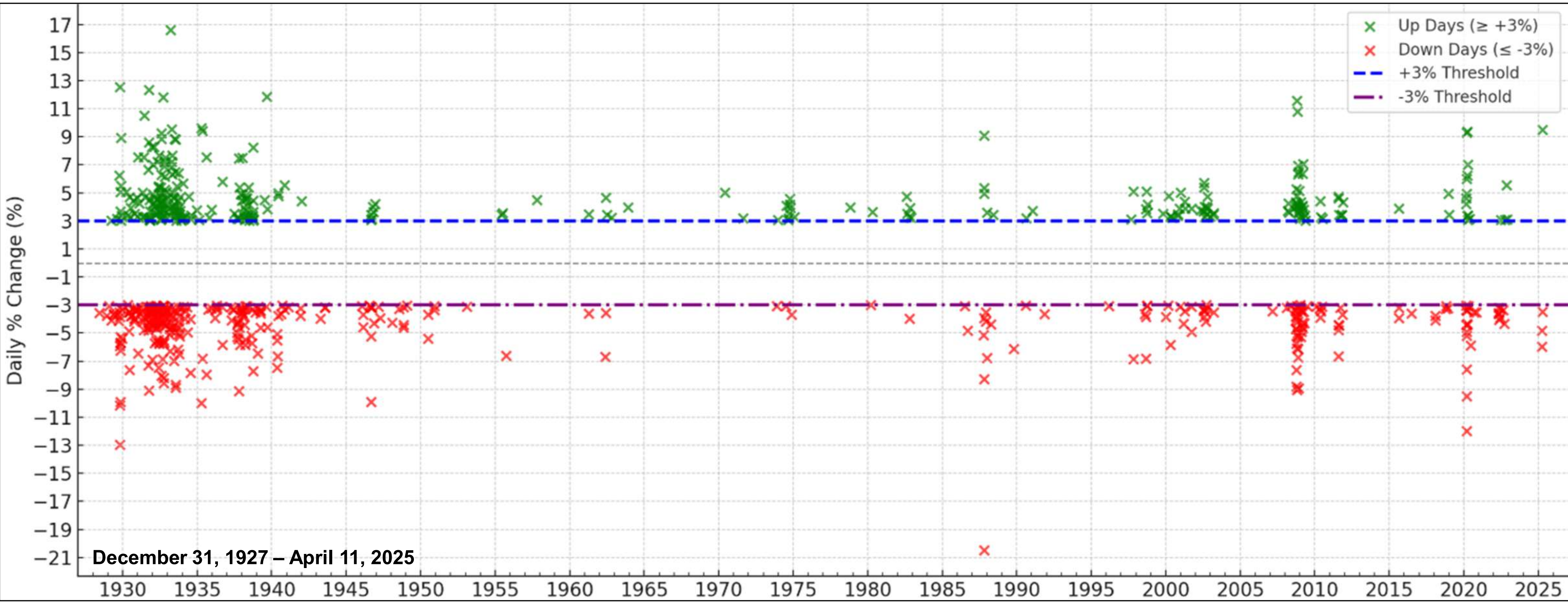
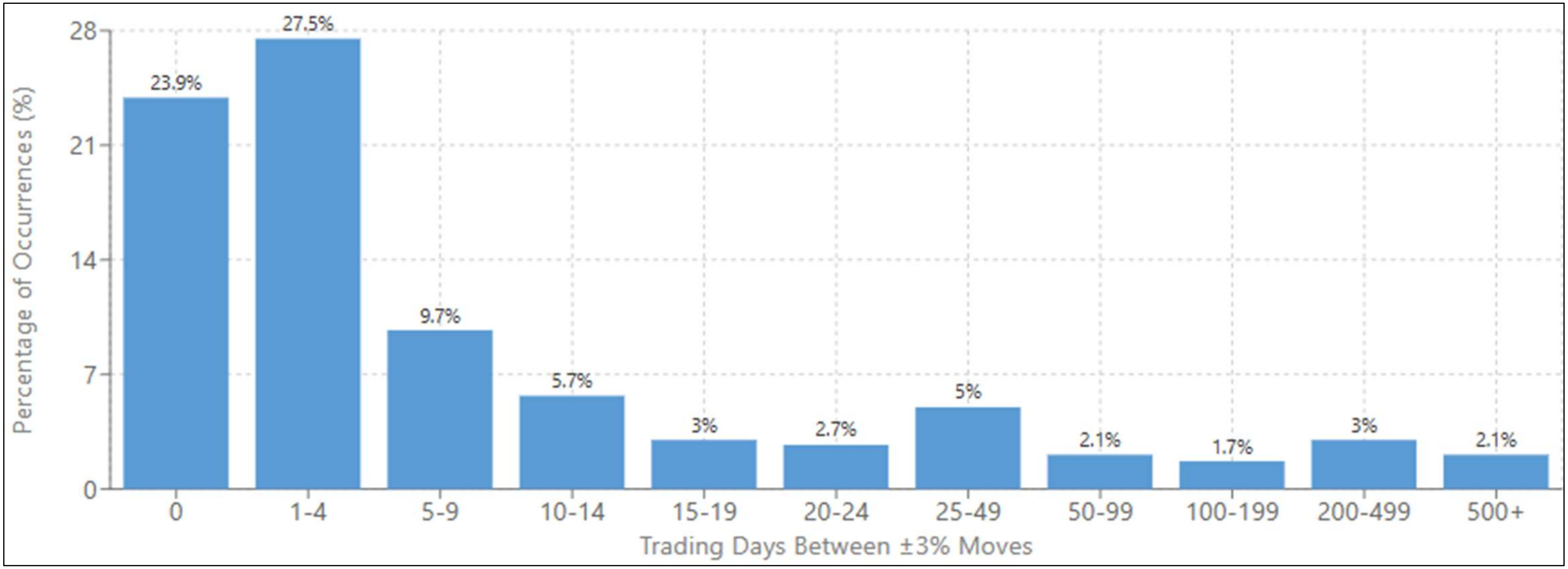
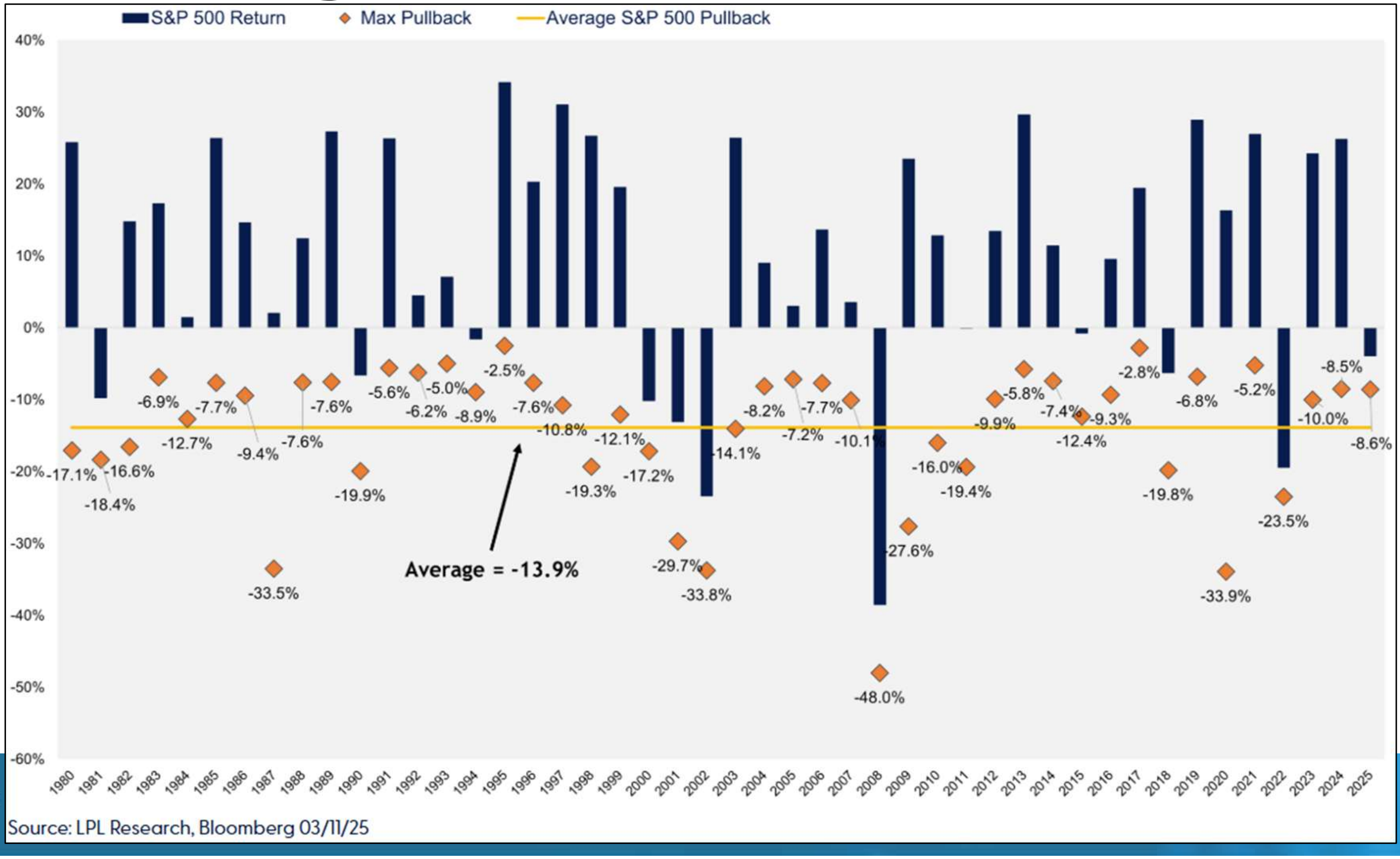
S&P 500 Daily Moves of 3% or More



Distribution of Days Between 3% Moves



Volatility Is the Price of Long-Term Stock Returns



The Impact of Having a Long-Term Perspective

Long-Term Returns (1926-2024)

	S&P 500	Small Stocks	Long-Term Corporate Bonds	Long-Term U.S. Gov't Bonds	Treasury Bills	Inflation (CPI)
Average Annual Compound Rate of Return						
Last 10 Years	13.1%	8.9%	2.5%	0.0%	1.7%	3.0%
Last 20 Years	10.4%	8.3%	4.9%	3.6%	1.6%	2.6%
Last 30 Years	10.9%	11.0%	6.4%	5.6%	2.3%	2.5%
Last 40 Years	11.8%	11.0%	7.7%	7.1%	3.2%	2.8%
Last 50 Years	12.4%	14.6%	7.8%	7.1%	4.3%	3.7%
1926 - 2024	10.4%	11.8%	5.7%	5.1%	3.3%	2.9%
Growth: What $1 Invested Would Have Grown To						
Last 10 Years	$3.43	$2.35	$1.28	$1.00	$1.12	$1.18
Last 20 Years	$7.17	$4.97	$2.58	$2.02	$1.67	$1.36
Last 30 Years	$22.42	$22.66	$6.41	$5.14	$3.34	$2.00
Last 40 Years	$85.96	$64.70	$19.16	$15.75	$8.21	$3.50
Last 50 Years	$342.18	$918.47	$43.16	$31.07	$19.62	$8.17
1926 - 2024	$18,210.45	$64,426.29	$243.68	$132.78	$103.10	$24.38

Annual returns and growth figures include dividends and/or interest, but exclude taxes and transaction costs.

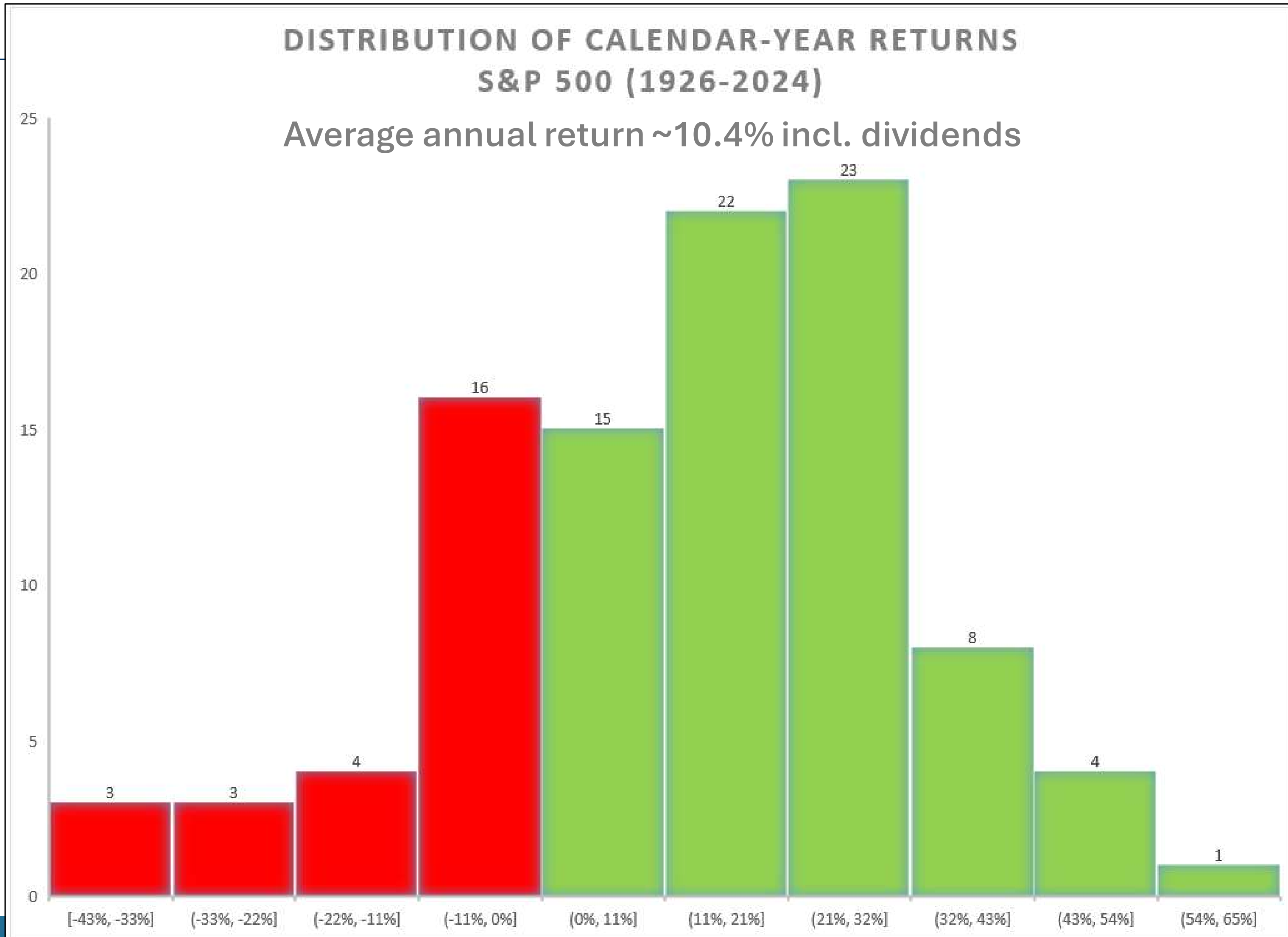
Source: Roger G. Ibbotson and Rex A. Sinquefield, "Stocks, Bonds, Bills and Inflation," 1982 ed.; updated by Kroll, "Stocks, Bonds, Bills and Inflation," Chicago.

The Impact of Having a Long-Term Perspective

Time Frame and Losses (1926-2024)

Holding Period (Years)	Percentage of Holding Periods That Resulted in Losses				
	S&P 500	Small Stocks	Corporate Bonds	U.S. Gov't Bonds	T-Bills
1	26%	30%	22%	28%	1%
3	15%	16%	11%	13%	1%
5	13%	13%	5%	9%	0%
10	4%	2%	0%	2%	0%
20	0%	0%	0%	0%	0%

Source: Roger G. Ibbotson and Rex A. Sinquefield, "Stocks, Bonds, Bills and Inflation," 1982 ed.; updated by Kroll, "Stocks, Bonds, Bills and Inflation," Chicago.



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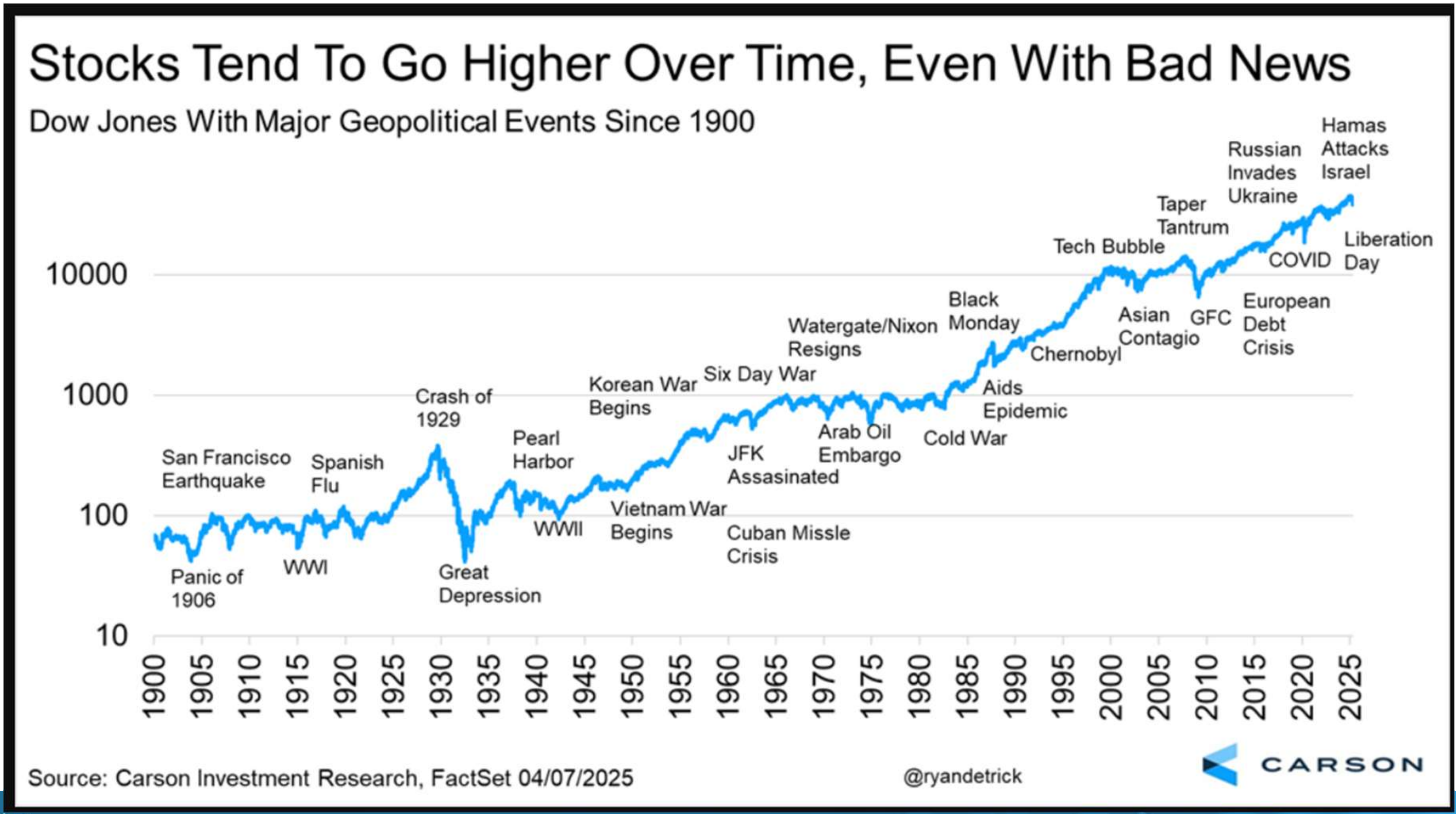
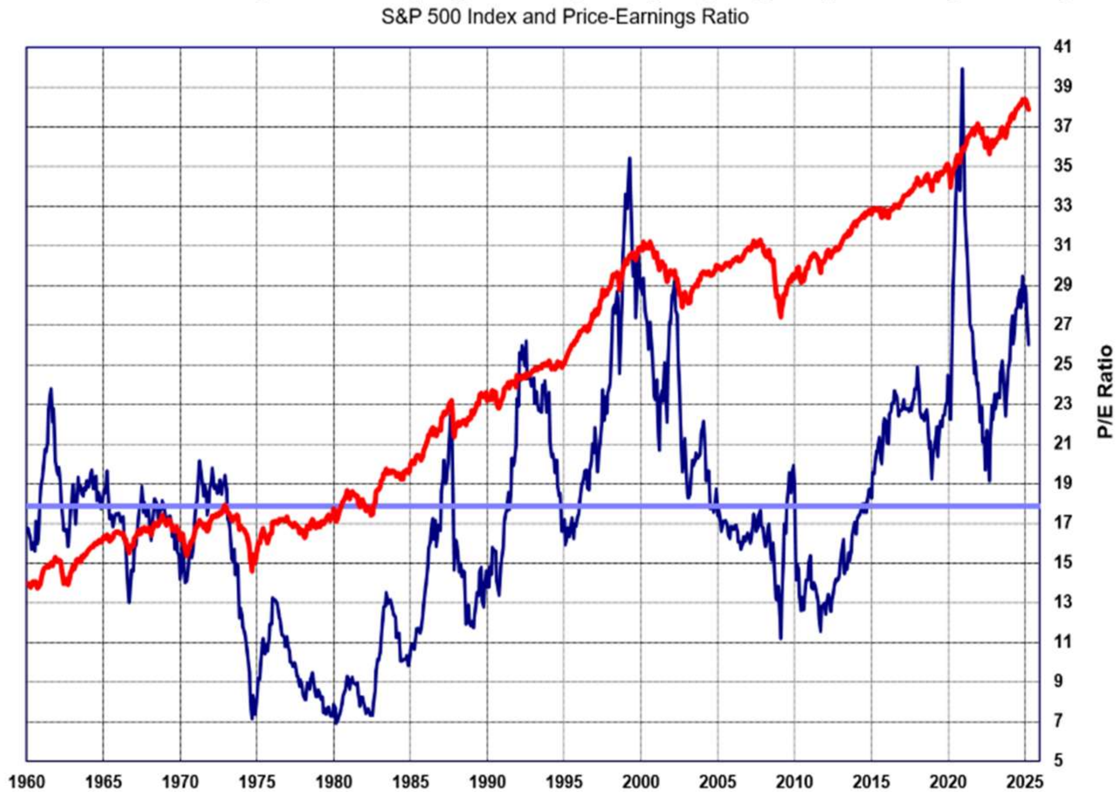
Market Rises Despite Bad News



Market Valuation and Concentration



Source: S&P Global. Data as of 3/31/2025 and 4/9/2025.

- The top 10 constituents of the S&P 500 made up 33.6% of the index on March 31, 2025.
- The low volatility factor worked well during March.

WHAT INVESTORS CAN DO NOW

Assessing Your Risk Tolerance

Our Key Goal

- Primary Priority: Building long-term wealth
- Other Key Priorities: Ensure living expenses are covered; maintain adequate emergency savings; ensure retirement expenses are met by primary goal
- When Do We Expect to Reach Our Goal? Continue to build wealth throughout our lifetimes
- How Many Years Do We Expect to Spend on This Goal? Continuously contribute to savings throughout working years and in retirement as is feasible
- How Much Do We Expect to Need in Savings? No limit

Our Ability to Tolerate Risk

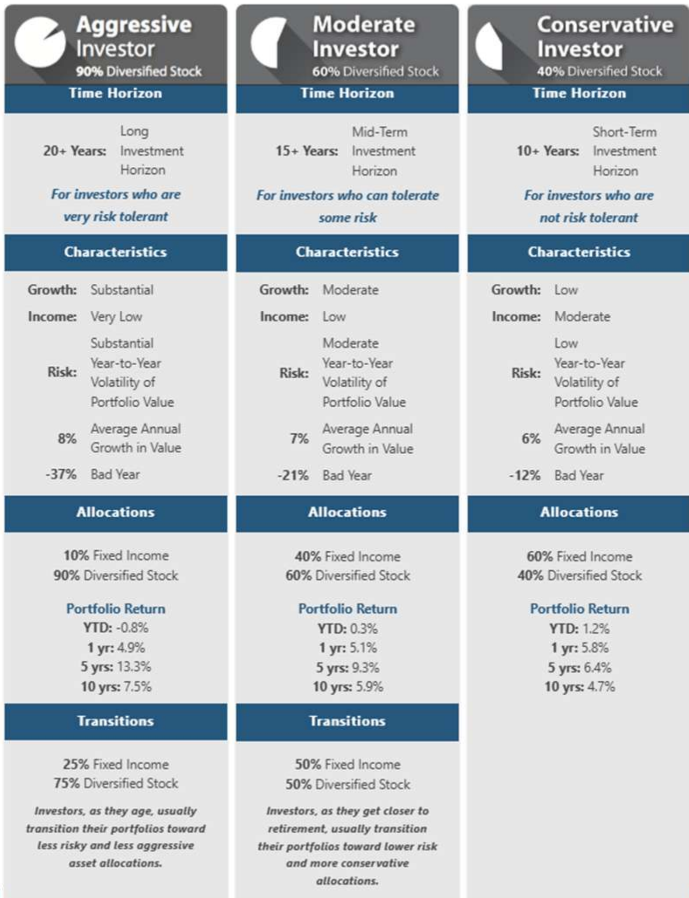
- Will downward moves in the market …
  - … hurt our chances of achieving our goal? Should not if we don't panic
  - … cause us to pull out of stocks? Should not
  - … impact our ability to take withdrawals in the next three to five years? No, we have adequate emergency savings
- How big of a threat is long-term inflation to achieving our goal? Need positive real returns

Source: "A One-Page Plan for Maximizing Long-Term Wealth," July 2024 AAII Journal.

Our Emotions and Biases Are Our Portfolio's Biggest Enemy

- Media consumption effect frequently impacts our emotions and actions
- We tend to act quickly instead of slowing down and being thoughtful
- Our desire to avoid short-term losses can lead to bad long-term decisions

Asset Allocation Models



- Three models that can be personalized to meet your needs.
- Exchange-traded funds (ETFs) and mutual funds can be used in lieu of individual securities.
- Visit https://www.aaii.com/asset-allocation for models and resources.

Tax-Loss Harvesting and Wash-Sale Rule

- Sell positions with a paper loss so that the loss can be used to offset taxable gains and up to $3,000 of other types of income ($1,500 for married individuals filing separately).
- Capital losses remaining after the deduction are carried over indefinitely into future years.
- Wash-sale rules prevent the loss from being claimed if a similar asset is purchased within 30 days before or after the original sale.
- AAII's 2024 Tax Guide has more information on determining and reporting capital gains.

Retirement Account Tax Opportunities

- Invest recent contributions as opposed to holding cash.
- Avoid taking any loans or distributions from your plans.
- In-kind distributions allow continuous exposure to temporarily depressed investments while also potentially lowering the taxes owed when the asset is eventually sold.
- Roth conversions can create tax-saving opportunity.
  - Lower taxable income from conversion
  - Growth opportunity when markets recover
  - No required minimum distributions (RMDs)

Level3 Cash Allocation Strategy

- Reality-based strategy. Stay invested in assets that offer the greatest potential for long-term wealth growth while satisfying current funding needs and minimizing real risk.
- Covers two to four years of expected expenses.
- Investment allocation should be reviewed and adjusted only once per year, ideally on December 31, to reduce short-term risk and simplify management.
- Defensive Mode triggered if the S&P 500 is more than 5% below its all-time high on decision day; withdrawals shift to the safe (non-equity) portion.
- Withdraw from safe assets until the S&P 500 recovers past the threshold, then resume equity withdrawals and rebuild the safe portion over two years.

Level3 Cash Allocation Strategy

Establishing a Defensive Strategy				
Retirement Date: January 1, 2029				
Date	Market Condition	Transfer Amount	Location of Withdrawal/Transfer	Total Amount in Safe Fund
Pre-Retirement Stage				
1/1/2025	OK	$50,000	transfer from Equity to Safe	$50,000
1/1/2026	OK	$50,000	transfer from Equity to Safe	$100,000
1/1/2027	OK	$50,000	transfer from Equity to Safe	$150,000
1/1/2028	OK	$50,000	transfer from Equity to Safe	$200,000
Start of Retirement				
1/1/2029	OK	$50,000	withdraw from Equity for expenses	$200,000
1/1/2030	Down	$50,000	withdraw from Safe for expenses	$150,000
1/1/2031	Down	$50,000	withdraw from Safe for expenses	$100,000
1/1/2032	Down	$50,000	withdraw from Safe for expenses	$50,000
1/1/2033	Up	$50,000	withdraw from Equity for expenses	$50,000
		$75,000	transfer from Equity to Safe	$125,000
1/1/2034	Up	$50,000	withdraw from Equity for expenses	$125,000
		$75,000	transfer from Equity to Safe	$200,000

Buckets: Allocate by Time

TIME PERIOD:
One to three years
ASSETS:
Cash and cash-equivalents
GOAL:
To fund shorter-term living expenses

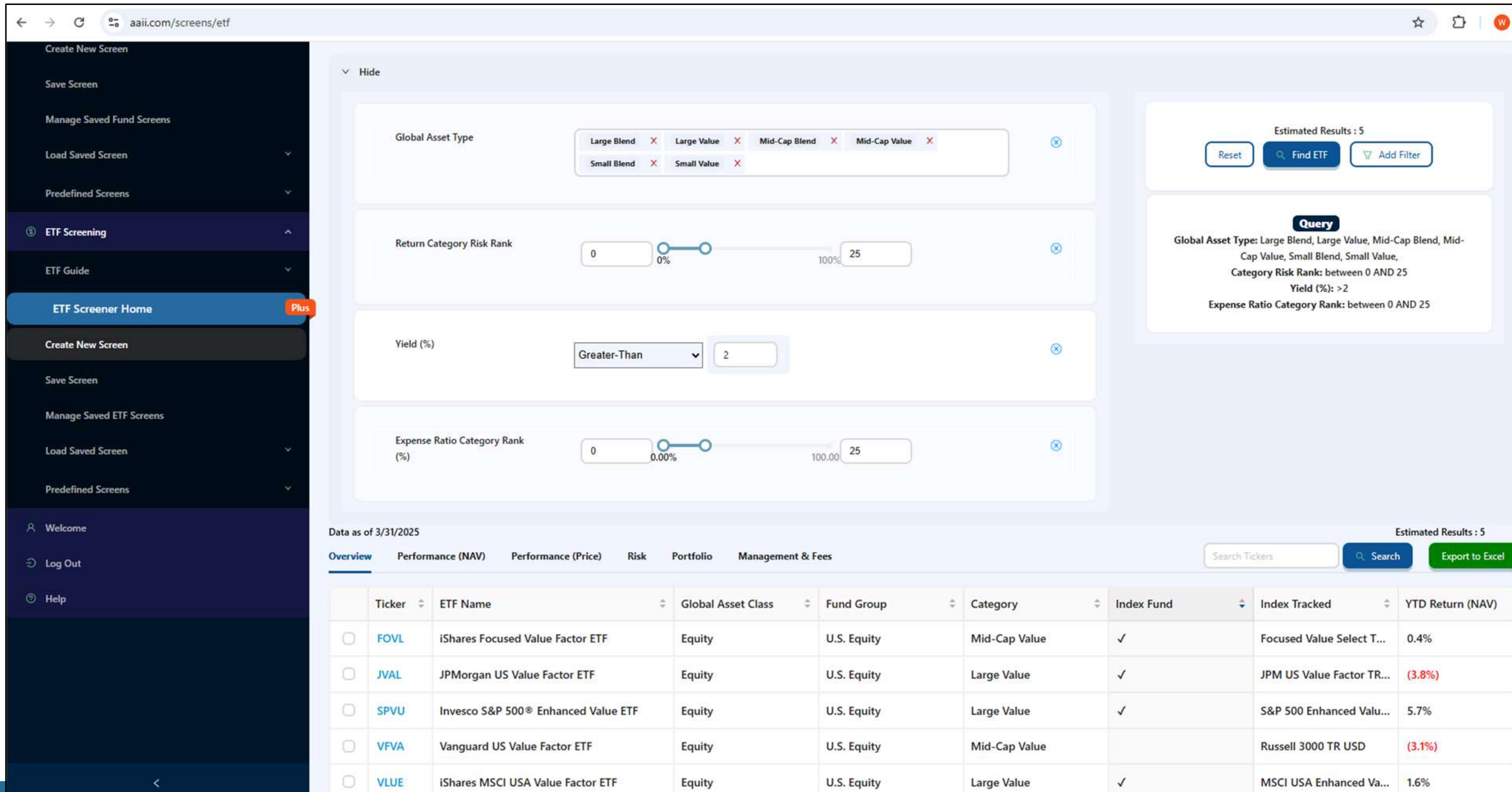
TIME PERIOD:
Three to 10 years
ASSETS:
Bonds and balanced funds
GOAL:
Produce a stream of income; provide a combination of stability, inflation protection and modest levels of growth

TIME PERIOD:
11 years and beyond
ASSETS:
Stocks and high-yielding bonds
GOAL:
Long-term portfolio growth

Source: "For Bucket Portfolios, the Devil Is in the Details," by Christine Benz, July 2018 AAII Journal.

AAII TOOLS

AAII ETF Screener



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ETF Comparison Tool

aaii.com/etfs/compare?symbols=vig%2Csphd%2Clvhd

Compare ETFs

Add/Remove ETFs: vig,sphd,lvhd

COMPARE

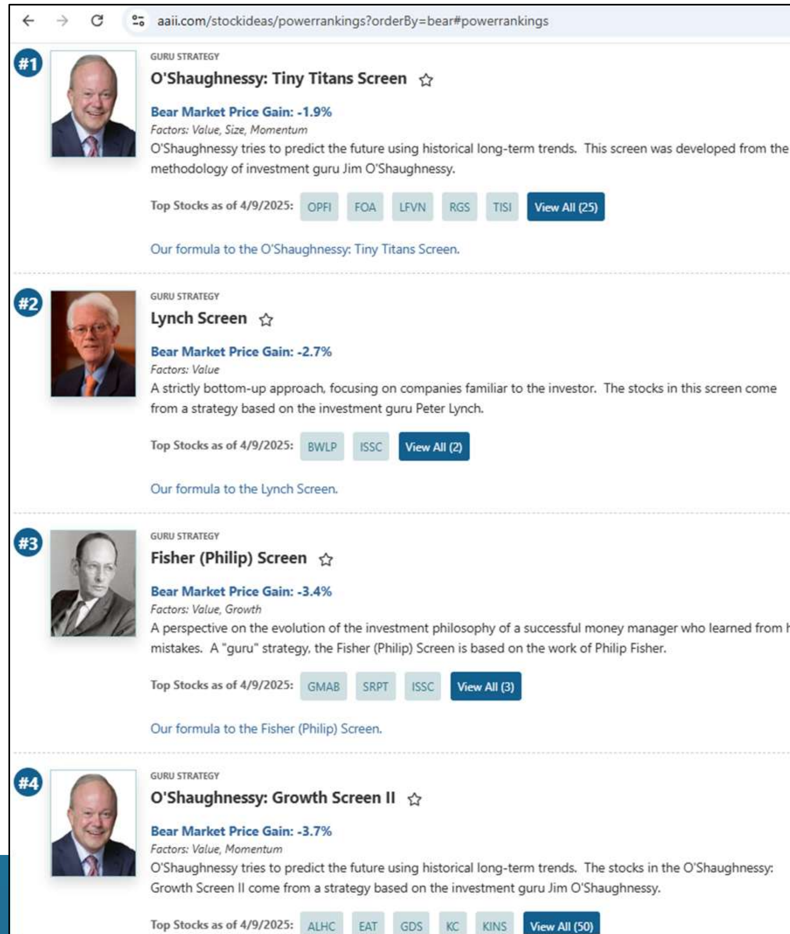
Data as of 3/31/2025

	LVHD	SPHD	VIG
Name	Franklin U.S. Low Volatility Hi Div ETF	Invesco S&P 500® High Div Low Vol ETF	Vanguard Dividend Appreciation ETF
Category	Large Value	Large Value	Large Blend
Index Fund	✓	✓	✓
Inception Date	12/28/2015	10/18/2012	04/21/2006
Return 1-Month	0.2% A	-0.3% A	-4.0% A
Return 3-Month	7.0% A	4.9% A	-0.5% A
Return YTD	7.0% A	4.9% A	-0.5% A
Return 1-Year	15.8% A	17.1% A	8.1% B
Return 3-Year	4.9% F	6.3% D	8.3% C
Return 5-Year	13.7% F	15.5% D	15.6% F
Category Risk Index	0.91 A	0.98 B	0.87 A
Total Risk Index	1.01	1.09	1.00
Turnover	65.0%	49.0%	13.0%
Expense Ratio	0.27% B	0.30% B	0.05% A
Fund Family	Franklin Templeton Investments	Invesco	Vanguard

Seeking Opportunity Amid Chaos

- Strong balance sheets with low debt-to-equity ratios
- Supply chain resilience and adaptability
- Consistent free cash flow
- Domestic revenue focus
- Pricing power
- Market leaders with competitive moats
- Essential products and services
- Companies with tariff exemptions or strategic advantages under current trade policies
- Reasonable valuations relative to historical benchmarks

Top Defensive AAII Stock Ideas Screens


aaii.com/stockideas/powerrankings?orderBy=bear#powerrankings

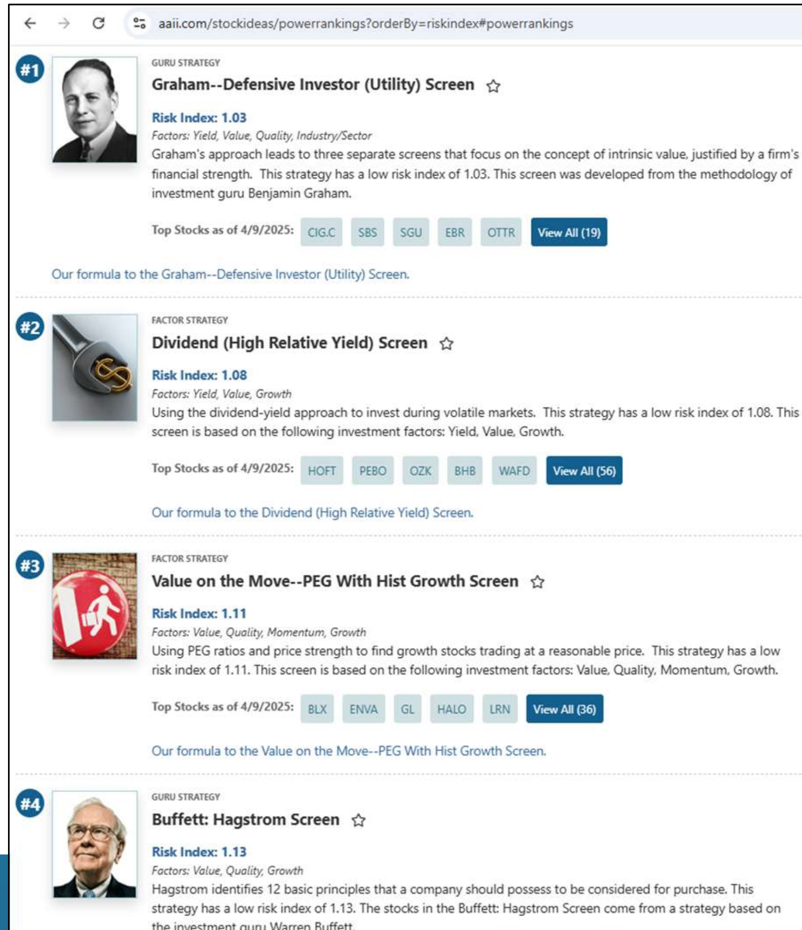
#1
GURU STRATEGY
O'Shaughnessy: Tiny Titans Screen
Bear Market Price Gain: -1.9%
Factors: Value, Size, Momentum
O'Shaughnessy tries to predict the future using historical long-term trends. This screen was developed from the methodology of investment guru Jim O'Shaughnessy.
Top Stocks as of 4/9/2025: OPFI FOA LFVN RGS TISI View All (25)
Our formula to the O'Shaughnessy: Tiny Titans Screen.

#2
GURU STRATEGY
Lynch Screen
Bear Market Price Gain: -2.7%
Factors: Value
A strictly bottom-up approach, focusing on companies familiar to the investor. The stocks in this screen come from a strategy based on the investment guru Peter Lynch.
Top Stocks as of 4/9/2025: BWLP ISSC View All (2)
Our formula to the Lynch Screen.

#3
GURU STRATEGY
Fisher (Philip) Screen
Bear Market Price Gain: -3.4%
Factors: Value, Growth
A perspective on the evolution of the investment philosophy of a successful money manager who learned from hi
mistakes. A "guru" strategy, the Fisher (Philip) Screen is based on the work of Philip Fisher.
Top Stocks as of 4/9/2025: GMAB SRPT ISSC View All (3)
Our formula to the Fisher (Philip) Screen.

#4
GURU STRATEGY
O'Shaughnessy: Growth Screen II
Bear Market Price Gain: -3.7%
Factors: Value, Momentum
O'Shaughnessy tries to predict the future using historical long-term trends. The stocks in the O'Shaughnessy: Growth Screen II come from a strategy based on the investment guru Jim O'Shaughnessy.
Top Stocks as of 4/9/2025: ALHC EAT GDS KC KINS View All (50)

Low-Volatility AAII Stock Ideas Screens



aaii.com/stockideas/powerrankings?orderBy=riskindex#powerrankings

#1 GURU STRATEGY

Graham--Defensive Investor (Utility) Screen

Risk Index: 1.03

Factors: Yield, Value, Quality, Industry/Sector

Graham's approach leads to three separate screens that focus on the concept of intrinsic value, justified by a firm's financial strength. This strategy has a low risk index of 1.03. This screen was developed from the methodology of investment guru Benjamin Graham.

Top Stocks as of 4/9/2025: CIG.C SBS SGU EBR OTTR View All (19)

Our formula to the Graham--Defensive Investor (Utility) Screen.

#2 FACTOR STRATEGY

Dividend (High Relative Yield) Screen

Risk Index: 1.08

Factors: Yield, Value, Growth

Using the dividend-yield approach to invest during volatile markets. This strategy has a low risk index of 1.08. This screen is based on the following investment factors: Yield, Value, Growth.

Top Stocks as of 4/9/2025: HOFT PEBO OZK BHB WAFD View All (56)

Our formula to the Dividend (High Relative Yield) Screen.

#3 FACTOR STRATEGY

Value on the Move--PEG With Hist Growth Screen

Risk Index: 1.11

Factors: Value, Quality, Momentum, Growth

Using PEG ratios and price strength to find growth stocks trading at a reasonable price. This strategy has a low risk index of 1.11. This screen is based on the following investment factors: Value, Quality, Momentum, Growth.

Top Stocks as of 4/9/2025: BLX ENVA GL HALO LRN View All (36)

Our formula to the Value on the Move--PEG With Hist Growth Screen.

#4 GURU STRATEGY

Buffett: Hagstrom Screen

Risk Index: 1.13

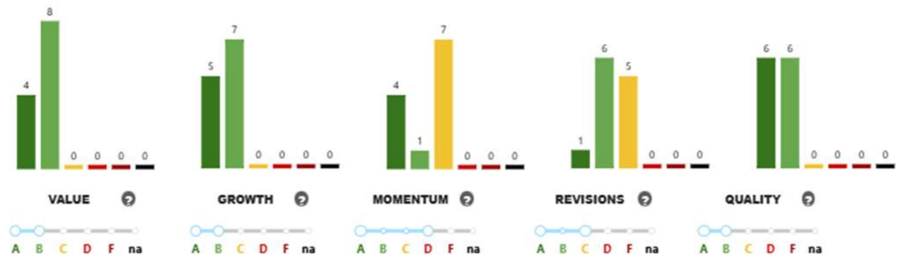
Factors: Value, Quality, Growth

Hagstrom identifies 12 basic principles that a company should possess to be considered for purchase. This strategy has a low risk index of 1.13. The stocks in the Buffett: Hagstrom Screen come from a strategy based on the investment guru Warren Buffett.

aaii.com/stockideas/quant

A+ Stock Grades Screener

Data as of 4/9/2025



Reset | Load Portfolio | Load Screens | Health Care | Industry

All Tickers

Showing 12 companies. Move the sliders at the top under each investment factor to adjust this list.

Company (Ticker)	Value		Growth		Momentum		Estimate Revisions		Quality	
	Score	Grade	Score	Grade	Score	Grade	Score	Grade	Score	Grade
Centene Corporation (CNC)	94	A	92	A	52	C	62	B	83	A
Tenet Healthcare Corporation (THC)	91	A	61	B	81	A	79	B	92	A
Auna S.A. (AUNA)	85	A	64	B	56	C	43	C	78	B
InMode Ltd. (INMD)	81	A	64	B	48	C	41	C	82	A
Universal Health Services, Inc. (UHS)	80	B	100	A	66	B	72	B	96	A
AdaptHealth Corp. (AHCO)	77	B	71	B	56	C	78	B	78	B
Jazz Pharmaceuticals plc (JAZZ)	77	B	92	A	54	C	81	A	91	A
Grifols, S.A. (GRFS)	76	B	67	B	54	C	49	C	80	B
Premier, Inc. (PINC)	75	B	61	B	51	C	47	C	87	A
Cardinal Health, Inc. (CAH)	71	B	92	A	81	A	63	B	69	B

Strategic Buy Lists: Capitalizing on Market Downturns

"Be fearful when others are greedy and greedy when others are fearful." —Warren Buffett

Why Buy Lists Are Essential:

- **Combat Emotional Decision-Making** during market panic
- **Enable Swift Action** when quality stocks reach target prices
- **Maintain Focus** on long-term value over short-term volatility

Tip: Develop your buy list during calm market periods based on fundamentals and include specific prices at various discount levels.

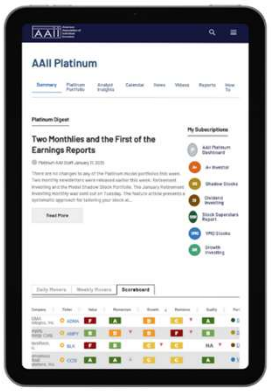
Remember: Market corrections, while uncomfortable, often present the best long-term buying opportunities.

Questions?

AAII Platinum

- A+ Investor
  - Data-driven investment discovery, analysis & tracking platform
- Retirement Investing
  - News, information and strategies for those planning for or living in retirement
- Dividend Investing
  - Portfolio of 24 dividend-paying stocks
- Growth Investing
  - 20 sustainable-growth stocks
- Stock Superstars Report
  - 4 "guru" portfolios, 40 stocks
    - William O'Neil (momentum & growth)
    - David Dreman (deep value, dividend-paying)
    - James O'Shaughnessy (factor-based: financial strength, earnings quality & value)
    - John Neff (GARP)
- VMQ Stocks
  - 20-stock portfolio
  - Factor-based: Value, Momentum & Quality

Thriving in Volatile Markets With AAII Platinum's Support



- 8 AAII Model Portfolios
- 5 premium newsletters
- A+ Investor's 3-in-1 toolkit
- Redesigned A+ Investor Mutual Fund and ETF Screeners
- AAII Retirement Investing
- My Portfolio+
- Platinum Dashboard
- Weekly Premium Product Emails
- Platinum 30 stock list
- All special reports

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