

Investing for Successful Retirement

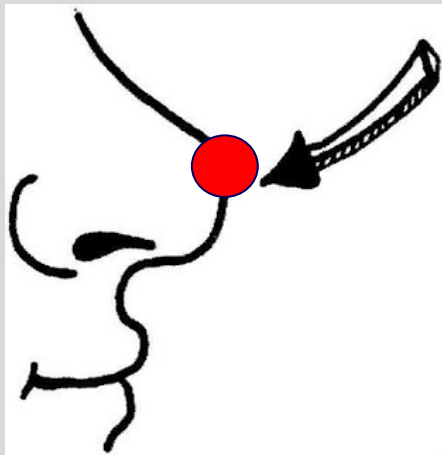
UD Osher – OLLI

Fall 2024

- **Rajeev A. Vaidya**
- **Ron Materniak**
- **Jane Roe-Fox**

Disclaimer in plain language

Disclaimer – in plain language:



Opinions are like noses, everyone has one !

You are going to see mine in this course !!

We are simply sharing our perspective.

This is not investment advice or recommendation.

Ron, Jane and I are not a financial advisors.

This course is for educational purposes only.

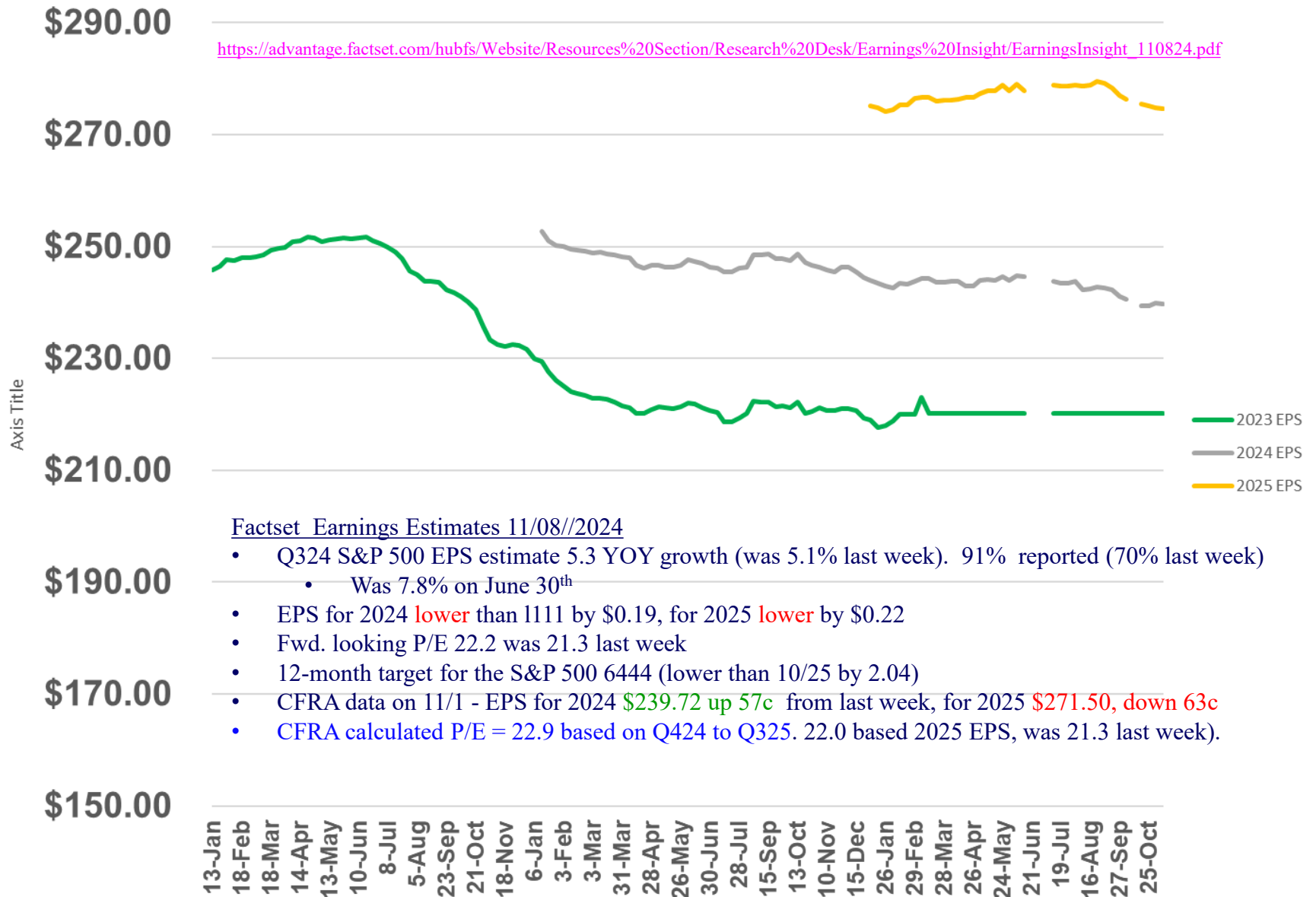
Form your own opinion, make your own investment decisions.

Class 11 – Nov. 13th

- Market Update – Rajeev – 20 minutes
- Disciplined selling
- Closing Feedback surveys
 - Zoom polls
 - Comments on Email are welcome

Factset(R) - S&P 500 Calendar year earnings forecast

https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_110824.pdf



Factset Earnings Estimates 11/08//2024

- Q324 S&P 500 EPS estimate 5.3 YOY growth (was 5.1% last week). 91% reported (70% last week)
 - Was 7.8% on June 30th
- EPS for 2024 **lower** than 1111 by \$0.19, for 2025 **lower** by \$0.22
- Fwd. looking P/E 22.2 was 21.3 last week
- 12-month target for the S&P 500 6444 (lower than 10/25 by 2.04)
- CFRA data on 11/1 - EPS for 2024 **\$239.72 up 57c** from last week, for 2025 **\$271.50, down 63c**
- CFRA calculated P/E = 22.9 based on Q424 to Q325. 22.0 based 2025 EPS, was 21.3 last week).

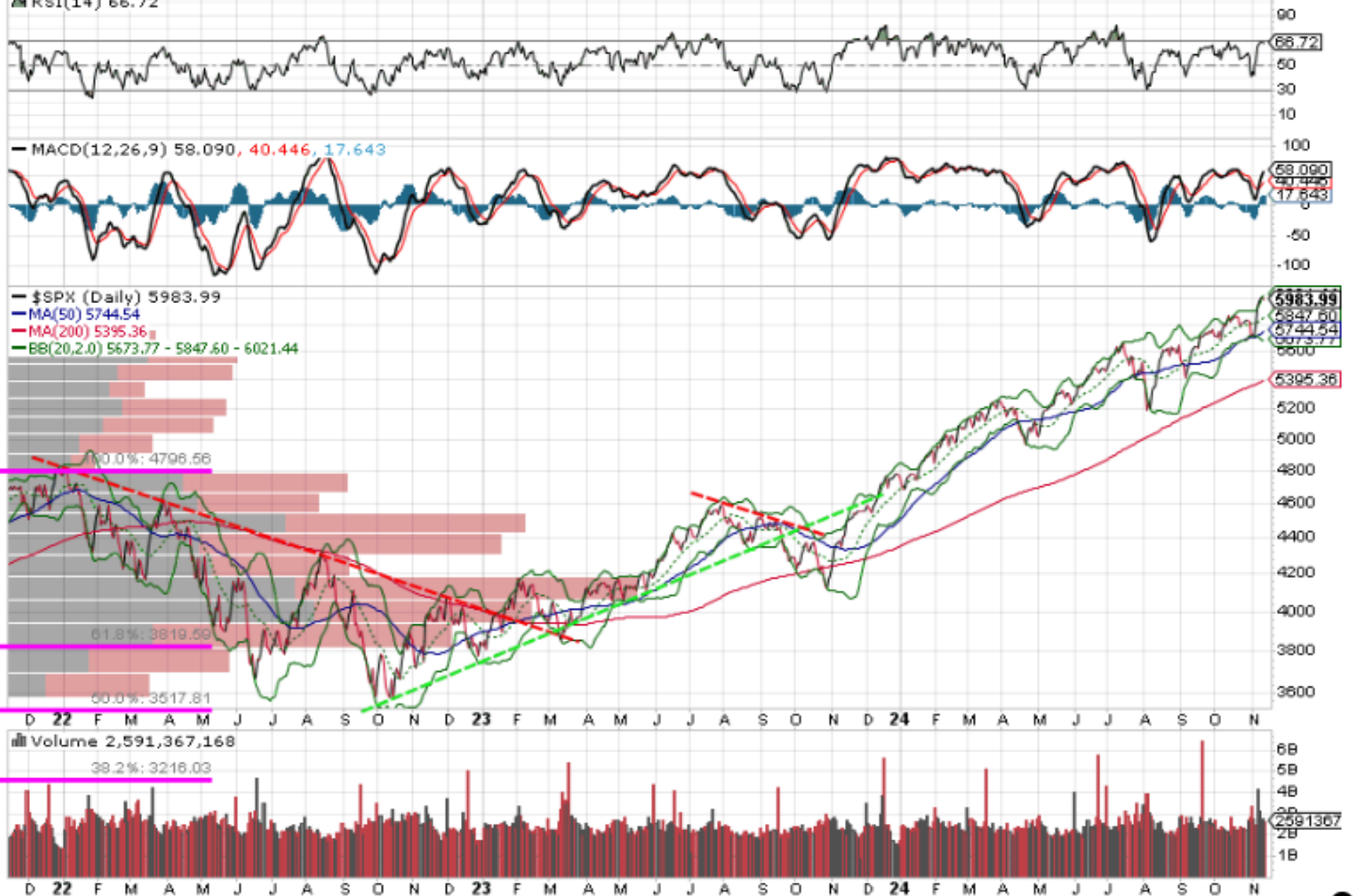
\$SPX S&P 500 Large Cap Index: INDX

© StockCharts.com

12-Nov-2024

Open 6003.60 High 6009.92 Low 5980.08 Close 5983.99 Volume 2.6B Chg -17.36 (-0.29%)

▲ RSI(14) 66.72



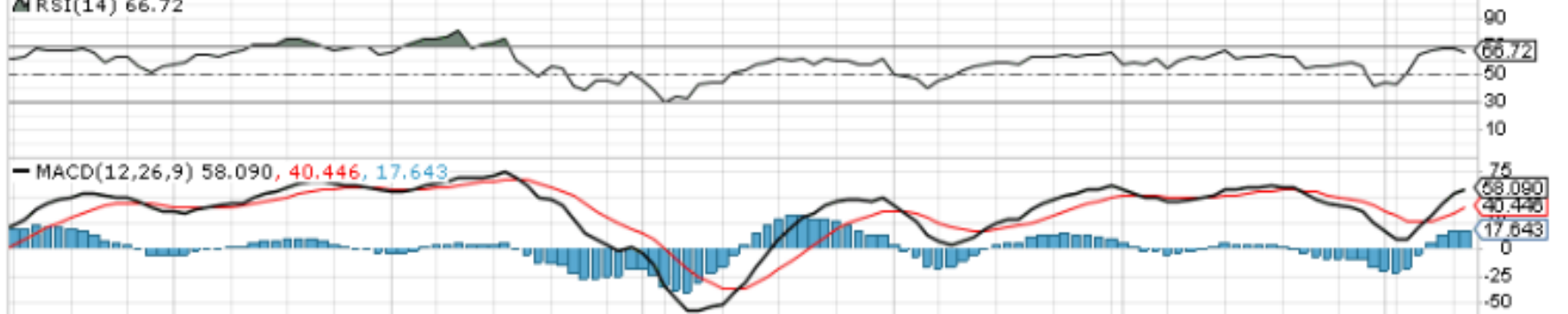
\$SPX S&P 500 Large Cap Index INDX

12-Nov-2024

© StockCharts.com

Open 6003.80 High 6009.92 Low 5980.08 Close 5983.99 Volume 2.6B Chg -17.36 (-0.29%)

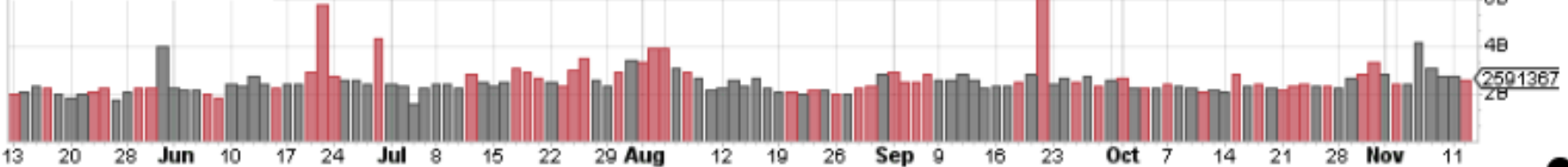
▲ RSI(14) 66.72



▲ \$SPX (Daily) 5983.99
— MA(50) 5744.54
— MA(200) 5395.36
— BB(20,2,0) 5673.77 - 5847.60 - 6021.44



Volume 2,591,367,168



Market Breadth – another way

SPY SPDR S&P 500 ETF NYSE

12-Nov-2024

Open 598.88 High 599.29 Low 594.37 Close 596.90 Volume 42.8M Chg -1.86 (-0.31%)

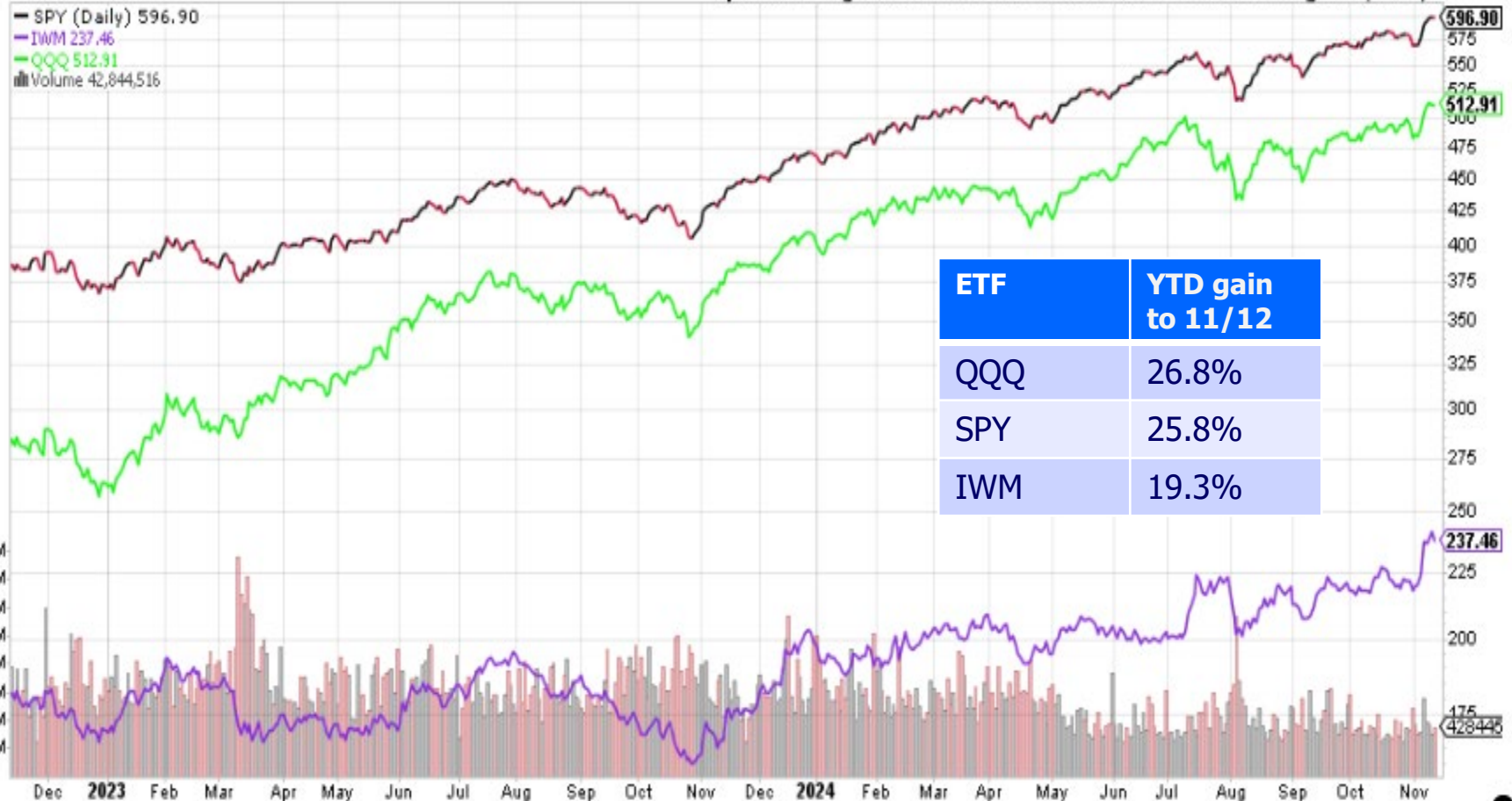
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— SPY (Daily) 596.90

— IWM 237.46

— QQQ 512.91

Volume 42,844,516



\$NYAD NYSE - Advance-Delay Issues INDX

12-Nov-2024

Open 38227.00 High 38227.00 Low 38227.00 Close 38227.00 Chg -1652.00 (-4.14%)

© StockCharts.com







This is NOT investment advice

Weekly market direction

Prof. Guy Werner

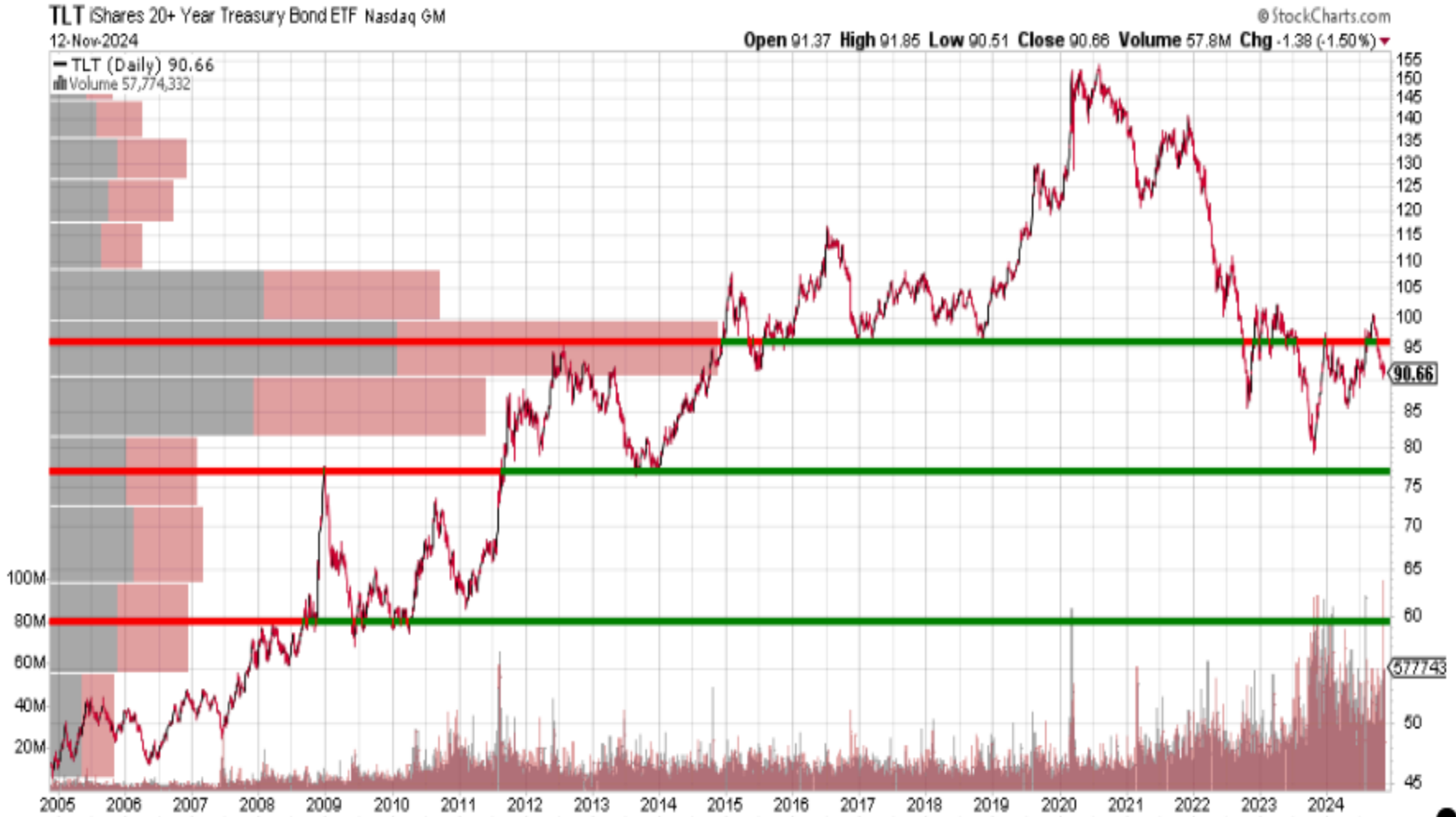
Guy.werner@verizon.net

COLUMNS CD&E ARE FROM IBD AND ARE PROVIDED BY DAVE (IN THE NORTH) SMITH

		DISTRIBUTION DAYS		S&P 500 TRIPLE SCREEN						NASDAQ TRIPLE SCREEN						
	DATE	MARKET PULSE (IBD)	S&P 500	NASDAQ	8-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE	8-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE
SAT	11/02/24	FOR THE WEEK							-80	-1.38%					-279	-1.51%
SUN	11/03/24	YTD							959	20.11%					3,228	21.50%
MON	11/04/24	CONFIRMED UP (60% -80%)	4	4	F	F	F	5,712	-16	-0.28%	P	F	F	18,179	-60	-0.33%
TUE	11/05/24	CONFIRMED UP (60% -80%)	4	3	F	F	P	5,782	70	1.23%	P	F	P	18,439	260	1.43%
WED	11/06/24	CONFIRMED UP (80% -100%) TRUMP 2.0	4	2	P	F	P	5,929	147	2.54%	P	P	P	18,983	544	2.95%
THUR	11/07/24	CONFIRMED UP (80% -100%)	3		P	P	P	5,973	44	0.74%	P	P	P	19,269	286	1.51%
FRI	11/08/24	CONFIRMED UP (80% -100%)	2		P	P	P	5,995	22	0.37%	P	P	P	19,286	17	0.09%
SAT	11/09/24	FOR THE WEEK							267	4.66%					1047	5.74%
SUN	11/10/24	YTD							1226	25.71%					4,275	28.18%
MON	11/11/24	CONFIRMED UP (80% -100%)	2		P	P	P	6,001	6	0.10%	P	P	P	19,298		
TUE	11/12/24	CONFIRMED UP (80% -100%)	2		P	P	P	5,983	-18	-0.30%	P	P	P	19,281	-17	-0.09%

https://drive.google.com/drive/folders/0B6Qc_gjshXMelkzQ245d2R1eTQ?resourcekey=0-5pWgINqaJPJ12L2qYurMWg

TLT – 20 yr U.S. Treasury ETF



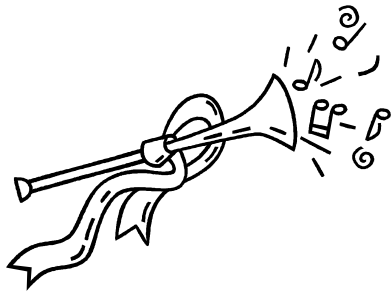
U.S. Dollar



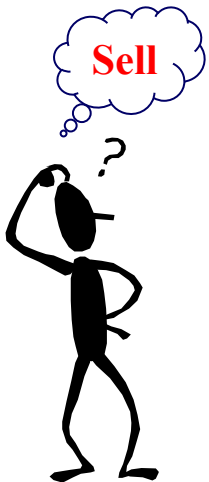
Class 11 – Nov. 13th

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Buy and Hold Anthem



*Heigh ho! Heigh ho!
To buy and hold we go,
Through thick and thin, come bull or bear
we won't, let go!*



Selling – But Why ??

- You need to sell if:
 - You need cash
 - Buying consumes cash ... selling produces it.
 - You want to make a profit
 - Paper profits are worth ... ??
 - You cannot buy with perfection .. if you can, please show me how to.
 - You want to limit your losses
 - The world changes ... I live in one that does all the time.
 - You need to rebalance your portfolio

If this does not apply to you, this talk is not for you. For the rest of us mortals, learning to sell is a useful skill.

Key messages

- Selling is OK
- Match selling strategy to your investment thesis and bucket strategy.
- Three rules.
 - 1. Be impatient with your losers.**
 - 2. Protect your profits**
 - 3. Thinking of selling and selling are not the same**

The psychological barrier

- Hope springs eternal ..!!
 - Buy - hope for a good future
 - Hold - hope for the good future to continue
 - Sell = abandoning hope
- Selling losers = admitting a mistake
- Selling winners
 - What's the rush?
 - What do I do with the money?
- Inertia rules ... Selling requires action.
 - No deadline ... market will always reopen the next day

hope



The tax & fees argument

- You bought 100 shares of stock A at 20 and sold at 50.
- You bought stock B with the proceeds.
- The tax argument against selling:
 - @ **20%** cap gains, tax on sale = \$ 6/share
 - commissions on sale = ~~\$5~~
 - commissions on purchase = ~~\$5~~
 - money invested in B = \$4390
- Stock B has to grow 14% just to get back to \$5000.

***%#&* !!! You never had \$5000 !!!**



You are invited to the party the day I pay \$1 million in cap. gains taxes



Disciplined buying

Investment thesis:

This is a good investment because

70%

Valuation

Entry Point:

This is a good price / entry point to buy because

30%

Position Size:

I can buy XXX shares for my portfolio

If I am right, I will make gains by selling the stock @

Exit Rules:

If I am wrong, I will limit losses by exiting the position @....

The selling decision

- The correct questions:
 - Is continued ownership of this equity likely to be:
 - more profitable?
 - consistent with my investment goals?

- Some considerations
 - Is my investment thesis still sound?
 - Is market action consistent with my thesis?
 - Do I need to protect my profits or limit my losses?

Selling decision

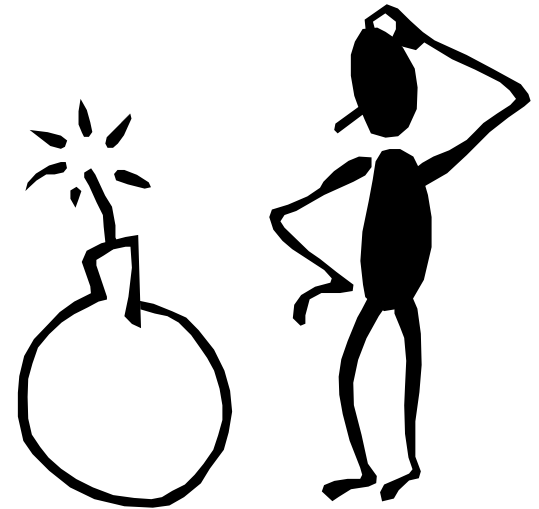
□ The don'ts

- Don't sell on emotion or frustration
- Don't hold based on 'hope', 'faith' or 'attachment'
- Don't hold based on inaction or indecision
 - Holding an equity requires no action
 - default choice through inertia

A good investor repurchases her investments everyday. Graydon Morris, Sunday Times 10/10/02

Selling losers ..

- Losses Hurt !!!
- Two golden rules
 - Rule 1 - Don't lose money !
 - Rule 2 - when in doubt, reread Rule 1.

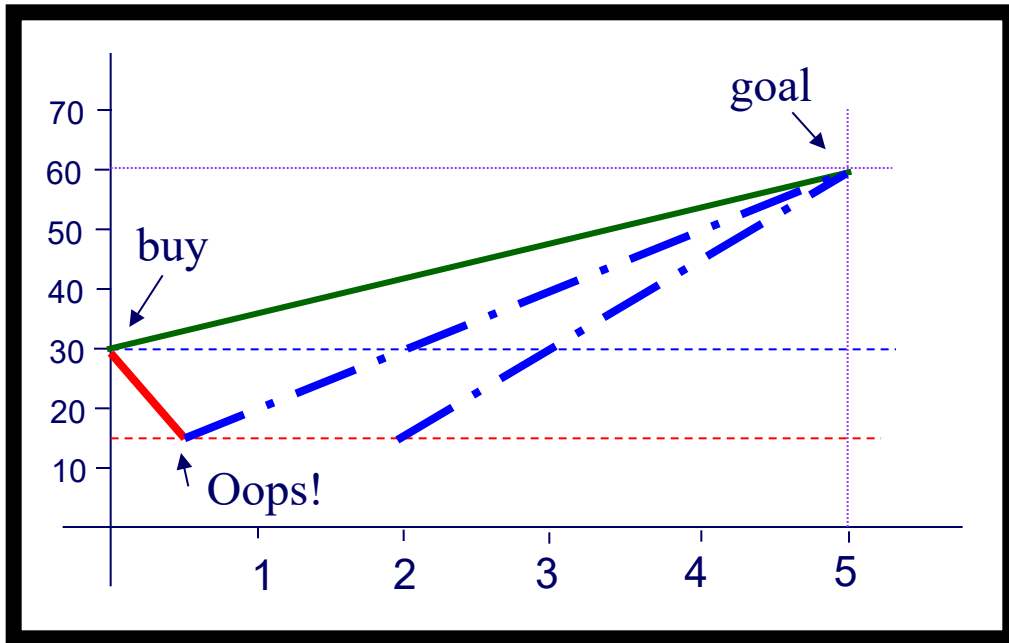


When Wizz goes fizz !!

Patience at what price?

- You have \$100 on 1/1/03
- Your **goal** is to have \$200 by 12/31/08
- You buy WIZZ at \$100 on Jan 1, 2003
- WIZZ goes ... fizz ... in Feb 2003.
- Stock price drops 'X%' and stays there
- You wait for 'y' years
- From this point, at what annual rate would the WIZZ price have to grow at for you to meet your goal.

Patience necessitates miracles ...



Percent Loss	Years until loss taken	Required compounded return rate to double in 5 years
10	1	22.1%
	2	30.5%
	3	49.1%
	4	122.2%
25	1	27.8%
	2	38.7%
	3	63.3%
	4	166.7%
33.3	1	31.6%
	2	44.2%
	3	73.2%
	4	199.9%
50	1	41.4%
	2	58.7%
	3	100.0%
	4	300.0%

Patience – Portfolio impact?

□ Losses vs. portfolio performance

- You take a \$100 position in each of 10 stocks on 1/1/2003
- Your goal is to have \$2000 by 12/31/08
- 3 positions grow 200%, 150% and 150% in 5 years
- 3 positions grow 20%, 20% and 10% in 5 years
- 1 position loses 20% in 5 years
- 3 positions lose 50%, 50% and 90% in 5 years
- Various selling strategies vs. portfolio performance.
 - How much is your portfolio worth on 1/1/2008?
 - What is the %age return on your \$1000 investment in 5 years?

Losses Hurt !!

Stock	Value at Start	Change in 5 years	Value at end	Hold forever	Sell Losers @ 50% change	Sell Losers @ 40% change	Sell Losers @ 30% change	Sell Losers @ 20% change	Sell losers @ 10% change
A	\$ 100	200%	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
B	\$ 100	150%	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
C	\$ 100	150%	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
D	\$ 100	20%	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
E	\$ 100	20%	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
F	\$ 100	10%	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110
G	\$ 100	-20%	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ 90
H	\$ 100	-50%	\$ 50	\$ 50	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90
I	\$ 100	-50%	\$ 50	\$ 50	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90
J	\$ 100	-90%	\$ 10	\$ 10	\$ 50	\$ 60	\$ 70	\$ 80	\$ 90
Total	\$ 1,000		\$ 1,340	\$ 1,340	\$ 1,380	\$ 1,410	\$ 1,440	\$ 1,470	\$ 1,510
			6.8%	6.8%	7.6%	8.2%	8.8%	9.4%	10.2%

Act quickly on losers ...

- Early action has benefits
 - smaller losses, better chances of alternatives to meet portfolio goals
- The correct questions:
 - Is continued ownership of this equity likely to be:
 - profitable ?
 - consistent with my investment goals?
 - Is the investment thesis still sound?
 - Why is market action inconsistent with the thesis?
 - What will reverse the market action?
 - ~~What are my other options?~~
 - Is there a better investment to be made? The index fund is always there !!

Profits

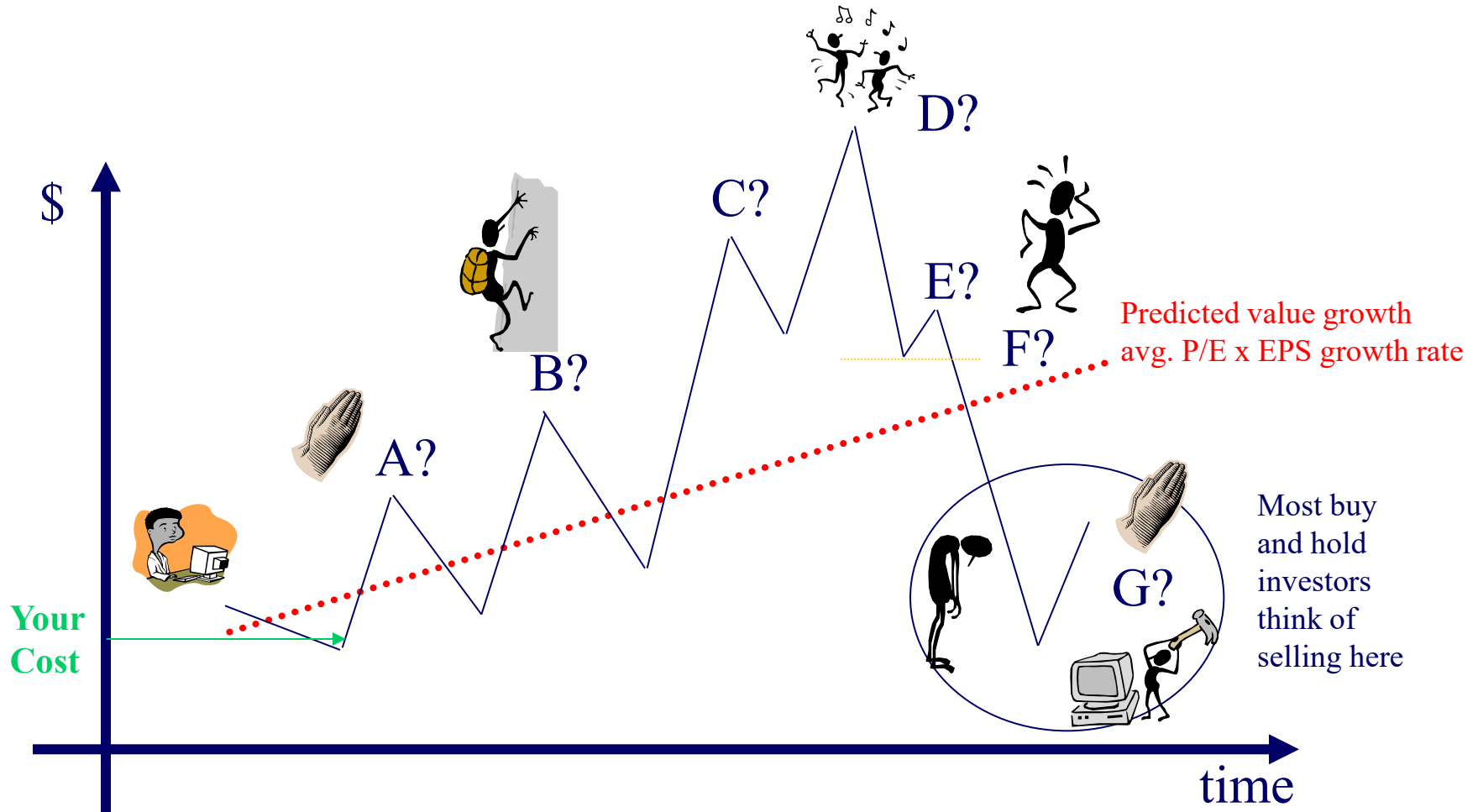
- You don't make money by buying stocks
 - Paper profits are worth.....paper!!
 - You are never wrong taking a profit
- Common reasons for not taking a profit
 - Commission phobia
 - Tax phobia
 - Long term investing = holding forever



Yes ! - be patient with winners

Stock	Value at Start	Change in 5 years	Value at end	Hold forever	Sell winners and losers at 20% change	Sell winners and losers at 50% change	Sell winners at 50% losers at 20%	Sell winners at 100% and losers at 10%	Let Winners Ride, Sell losers at 10%
A	\$ 100	200%	\$ 300	\$ 300	\$ 120	\$ 150	\$ 150	\$ 200	\$ 300
B	\$ 100	150%	\$ 250	\$ 250	\$ 120	\$ 150	\$ 150	\$ 200	\$ 250
C	\$ 100	150%	\$ 250	\$ 250	\$ 120	\$ 150	\$ 150	\$ 200	\$ 250
D	\$ 100	20%	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
E	\$ 100	20%	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
F	\$ 100	10%	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110
G	\$ 100	-20%	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ 90	\$ 90
H	\$ 100	-50%	\$ 50	\$ 50	\$ 80	\$ 50	\$ 80	\$ 90	\$ 90
I	\$ 100	-50%	\$ 50	\$ 50	\$ 80	\$ 50	\$ 80	\$ 90	\$ 90
J	\$ 100	-90%	\$ 10	\$ 10	\$ 80	\$ 50	\$ 80	\$ 90	\$ 90
Total	\$ 1,000		\$ 1,340	\$ 1,340	\$ 1,030	\$ 1,030	\$ 1,120	\$ 1,310	\$ 1,510
			7%	7%	1%	1%	2%	6%	10%

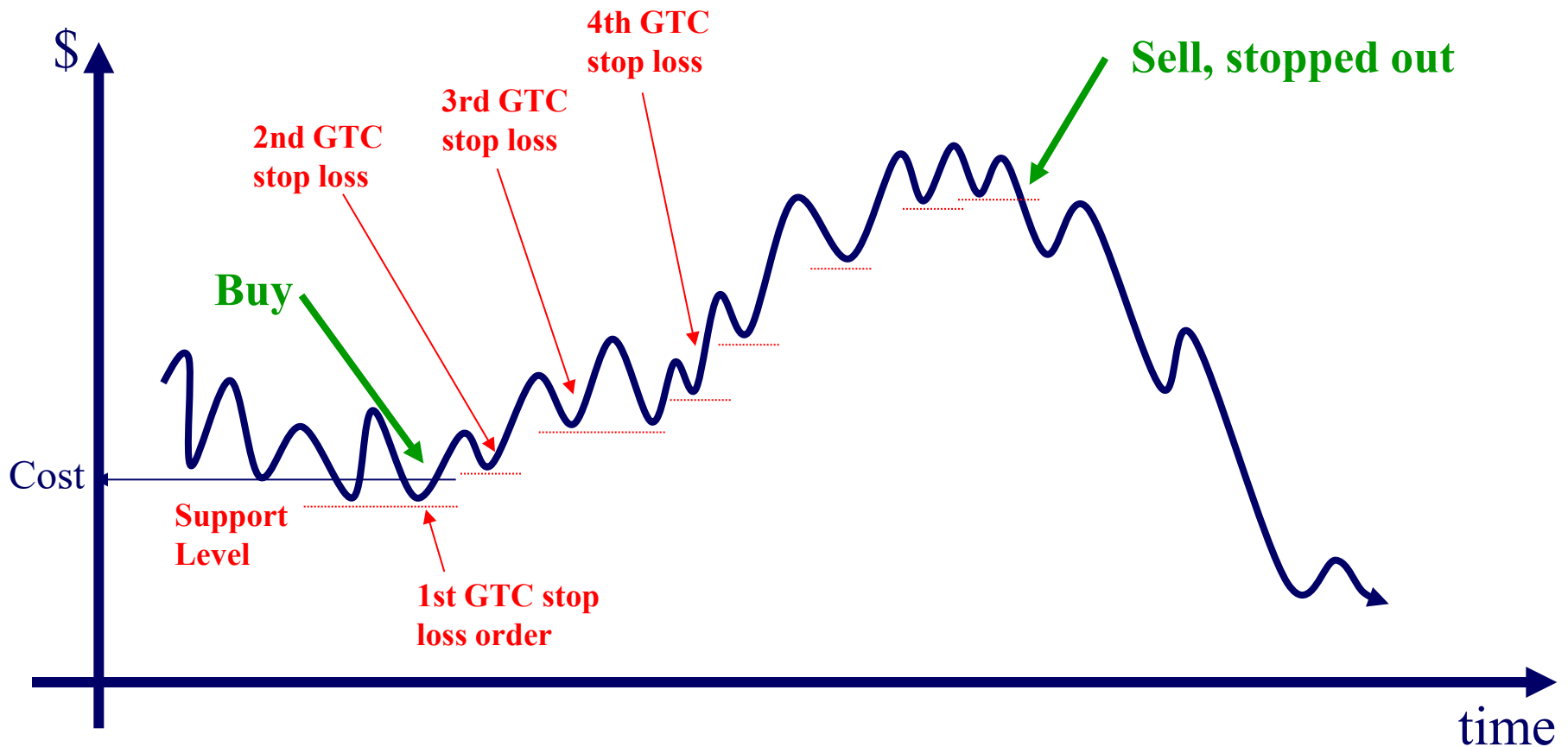
When will you sell?



When will you sell?



Protect gains - stop orders



Stop Loss Orders

- Good way to take 'spur of the moment' emotion out of selling decision
- Good way to act in a timely way w/o watching the ticker tape for a living ..
- Can be used to:
 - limit losses
 - protect profits

Not the panacea – many issues with managing stop loss orders.

Types of sell orders

□ **Trailing Stop**

- Specify the distance between the current market price and the trailing price - either \$amount or %age of the market price.
- Stop price incrementally moves up with the market. Does not move down if the market price declines
- Order executes if the trailing price is reached.

□ **Time horizon on orders**

- Day – valid for that trading day.
- GTC – Good till canceled – valid for between 30 and 90 days.
- GTD – Good till date – valid upto specific date.

<https://www.investopedia.com/university/intro-to-order-types/>

Covered Calls

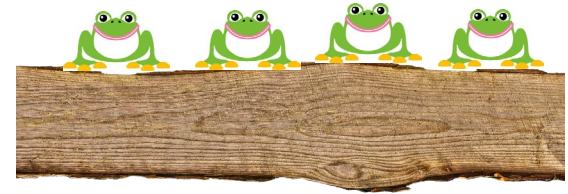
- **Selling a call option on the underlying stock you own**
 - Typically at a price above the current market price and at your sell target.
 - Sell a call
 - Strike price = your target sell price
 - Expiration date = your sell horizon (typically 30 to 50 days or longer term)
 - Collect the premium
 - Price of the option – you get this when you sell the option and keep it.
 - You have an obligation to sell the underlying at the strike price upto the expiration date.
 - If called, part with the stock at the strike price.
 - If option is not exercised, repeat the process.
- Low risk options strategy to sell a stock at a price above the market.
 - Generate additional income while you wait for the sell order to execute.

Summary - selling winners

- Patience is a virtue with winners
- Ride a winner through proactive action
- Protect profits
 - stop loss orders, covered calls
 - selling part of a position
- Don't sell a winner and forget it
 - look to rebuy if fundamentals are sound and market gives you a fresh opportunity.

A riddle

- There are four frogs on a log
- Two decide to jump
- How many are left?



Thinking about selling and selling are not the same thing.

Successful Investing

- Be right more often than wrong
- Be right **BIG** and wrong **SMALL**
 - Take full advantage of your winnings
 - Cut you losses short

Key messages

- Selling is OK
- Match selling strategy to your investment thesis and bucket strategy.
- Three rules.
 - 1. Be impatient with your losers.**
 - 2. Protect your profits**
 - 3. Thinking of selling and selling are not the same**

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- Market Update – Rajeev – 20 minutes
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This semester's course content

- New content of current relevance to investor
 - Using AI tools to enhance your investment
 - Charts on the cumulative A/D line for individual indices.
- The basics
 - Market updates
 - What's different in investing in retirement
 - There is no average retiree. Everyone's situation is different. Have a plan that fits your goals.
 - Protecting capital and producing income and returns
 - Bucket Investing
 - Investing ideas that are currently relevant

Goal – Learnings from the class have a positive impact on your investing as a retiree.

Last regular semester class

- Your feedback
 - Feedback survey on Zoom
 - Part 1 – Standard OLLI questions
 - Part 2 – Did we create value for you as an investor?
 - Feedback – send an Email to Ron, Jane or myself
 - Does the format continue to work? – Market update followed by topic.
 - Content ideas (except taxes, annuities)
- Class website will close in 2 weeks. Please don't share charts with others. They are for your use only.
- Spring 2023 class
 - Special Thanks to Jane for all her help over many semesters.
 - Ron and I will lead next semesters class.

Optional Extra Class 12 – Nov. 20th

- Market Update – Rajeev – 20 minutes
- 1 chart on REITs
- Open Mike class – ask any questions you want
- Same Zoom link and password if you want to attend

Thanks !!

□ Happy Investing !!

□ **My EMail**

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□ **Class website**

□ <http://udel.edu/~diyinvst>