

Investing for Successful Retirement

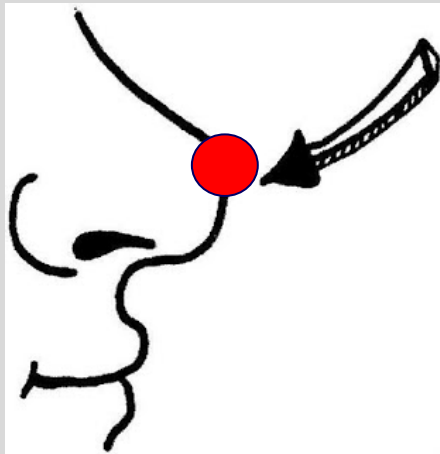
UD Osher – OLLI

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.

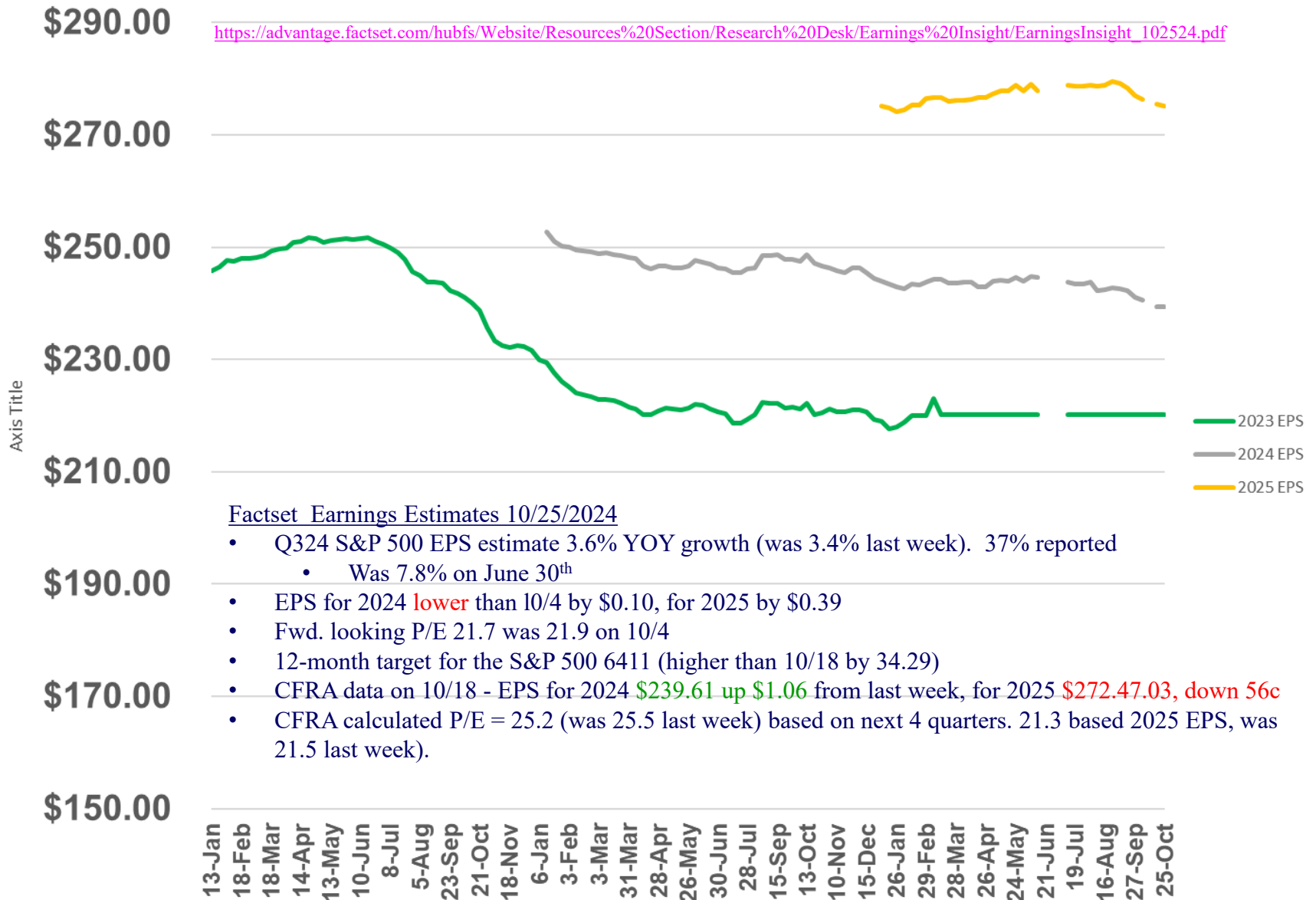
Form your own opinion, make your own investment decisions.

Class 9 – Oct. 30th

- Market Update – Rajeev – 20 minutes
- Bucket Investing

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

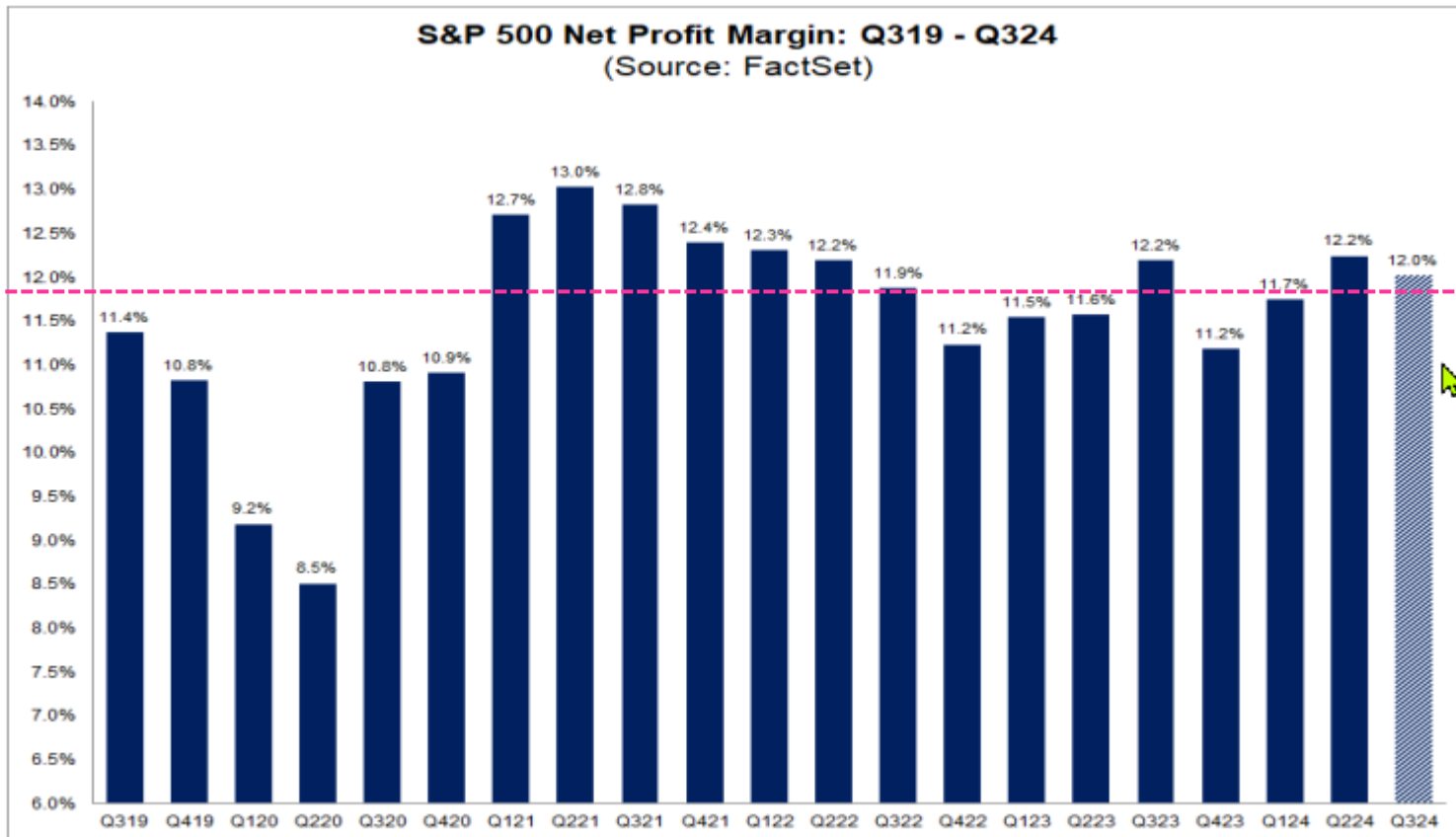
https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_102524.pdf



Factset Earnings Estimates 10/25/2024

- Q324 S&P 500 EPS estimate 3.6% YOY growth (was 3.4% last week). 37% reported
 - Was 7.8% on June 30th
- EPS for 2024 **lower** than 10/4 by \$0.10, for 2025 by \$0.39
- Fwd. looking P/E 21.7 was 21.9 on 10/4
- 12-month target for the S&P 500 6411 (higher than 10/18 by 34.29)
- CFRA data on 10/18 - EPS for 2024 **\$239.61 up \$1.06** from last week, for 2025 **\$272.47.03, down 56c**
- CFRA calculated P/E = 25.2 (was 25.5 last week) based on next 4 quarters. 21.3 based 2025 EPS, was 21.5 last week).

S&P 500 Profit Margins



Average 11.8 excl. 2 pandemic quarters Q12020 & Q22020. Would be 11.5 incl. them. Analyst prediction is that the margin will be above 12% for the next 3 quarters.

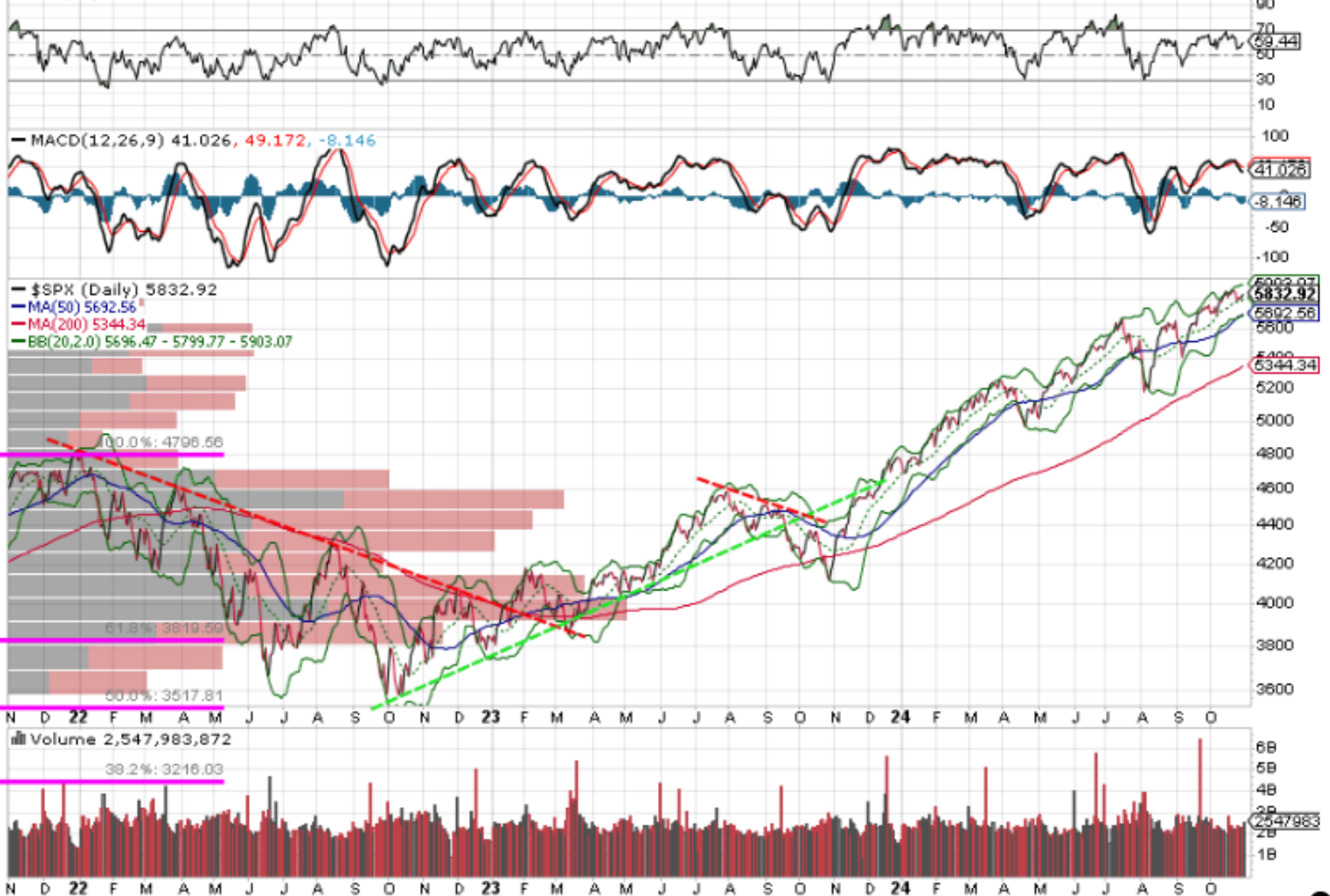
\$SPX S&P 500 Large Cap Index INDX

29-Oct-2024

Open 5819.88 High 5847.10 Low 5802.17 Close 5832.92 Volume 2.5B Chg +9.40 (+0.16%) ▲

© StockCharts.com

▲ RSI(14) 59.44



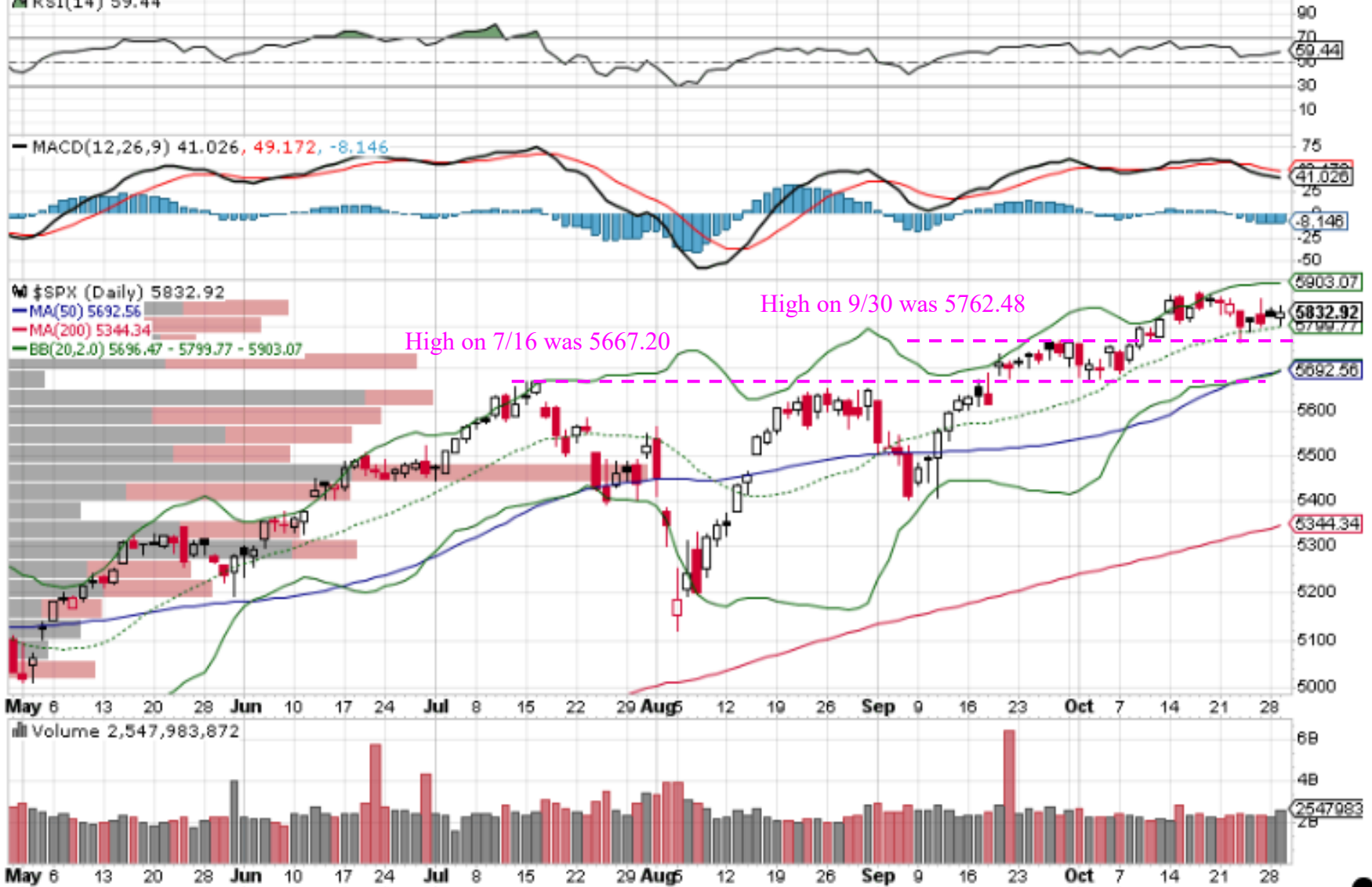
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Market Breadth – another way

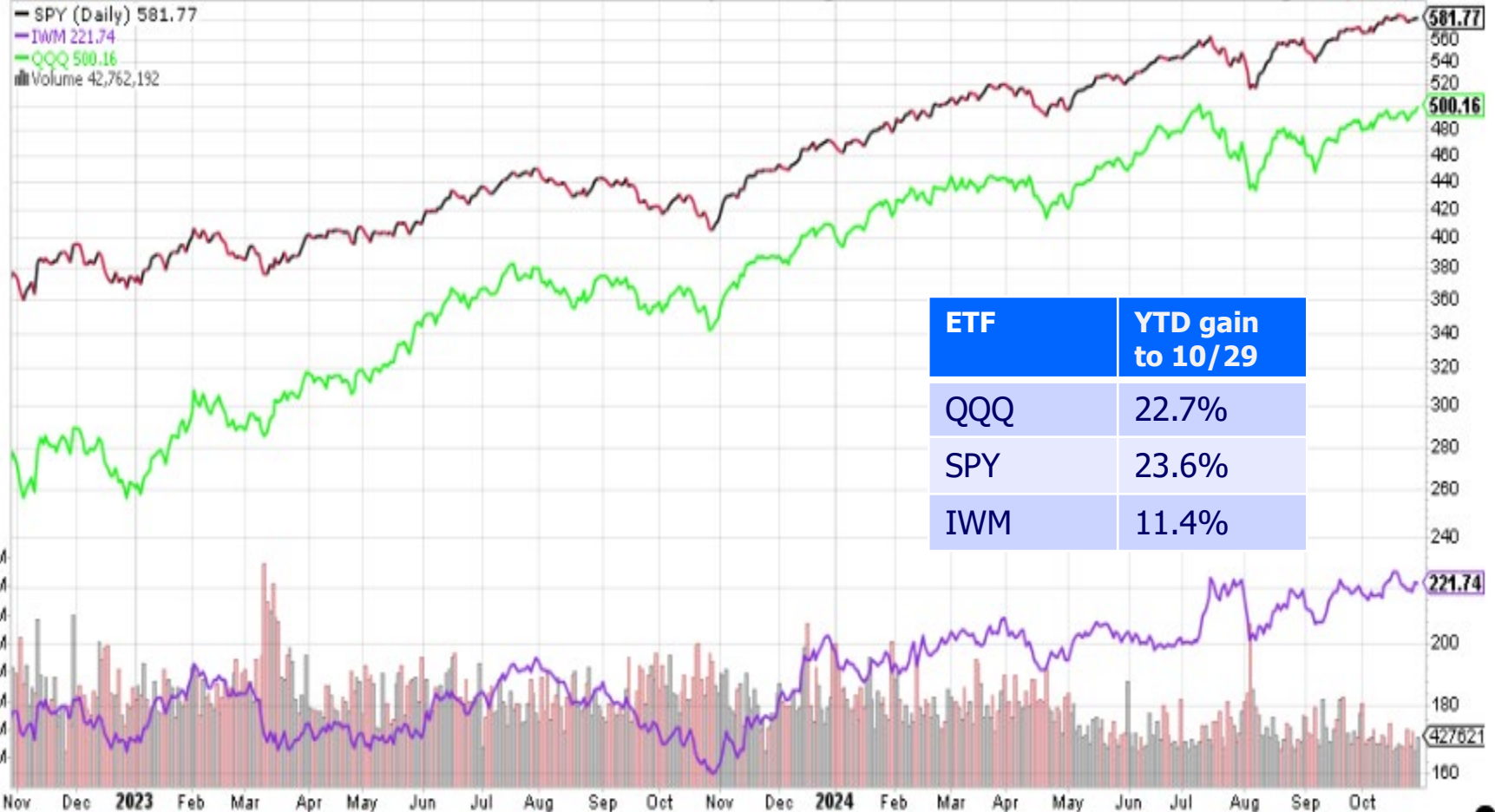
SPY SPDR S&P 500 ETF NYSE

29-Oct-2024

© StockCharts.com

Open 579.85 High 582.91 Low 578.43 Close 581.77 Volume 42.8M Chg +0.94 (+0.16%) ▲

— SPY (Daily) 581.77
— IWM 221.74
— QQQ 500.16
Volume 42,762,192



\$NYAD NYSE - Advance-Decline Issues INDX

29-Oct-2024

© StockCharts.com

Open 39056.00 High 39056.00 Low 39056.00 Close 39056.00 Chg -1008.00 (-2.52%)

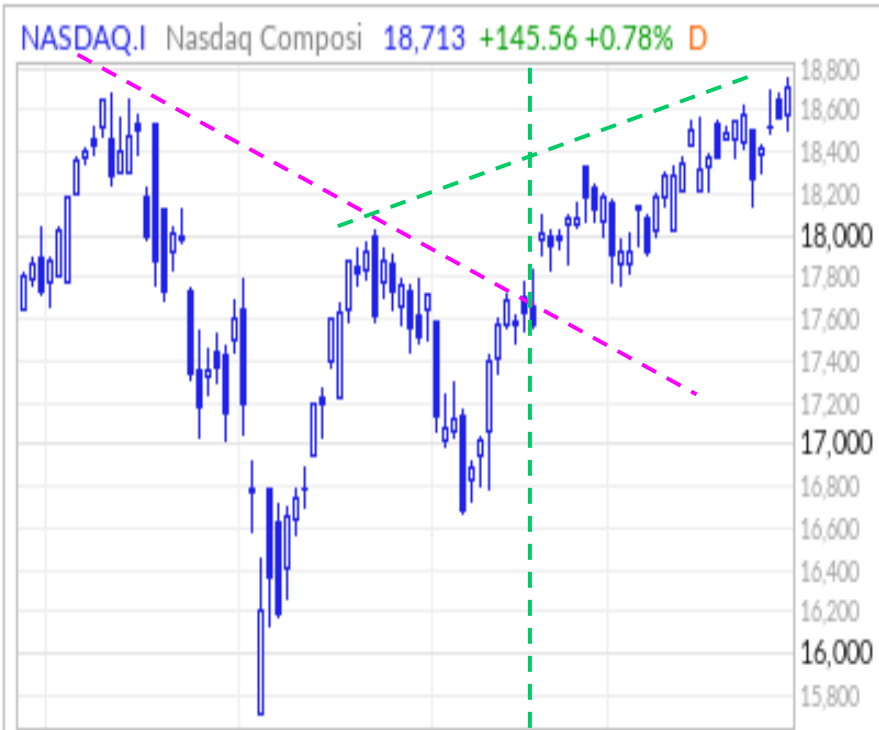
— \$NYAD Cumulative 39056.00
— MA(50) 38188.40



— \$SPX 5832.92







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

DATE	MARKET PULSE (IBD) FOR THE WEEK	DISTRIBUTION DAYS		S&P 500 TRIPLE SCREEN					NASDAQ TRIPLE SCREEN						
		S&P 500	NASDAQ	8-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE	8-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE
SAT 10/12/24	FOR THE WEEK							64	1.11%					205	1.13%
SUN 10/13/24	YTD							1046	21.93%					3,331	22.19%
MON 10/14/24	CONFIRMED UP (80% -100%)	3	3	P	P	P	5,859	44	0.76%	P	P	P	18,502	160	0.87%
TUE 10/15/24	CONFIRMED UP (80% -100%)	4	4	P	P	P	5,815	-44	-0.75%	P	P	P	18,315	-187	-1.01%
WED 10/16/24	CONFIRMED UP (80% -100%)	4	4	P	P	P	5,842	27	0.46%	P	P	P	18,367	52	0.28%
THUR 10/17/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,841	-1	-0.02%	P	P	P	18,373	6	0.03%
FRI 10/18/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,864	23	0.39%	P	P	P	18,489	116	0.63%
SAT 10/19/24	FOR THE WEEK							49	0.84%					147	0.80%
SUN 10/20/24	YTD							1095	22.96%					3,478	23.17%
MON 10/21/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,853	-11	-0.19%	P	P	P	18,540	51	0.28%
TUE 10/22/24	CONFIRMED UP (80% -100%)	3	5	P	P	P	5,851	-2	-0.03%	P	P	P	18,573	33	0.18%
WED 10/23/24	CONFIRMED UP (80% -100%)	3	5	P	F	P	5,797	-54	-0.92%	P	F	P	18,276	-297	-1.60%
THUR 10/24/24	CONFIRMED UP (80% -100%)	3	5	P	F	P	5,809	12	0.21%	P	F	P	18,415	139	0.76%
FRI 10/25/24	CONFIRMED UP (80% -100%)	3	4	P	F	P	5,808	-1	-0.02%	P	F	P	18,518	103	0.56%
SAT 10/26/24	FOR THE WEEK							-56	-0.95%					29	0.16%
SUN 10/27/24	YTD							1039	21.79%					3,507	23.36%
MON 10/28/24	CONFIRMED UP (80% -100%)	3	4	P	F	P	5,823	15	0.26%	P	0	P	18,567	49	0.26%
TUE 10/29/24	CONFIRMED UP (80% -100%)	3	4	P	F	P	5,832	9	0.15%	P	P	P	18,712	145	0.78%

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

TLT – 20 yr U.S. Treasury ETF



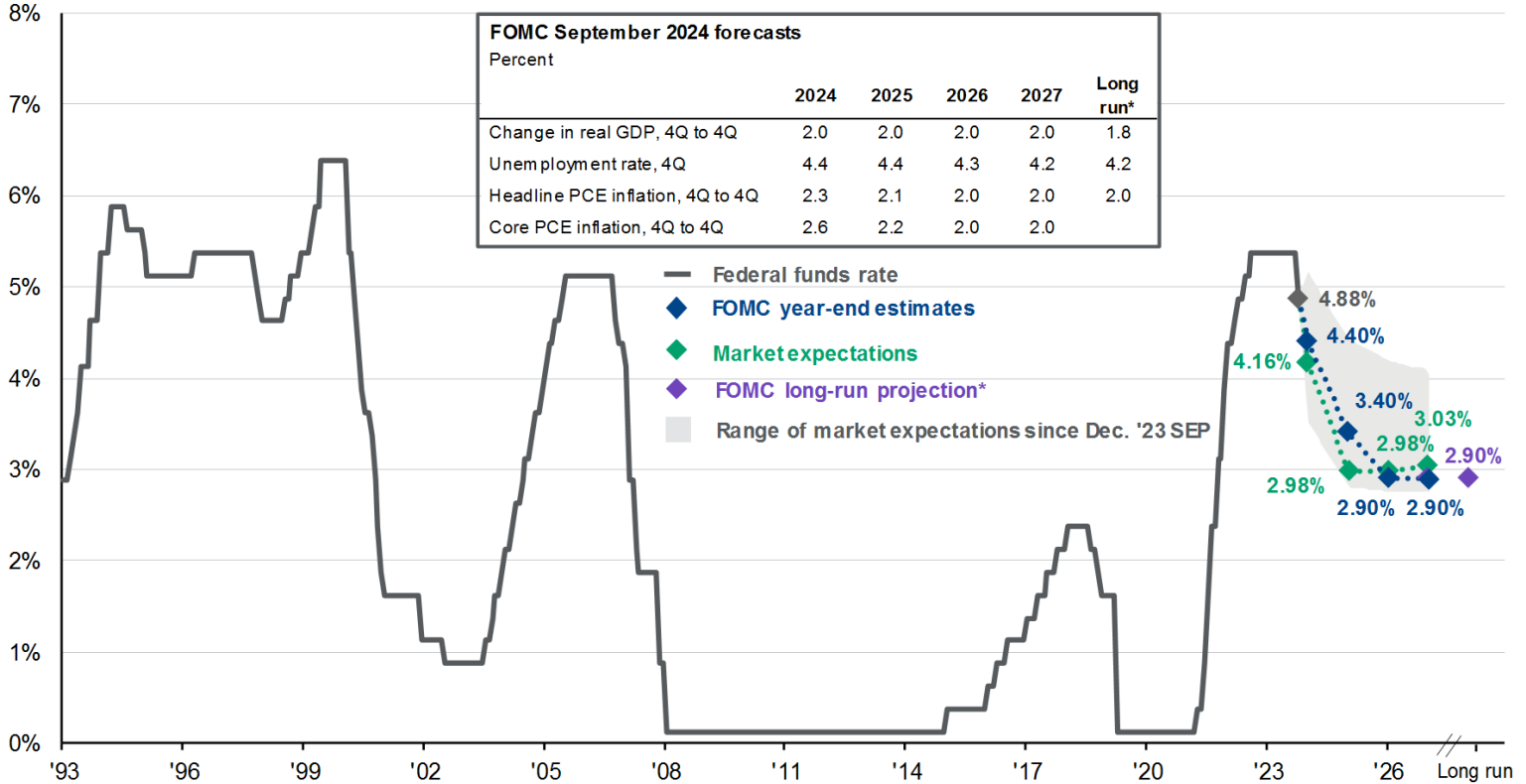


The Fed and interest rates

Fixed Income

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of September 30, 2024.

J.P.Morgan
ASSET MANAGEMENT

	WH	House	Senate	Inflation (CPI) (%)	Defecit (billion \$)	Interest Rates (Fed funds) (%)	GDP Growth	S&P 500 Return incl Dividends (%)	Best Performing asset class
1993	Clinton			2.99	-255	3.00	2.75	9.94	US SCap
1994	Clinton			2.61	-203	4.00	4.03	1.28	US Bonds
1995	Clinton			2.81	-164	5.50	2.68	37.11	US LCap
1996	Clinton			3.32	-107	5.25	3.77	22.68	US LCap
1997	Clinton			2.84	-22	5.50	4.45	33.1	US LCap
1998	Clinton			1.55	69	5.35	4.48	26.67	US LCap
1999	Clinton			2.19	126	5.00	4.79	19.53	US LCap
2000	Clinton			3.38	236	6.50	4.08	-10.14	US Bonds
2001	GW Bush			2.83	128	3.75	0.96	-13.04	US Bonds
2002	GW Bush			1.59	-157	1.75	1.70	-23.37	US Bonds
2003	GW Bush			2.27	-378	1.00	2.80	26.38	US SCap
2004	GW Bush			2.68	-412	1.25	3.85	8.99	US LCap
2005	GW Bush			3.39	-318	3.25	3.48	3	REITs
2006	GW Bush			3.24	-248	5.25	2.78	13.62	REITs
2007	GW Bush			2.85	-161	4.25	2.00	3.53	US LCap
2008	GW Bush			3.84	-459	0.25	0.11	-38.49	US Tbonds
2009	Obama			-0.36	-1413	0.00	-2.58	23.45	EM Eq
2010	Obama			1.64	-1294	0.00	2.70	12.78	REITs
2011	Obama			3.16	-1300	0.00	1.56	0	REITs
2012	Obama			2.07	-1087	0.00	2.29	13.41	REITs
2013	Obama			1.5	-680	0.00	2.12	29.6	US SCap
2014	Obama			1.62	-485	0.09	2.52	11.39	REITs
2015	Obama			0.12	-438	0.13	3.07	-0.73	REITs
2016	Obama			1.26	-585	0.39	1.82	9.54	US SCap
2017	Trump			2.13	-665	1.00	2.37	19.42	EM Eq
2018	Trump			2.44	-779	1.79	2.97	-6.24	US Tbonds
2019	Trump			1.81	-984	2.16	2.33	28.88	US LCap
2020	Trump			1.23	-3132	0.36	-3.40	16.26	Gold
2021	Biden			4.7	-2775	0.08	5.80	26.89	US LCap
2022	Biden			8	-1376	1.68	4.90	-19.44	Commodities
2023	Biden			4	-1696	5.03	6.28	24.23	US LCap
2024	Biden			2.44	-1900	5.29	3.00	21.91	REITs

Data from search on Perplexity.ai

Data from JP Morgan Monthly Market Guide on 9/30/24



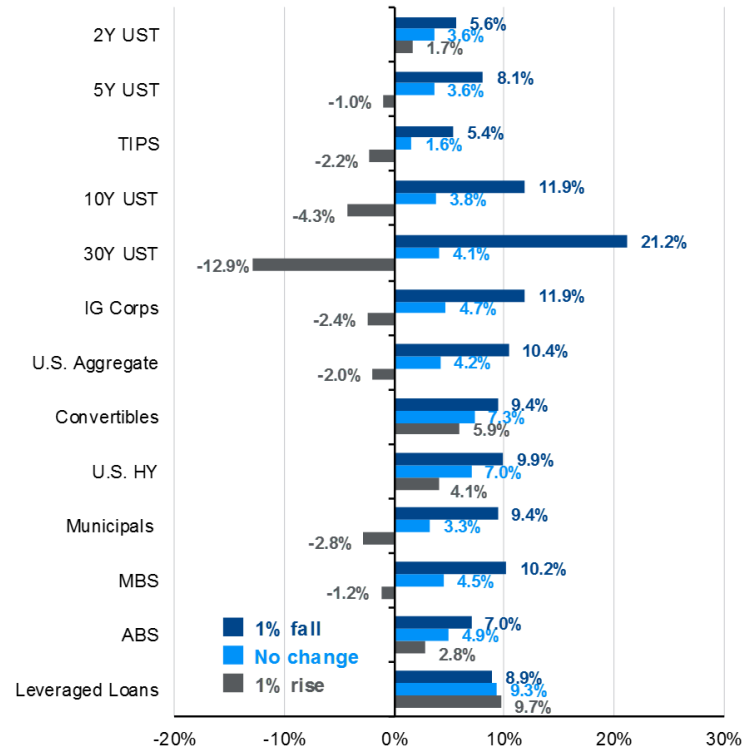
Fixed income market dynamics

Fixed Income

U.S. Treasuries	Yield		Return			
	9/30/2024	12/31/2023	2024 YTD	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	3.66%	4.23%	3.99%	2 years	0.75	0.00
5-Year	3.58%	3.84%	3.99%	5	0.94	-0.03
TIPS	1.56%	1.72%	4.85%	7.4	0.73	0.33
10-Year	3.81%	3.88%	3.65%	10	1.00	-0.08
30-Year	4.14%	4.03%	1.42%	30	0.93	-0.12
Sector						
U.S. Aggregate	4.23%	4.53%	4.45%	8.4	0.89	0.24
IG Corps	4.72%	5.06%	5.32%	10.9	0.68	0.46
Convertibles	7.28%	7.26%	8.11%	-	-0.06	0.86
U.S. HY	6.99%	7.59%	8.00%	4.8	0.06	0.78
Municipals	3.32%	3.22%	2.30%	13.6	0.71	0.25
MBS	4.53%	4.68%	4.50%	7.0	0.81	0.25
ABS	4.93%	5.65%	6.12%	2.4	0.38	0.23
Leveraged Loans	9.33%	10.59%	6.76%	4.6	-0.24	0.61

Fixed income returns in different interest rate scenarios

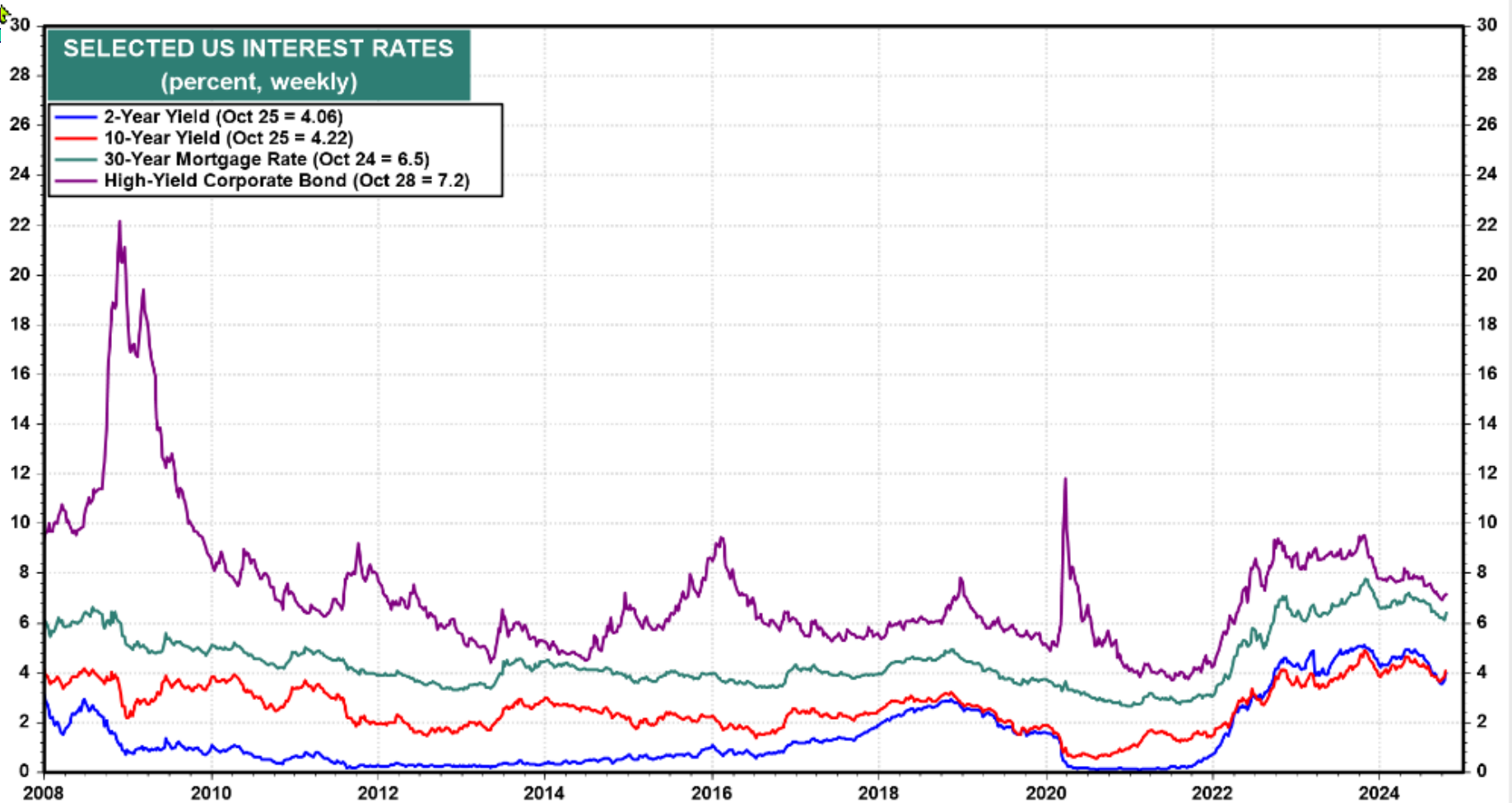
Total return, assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by - U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Yields shown for TIPS are real yields. Sector yields reflect yield-to-worst. Leveraged loan yields reflect the yield to 3Y takeout. Correlations are based on 15-years of monthly returns for all sectors. ABS returns prior to June 2012 are sourced from Bloomberg. Past performance is not indicative of future results.

Guide to the Markets - U.S. Data are as of September 30, 2024.

Changing Yield Curve



Source: LSEG Datastream and © Yardeni Research, Federal Reserve and Freddie Mac.

This is NOT investment advice

Correlation – Elections and markets

- WSJ data on 10/16/2024 – 66 economists and WSJ readers' poll
 - Inflation higher under Trump than Harris – almost 7 to 1
 - Deficits higher under Trump than Harris – almost 6 to 1
 - Interest rates likely to be higher under Trump than Harris – almost 6 to 1
 - Growth lower under Trump than Harris – 45% to 37%
 - Unemployment higher under Trump than Harris – 59% to 26%
- Election results – 11/6
- Federal Reserve Meeting dates
 - 11/6 and 11/7/2024
 - 12/17 and 12/18/2024
 - 1/28 and 1/29/2025
- Presidential inauguration – 1/20/2025
- Lag time after Presidential decisions
 - Tariffs
 - Cost Reductions – excellent information on usafacts.com

Hawkish Fed. response + more borrowing = higher interest rates

Golden rules of selling

1. Don't sell out of panic. Sell thoughtfully as the thesis changes.
2. Impatience with Losers
3. Patience with winners while protecting profits
4. Thinking of selling and selling are not the same thing. The first is inertia in an armchair, the second is action.

U.S. Dollar

\$USD US Dollar - Cash Settle FOREX

29-Oct-2024 11:07pm

Open 104.28 High 104.51 Low 103.99 Last 104.19 Chg +0.06 (+0.06%)▲

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\$USD (Weekly) 104.19

MA(40) 103.67

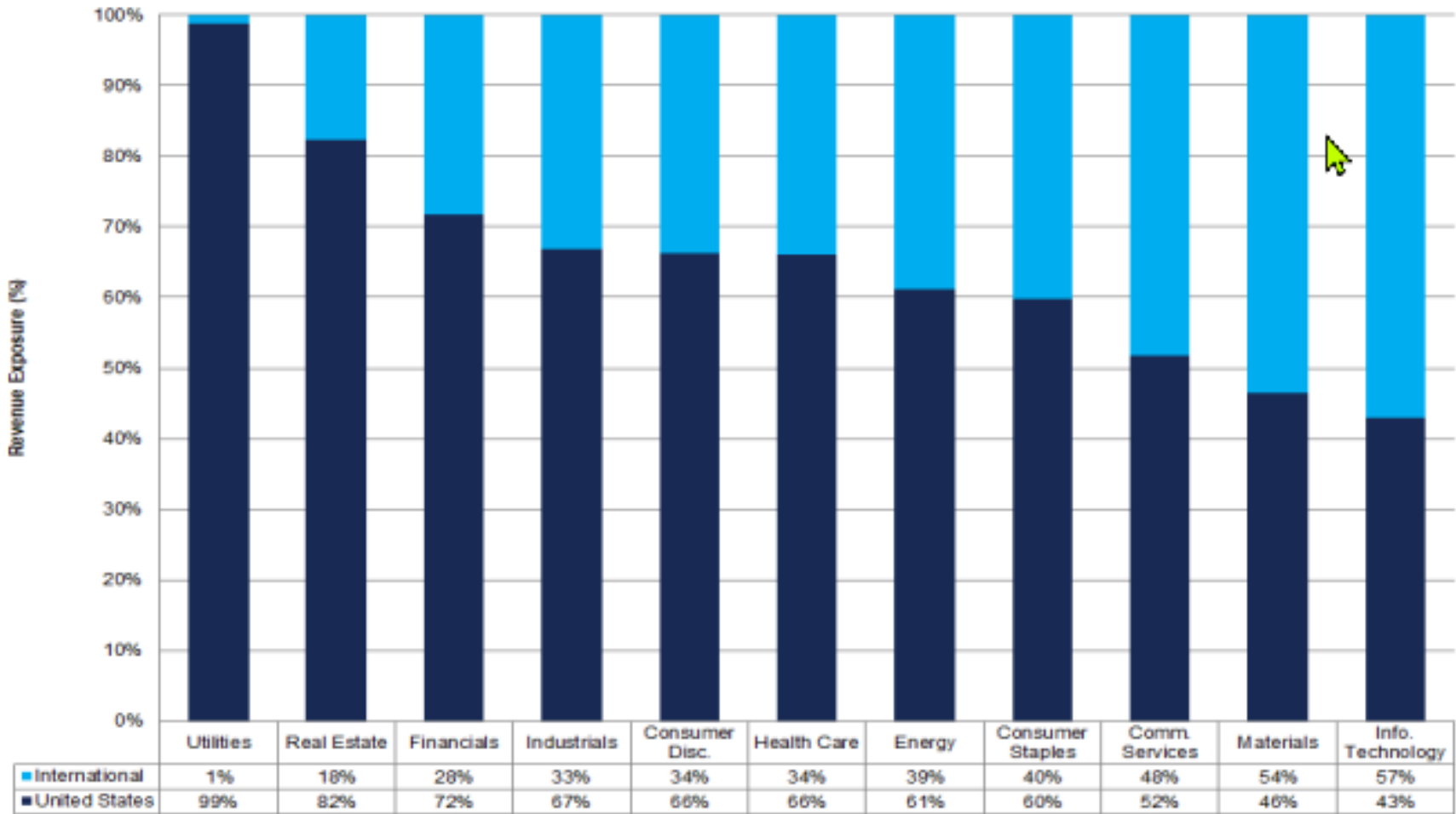
Volume undef



A rise in the dollar
Negative for Big tech
Lowers commodity prices

S&P 500: Aggregate Sector Geographic Revenue Exposure (%)

(Source: FactSet)



Overall, 41% of sales for S&P 500 companies are outside the US

Class 9 – Oct. 30th

- Market Update – Rajeev – 20 minutes
- Bucket Investing

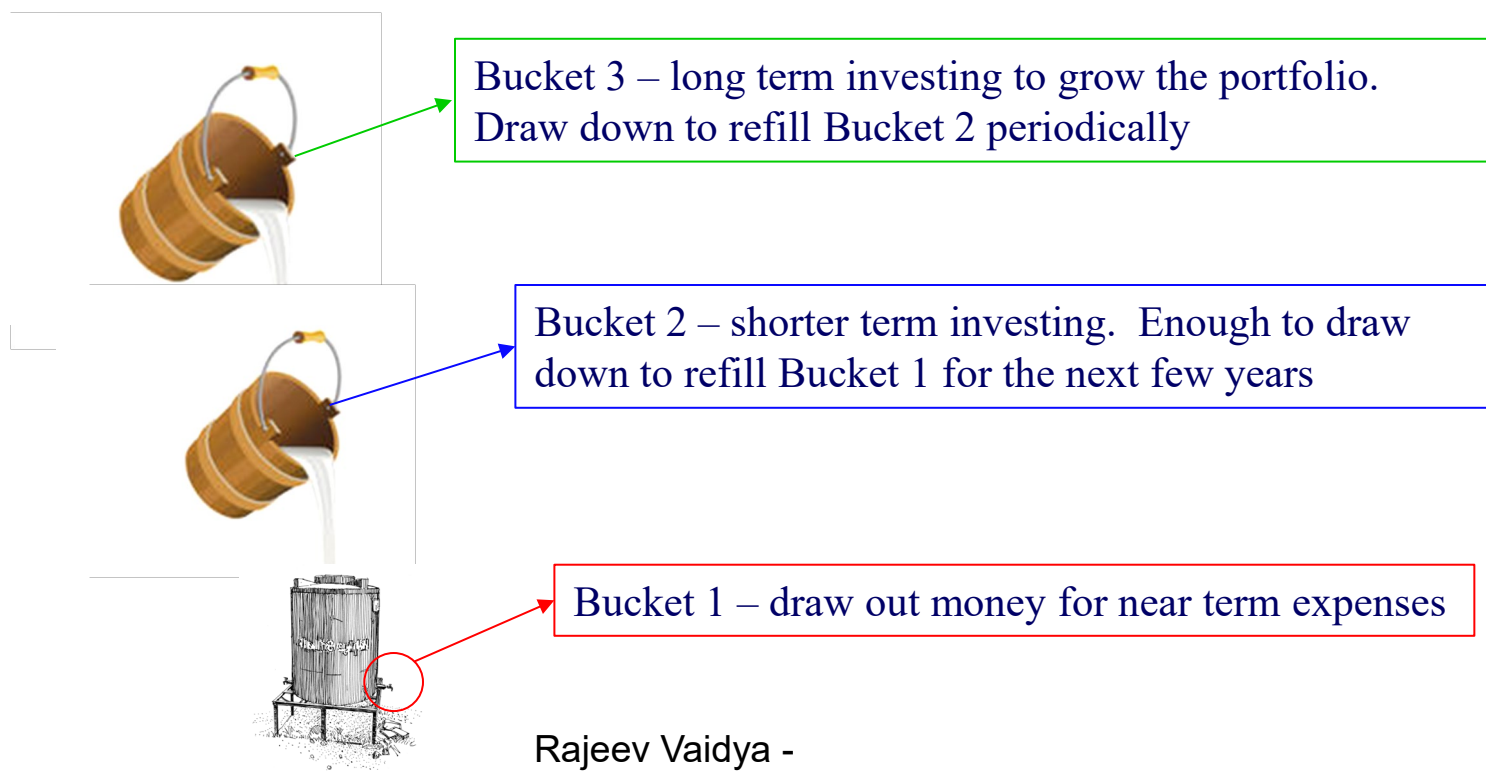
What are buckets ?



- Portions of your investment portfolio
- Distinct from other portions based on
 - Investment objectives/goals
 - Investment strategy/style

Three bucket approach

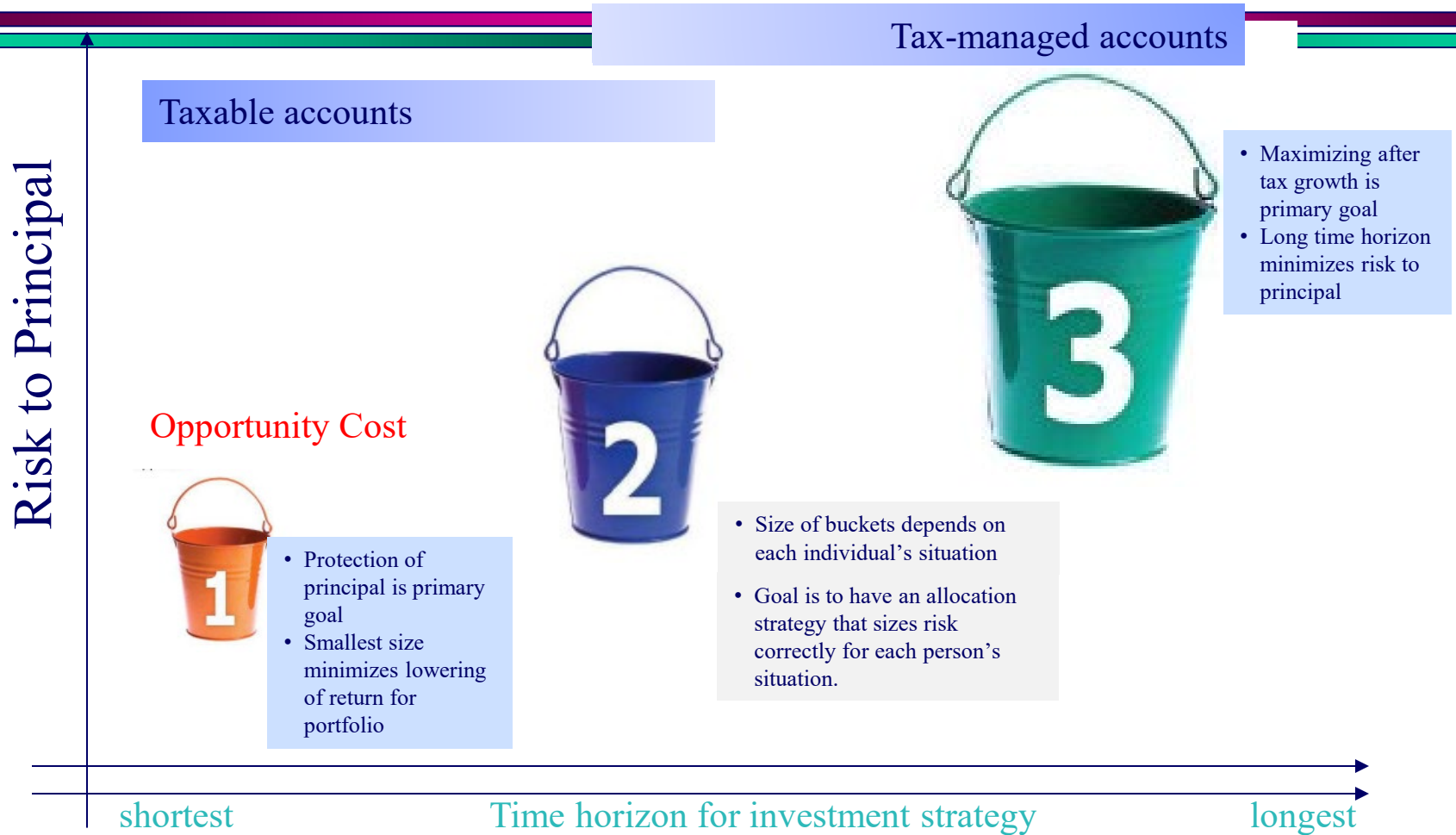
- Pioneer – Harold Evensky, Money manager in Florida.
- Good resource of information - Christine Benz, Morningstar
 - <https://www.morningstar.com/retirement/how-retire-consider-retirement-bucket-portfolio-strategy>



Rajeev Vaidya -

<https://knowhowtoinvest.com>

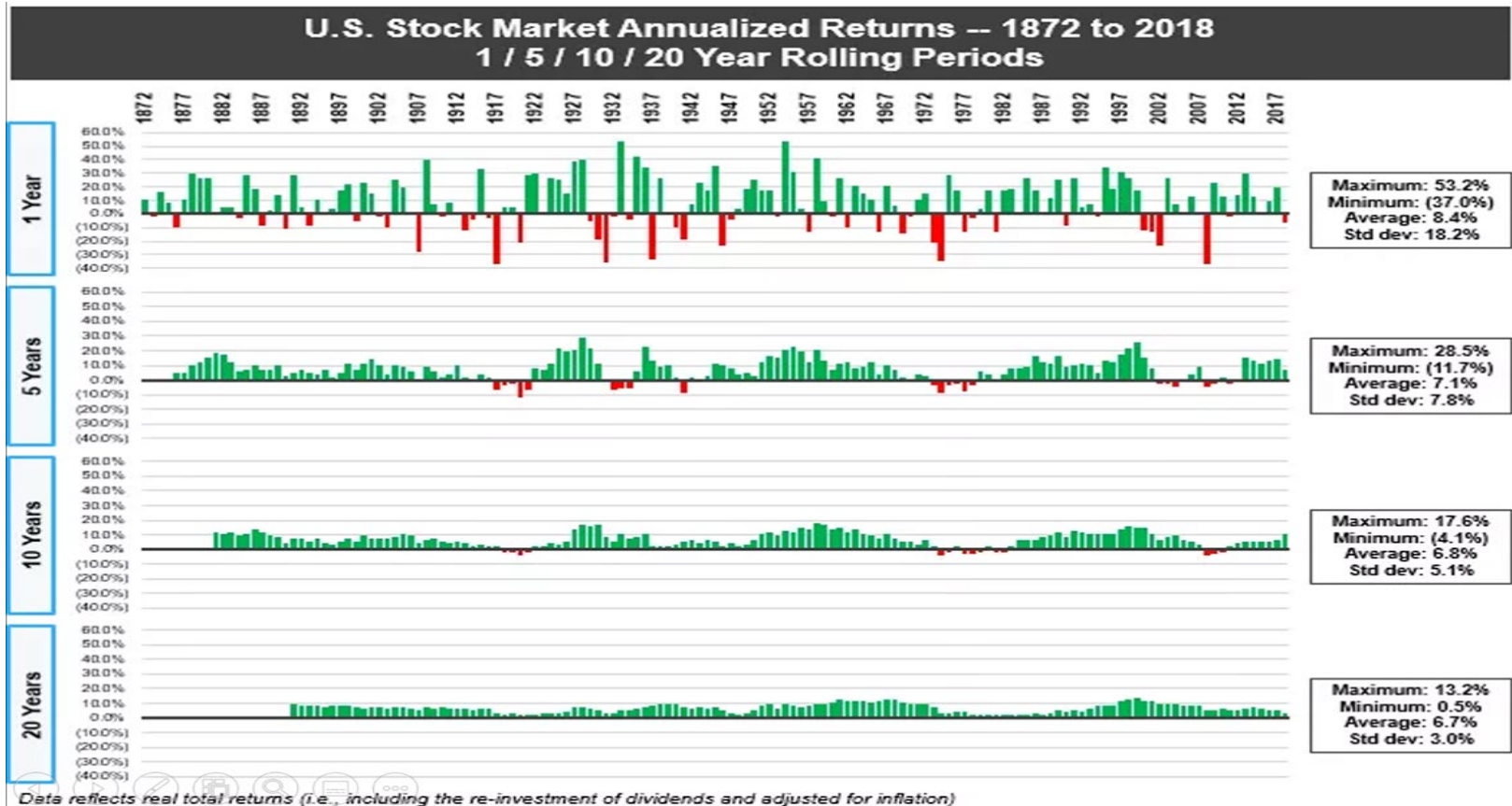
Buckets



Rajeev Vaidya -

<https://knowhowtoinvest.com>

Time is your friend



Data from presentation by Dr. Richard Jakotowicz - UD

Benefits of 3 bucket approach

- AAI study – April 2012

<http://www.aaii.com/journal/article/comparing-a-bucket-strategy-and-a-systematic-withdrawal-strategy>

- Alternative to a bucket strategy is one investment portfolio with systematic withdrawals.
- Main benefits of a bucket approach are psychological
 - Security for near term needs – Bucket 1 and 2.
 - Increased tolerance for risk in Bucket 3.
 - Easier to understand - each bucket has a strategy consistent with the investment horizon and goal.
- Main argument against the bucket approach is the opportunity cost of money in Bucket 1

This is NOT investment advice

Bucket 1 – near term needs

- How big?
 - Assess your living expenses for 1 year
 - Subtract out sources of income – pensions, SS payments, wages from employment, portfolio income etc.
 - Balance, if positive, is base amount needed in Bucket 1 for 1 year.
 - Add in emergency reserve fund – HC needs, home/car repairs etc.

- Bucket 1 is the lowest risk and lowest return portion of your portfolio. Keep this the smallest.

- Potentially use RMDs.

This is NOT investment advice

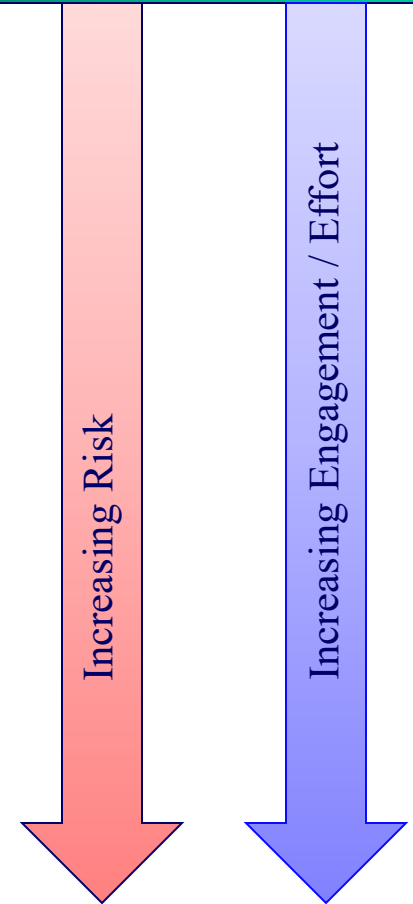
Bucket 1 - strategies

- Spend less, save more
- Earn more
 - Supplement your income with part time work
- Earn the best return on Bucket 1 money

This is NOT investment advice

Bucket 1 investing strategies

- Cash
- CDs – Bankrate.com – latest rates – 4.3 to 5%
<https://www.bankrate.com/cd.aspx>
- Money Market Accounts
 - Almost all brokers offer them
- High Yield savings accounts
 - American Express, Goldman Sachs ... many others
 - Limited transactions per month
- Ultrashort term bond funds
 - MINT (3Star, Gold) EMNT(2Star Gold), JPST (3Star, Silver)VFSTX, BSV, ISTB
- Options trading



This is NOT investment advice

Bucket 2

- How big?
 - 3 to 5 years of money needed to refill Bucket 1
 - Subtract our emergency reserve fund from Bucket 1 amount. This does not need to be refilled till it is used.

- Shorter term investment strategies
 - Income production
 - Focus on stability - moderate, managed risk
 - Higher yielding portions of the equities market
 - Dividend Investing, with risk protection

This is NOT investment advice

Bucket 3

- How big?
 - The rest of the portfolio not in Buckets 1 and 2

- Longer term investment strategies
 - Goal is to maximize after tax return
 - Take more measured managed risk than Bucket 2.

Buckets - Investment strategy / style

- Different investment strategies and styles require different engagement rules and plans for success.
- These strategies can be used mainly in Bucket 3 and some in Bucket 2.
- Different ways to participate in the equities market.
 - Passive, **indexed ETF based investing**
 - Investing in individual equities
 - Value investing
 - Growth / Momentum investing
 - Dividend investing
 - Derivatives based investing
 - Options / Futures
- Different ways to participate in the **bond market**.
 - **Bond fund / ETF based investing**
 - **Individual bonds / ladders.**

Bucket approach – articles

□ Comparing bucket vs. withdrawal strategies

□ AAIJ study – April 2012

<http://www.aaii.com/journal/article/comparing-a-bucket-strategy-and-a-systematic-withdrawal-strategy>

□ Investopedia article – April 2018

<https://www.investopedia.com/articles/financial-advisors/060815/comparison-bucket-strategy-vs-systematic-withdrawals.asp>

□ AAIJ Article – Christine Benz – details of executing a 3 bucket strategy. – July 2018

<https://www.aaii.com/journal/article/for-bucket-portfolios-the-devil-is-in-the-details>

□ How well does a bucket strategy work – Sept 2022

<https://www.morningstar.com/retirement/how-well-does-bucket-approach-retirement-planning-work-practice>

Class 10 – Nov. 6th

- Market Update – Rajeev – 20 minutes
- 2 more classes left – Nov 6th and November 13th
- Three topics that may be interesting
 - Precious Metals
 - Precious as defined today
 - Precious for green energy
 - Disciplined selling
 - Open Mike class – ask any questions you want
- Zoom poll – Do you want an extra class with an open mike session? I will present market update, rest of the time for you to talk briefly about your thoughts or ask questions

Thanks !!

- Happy Investing !!

- **My EMail**

 - diyinvst@udel.edu

- **Class website**

 - <http://udel.edu/~diyinvst>