

# Investing for Successful Retirement

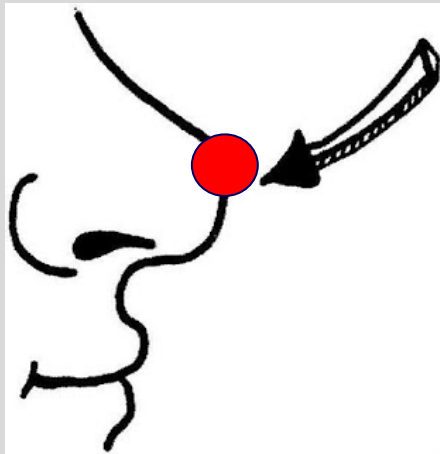
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**UD Osher – OLLI**  
**Fall 2025**

- **Rajeev A. Vaidya**
- **Ron Materniak**

# 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, and I are not a financial advisors.**

**This course is for educational purposes only.**

Form your own opinion, make your own investment decisions.

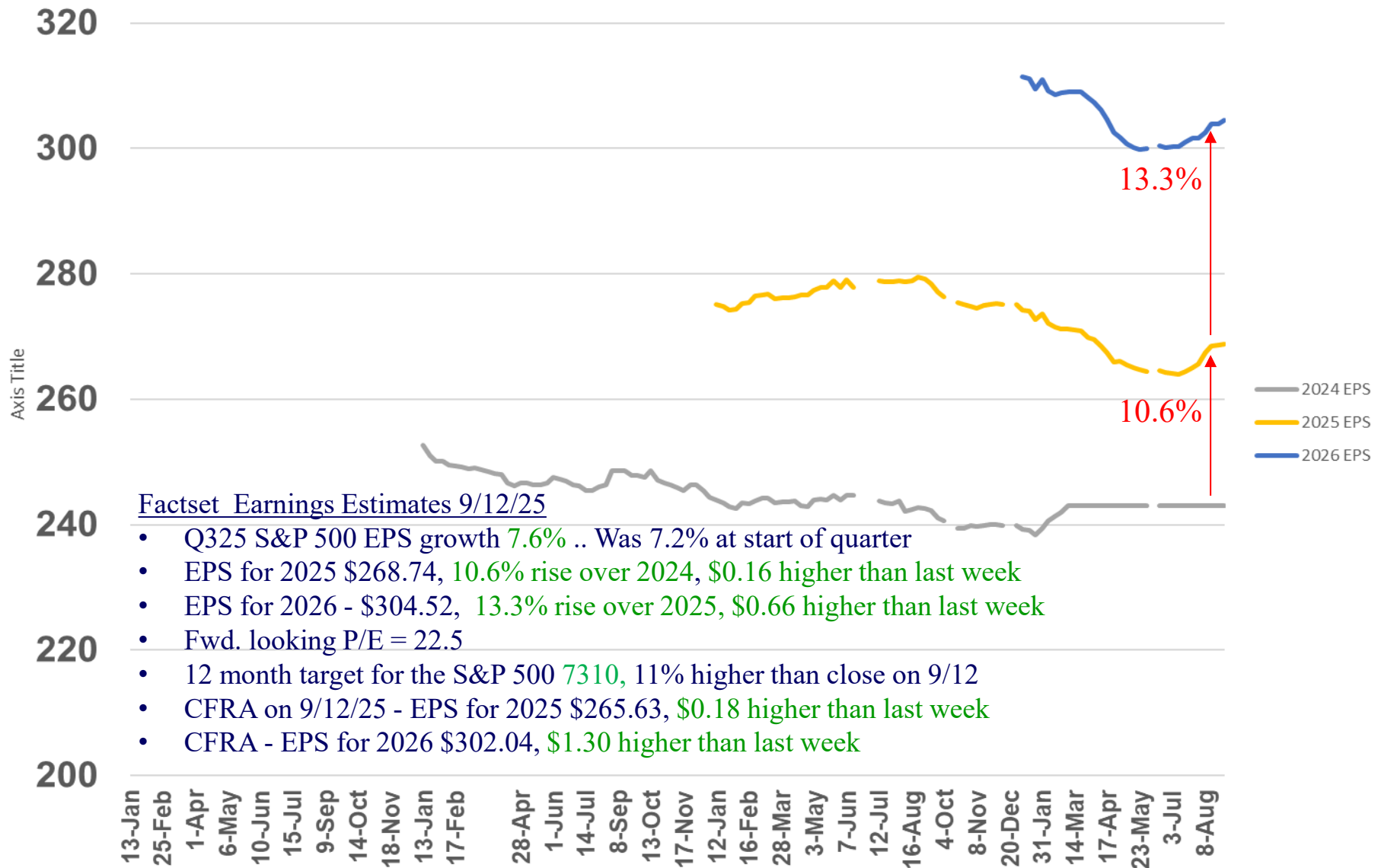
# Third Class – Sep. 17<sup>th</sup>

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- Market Update
- Bonds
  - The basics
  - The yield curve
  - Bond Ladders
- Questions

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

[https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight\\_091225.pdf](https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_091225.pdf)



\$SPX S&P 500 Large Cap Index INDX

16-Sep-2025

© StockCharts.com

Open 6624.13 High 6626.99 Low 6600.11 Close 6606.76 Chg -8.52 (-0.13%) ▼

▲ RSI(14) 68.19

— MACD(12,26,9) 59.369, 50.591, 8.778

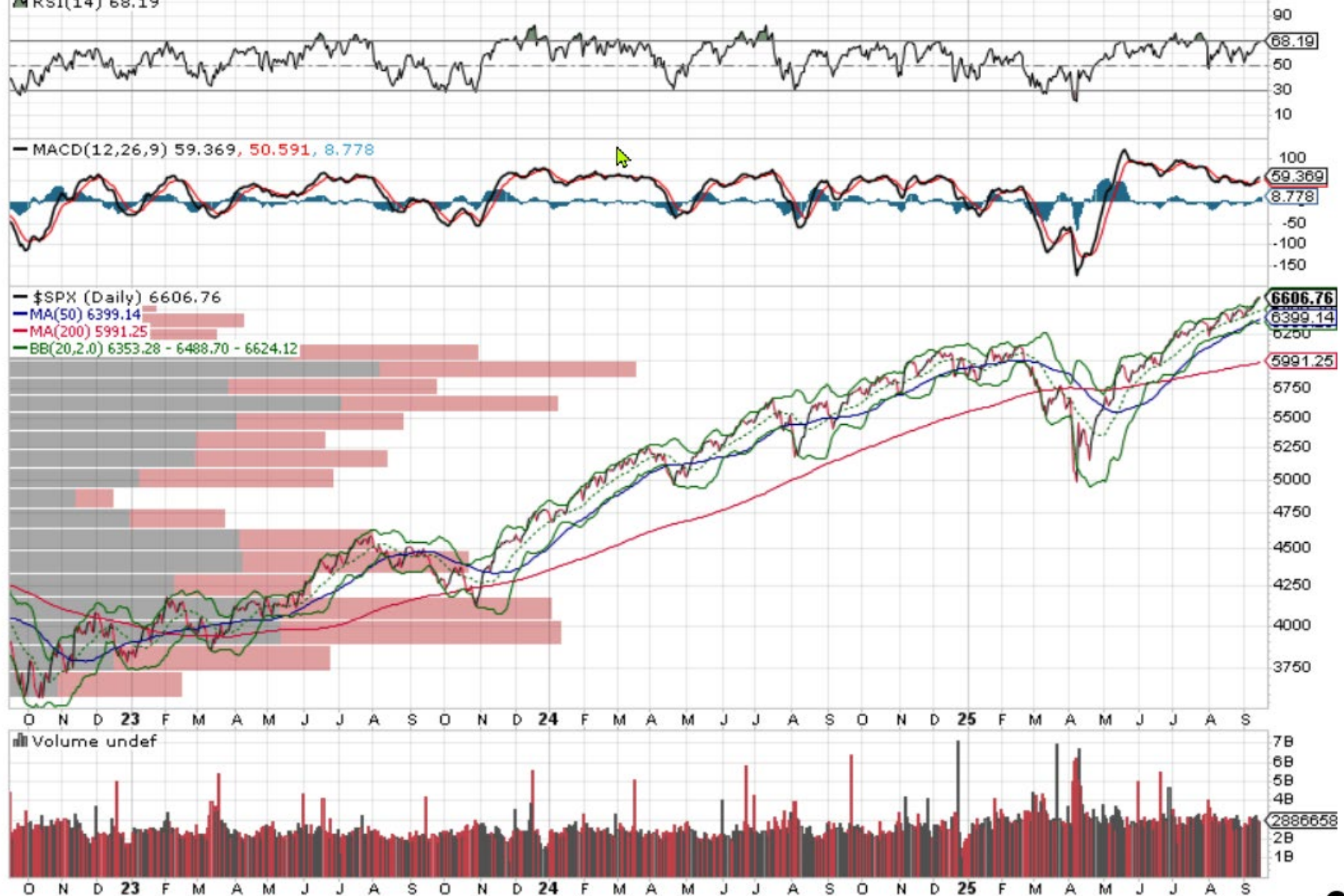
— \$SPX (Daily) 6606.76

— MA(50) 6399.14

— MA(200) 5991.25

— BB(20,2,0) 6353.28 - 6488.70 - 6624.12

Volume undef



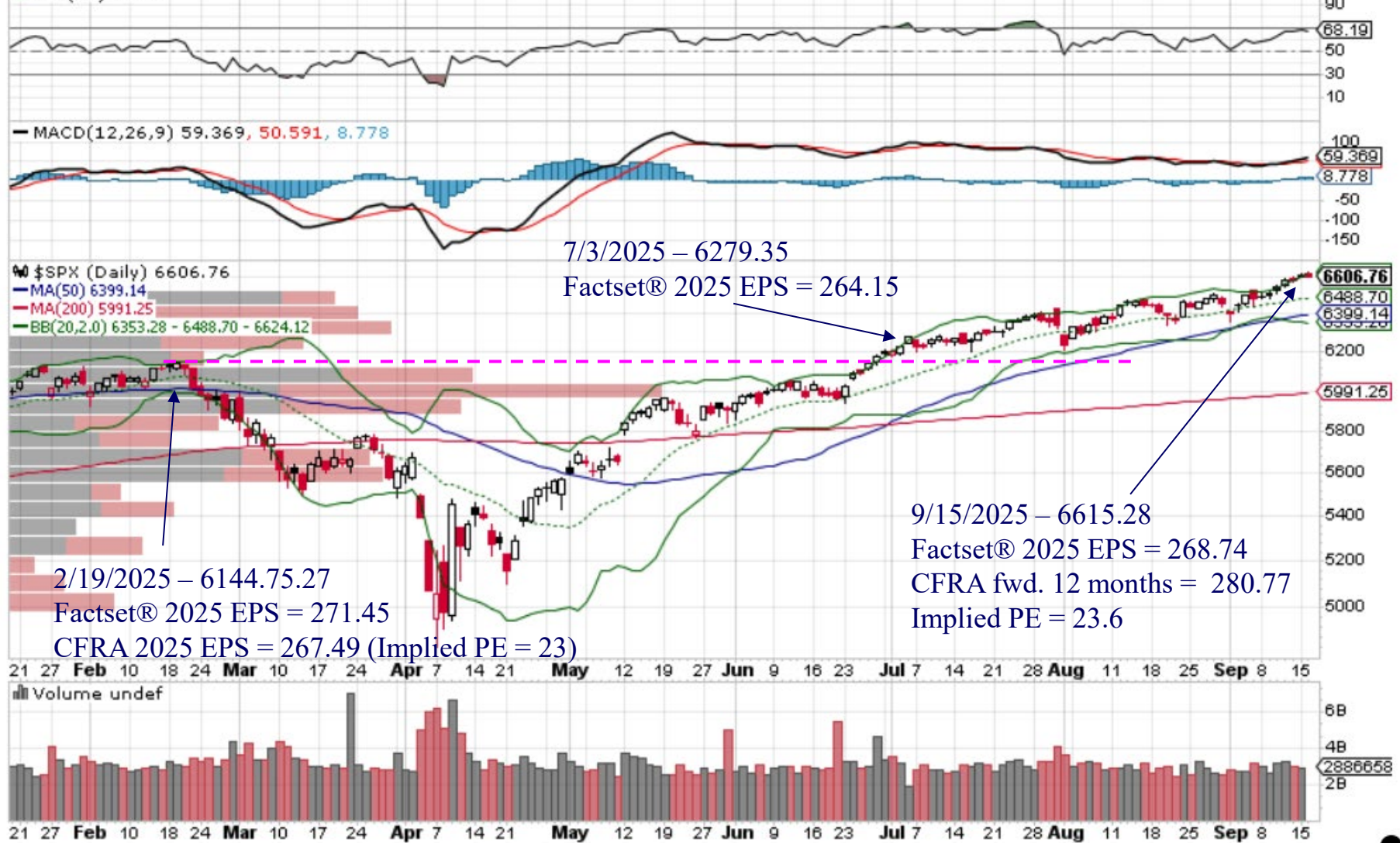
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Open 6624.13 High 6626.99 Low 6600.11 Close 6606.76 Chg -8.52 (-0.13%)

© StockCharts.com





# Market Breadth – another way

SPY SPDR S&P 500 ETF NYSE

16-Sep-2025

Open 661.47 High 661.78 Low 659.21 Close 660.00 Volume 60.5M Chg -0.91 (-0.14%)

© StockCharts.com

— SPY (Daily) 660.00

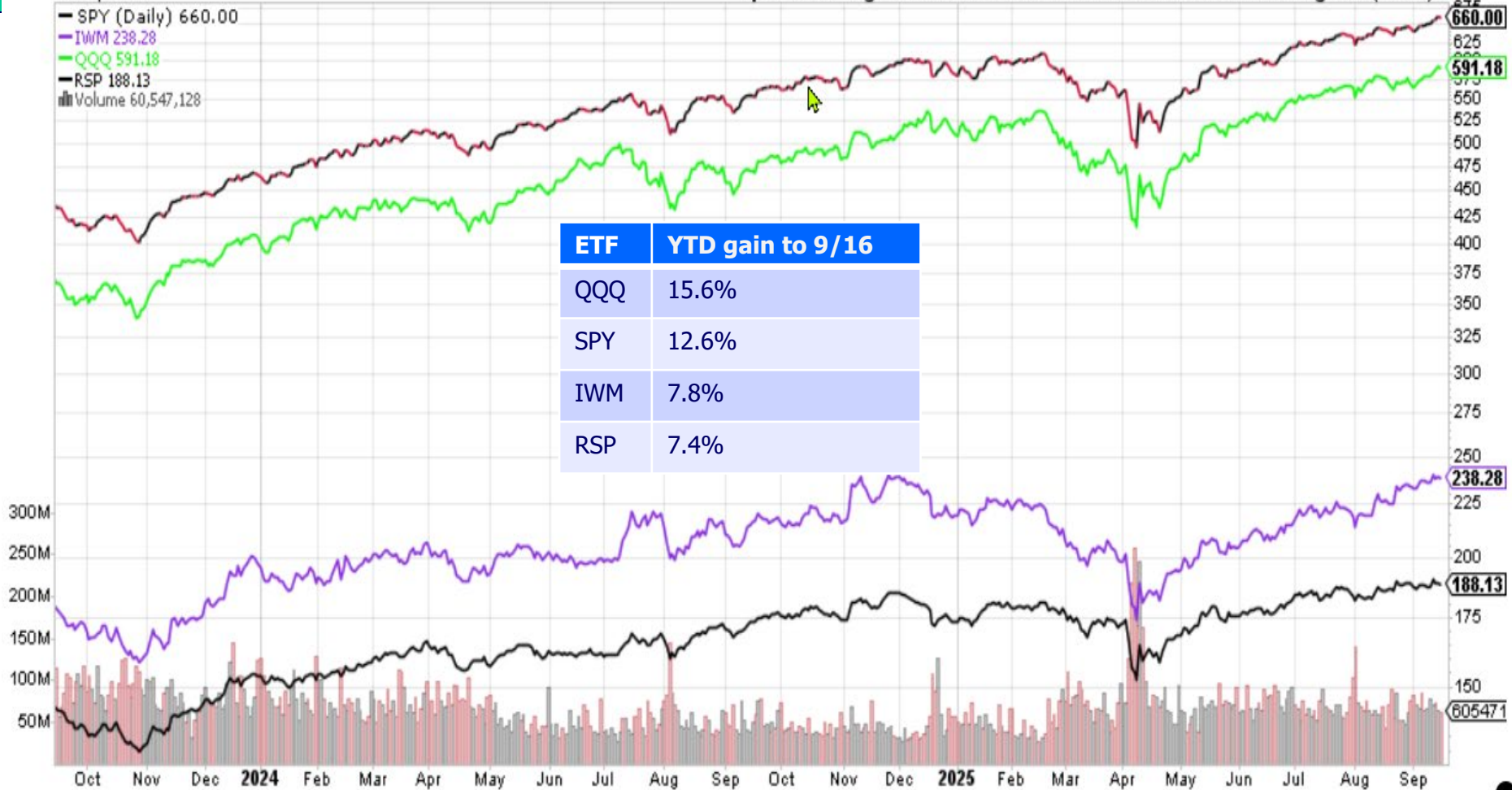
— IWM 238.28

— QQQ 591.18

— RSP 188.13

Volume 60,547,128

ETF	YTD gain to 9/16
QQQ	15.6%
SPY	12.6%
IWM	7.8%
RSP	7.4%



# \$NYAD NYSE - Advance-Delay Issues INDEX

16-Sep-2025

© StockCharts.com

Open 57764.00 High 57764.00 Low 57764.00 Close 57764.00 Chg -229.00 (-0.39%)

— \$NYAD Cumulative 57764.00  
— MA(50) 53035.70



— \$SPX 6606.76









# Weekly Market direction

guywerner@verizon.net

COLUMNS C,D AND E ARE FROM IBD AND PROVIDED BY DAVE (IN THE NORTH) SMITH			DISTRIBUTION DAYS		\$INDU AVERAGE					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	8-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE
SAT	08/30/25	FOR THE WEEK							-87	-0.19%					-6	-0.09%					-41	-0.19%
SUN	08/31/25	YTD						3,000	7.05%						579	9.85%					2,145	11.11%
MON	09/01/25	LABOR DAY MARKET CLOSED			P	P	P	45,544	0	0.00%	P	0	P	6,460	0	0.00%	P	F	P	21,455	0	0.00%
TUE	09/02/25	CONFIRMED UP (80% -100%)	7	6	P	P	P	45,295	-249	-0.55%	P	F	P	6,415	-45	-0.70%	P	F	0	21,279	-176	-0.82%
WED	09/03/25	CONFIRMED UP (80% -100%)	6	6	P	0	P	45,271	-24	-0.05%	P	F	P	6,448	33	0.51%	P	F	P	21,497	218	1.02%
THUR	09/04/25	CONFIRMED UP (80% -100%)	6	6	P	0	P	45,621	350	0.77%	P	F	P	6,502	54	0.84%	P	F	P	21,707	210	0.98%
FRI	09/05/25	CONFIRMED UP (80% -100%)	6	6	P	0	P	45,400	-221	-0.48%	P	F	P	6,491	-11	-0.17%	P	F	P	21,700	-7	-0.03%
SAT	09/06/25	FOR THE WEEK							-144	-0.32%					31	0.48%					245	1.14%
SUN	09/07/25	YTD						2,856	6.71%						610	10.37%					2,390	12.38%
MON	09/08/25	CONFIRMED UP (80% -100%)	6	6	P	0	P	45,514	114	0.25%	P	F	P	6,495	4	0.06%	P	F	P	21,798	98	0.45%
TUE	09/09/25	CONFIRMED UP (80% -100%)	6	6	P	0	P	45,711	197	0.43%	P	F	P	6,512	17	0.26%	P	F	P	21,879	81	0.37%
WED	09/10/25	CONFIRMED UP (80% -100%) CPI	6	5	P	F	P	45,490	-221	-0.48%	P	0	P	6,532	20	0.31%	P	0	P	21,886	7	0.03%
THUR	09/11/25	CONFIRMED UP (80% -100%) PPI	6	5	P	0	P	46,108	618	1.36%	P	P	P	6,587	55	0.84%	P	P	P	22,043	157	0.72%
FRI	09/12/25	CONFIRMED UP (80% -100%)	6	5	P	0	P	45,834	-274	-0.59%	P	P	P	6,584	-3	-0.05%	P	P	P	22,141	98	0.44%
SAT	09/13/25								434	0.96%					93	1.43%					441	2.03%
SUN	09/14/25								3,290	7.73%					703	11.95%					2,831	14.66%
MON	09/15/25	CONFIRMED UP (80% -100%)	6	3	P	0	P	45,883	49	0.11%	P	P	P	6,615	31	0.47%	P	P	P	22,348	207	0.93%
TUE	09/16/25	CONFIRMED UP (80% -100%)	6	3	P	0	P	45,757	-126	-0.27%	P	P	P	6,606	-9	-0.14%	P	P	P	22,333	-15	-0.07%

[https://drive.google.com/drive/folders/0B6Qc\\_gipshXMclzQ245d2R1eTQ?resourcekey=0-5pWglNqaJPJ12L2qYurMWg](https://drive.google.com/drive/folders/0B6Qc_gipshXMclzQ245d2R1eTQ?resourcekey=0-5pWglNqaJPJ12L2qYurMWg)

# Market Summary – Stockcharts®

Stockcharts.com → Main Screen → Market Analysis

**New feature** – Market Summary

KELLER MARKET MODELS			
MACRO MODEL STOCKS MODEL			
	ST	MT	LT
Stocks (SPY)	↑	↑	↑
Bonds (TLT)	↑	↑	↑
Commodities (DBC)	↑	↑	↑
US Dollar (\$USD)	↓	↓	↓

KELLER MARKET MODELS			
MACRO MODEL STOCKS MODEL			
	ST	MT	LT
S&P 500 (SPY)	↑	↑	↑
S&P 400 (MDY)	↑	↑	↑
Russell 2000 (IWM)	↑	↑	↑
NASDAQ 100 (QQQ)	↑	↑	↑

# The Value Line Investment Survey

**ISSUE 7**  
Pages 2105-2116



Value Line®

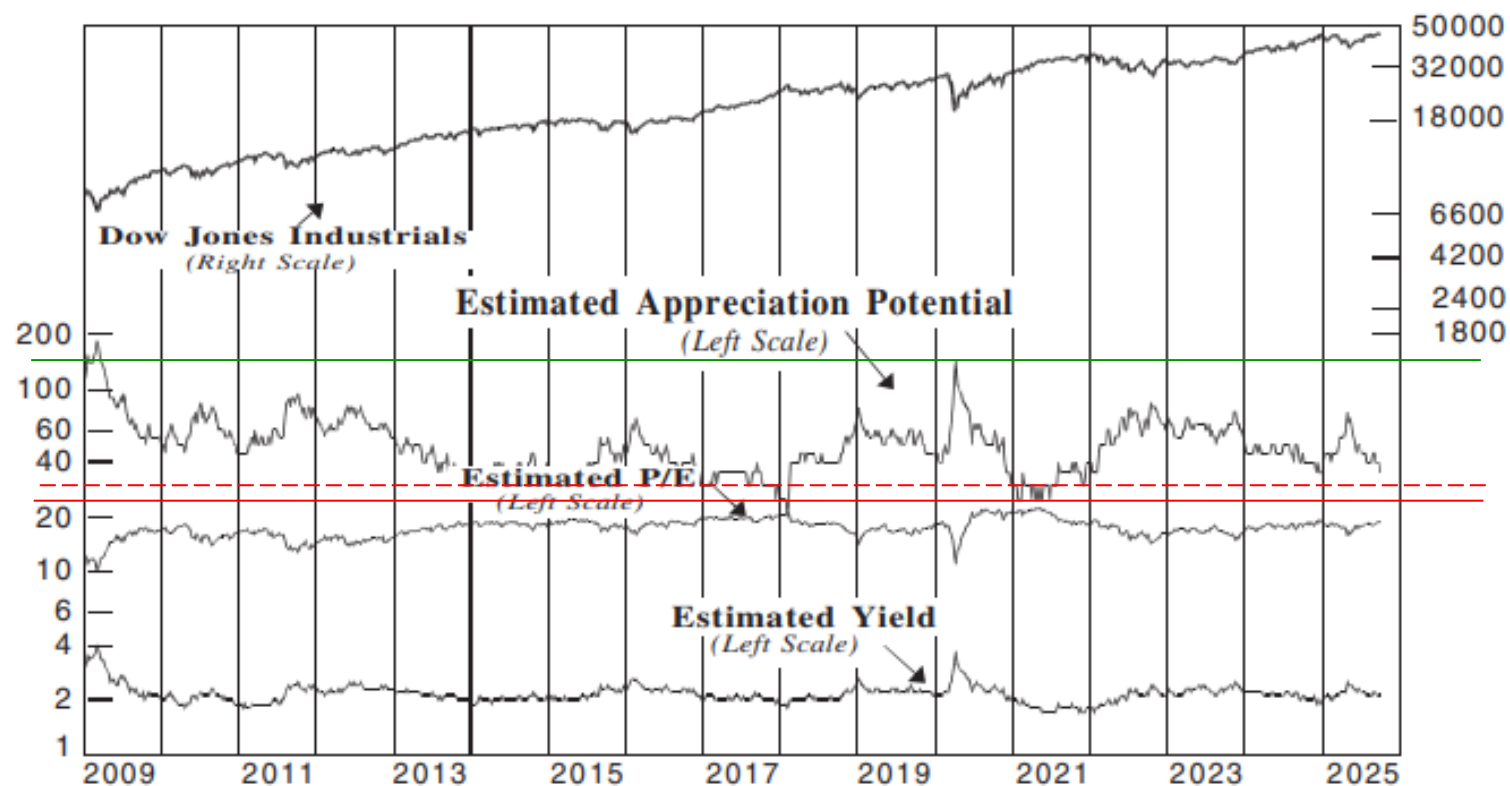
**Part 2** File in page order in the Selection & Opinion binder.

**SELECTION & OPINION**

September 19, 2025

## VALUE LINE ESTIMATED P/E, YIELD, APPRECIATION POTENTIAL VERSUS DOW JONES INDUSTRIALS

(January 2, 2009–September 8, 2025)





# US govt bonds – TLT & SGOV

SGOV – Short term 0 to 3 month US treasuries





# U.S. Dollar

\$USD US Dollar - Cash Settle FOREX

29-Aug-2025

\$USD (Weekly) 97.85

MA(40) 102.49

Volume undef

Open 97.72 High 98.73 Low 97.69 Close 97.85 Chg +0.14 (+0.14%)

© StockCharts.com



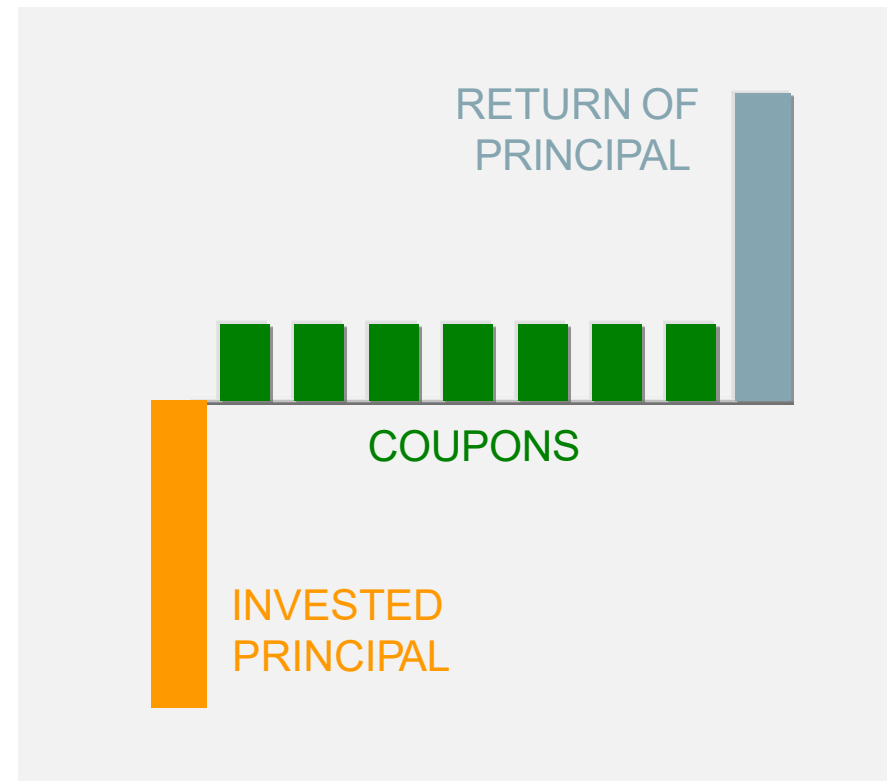
# Third Class – Sep. 17<sup>th</sup>

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- Market Update
- Bonds
  - The basics
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# What is a CD or a Bond?

- Investor loans money to an issuer under a contract.
  - Defined interest rate
  - Defined duration.
- Issuer pays contracted interest to the investor periodically.
- Issuer pays back the invested principal to the investor upon maturity.



For illustrative purposes only

# Bond Definitions - resource

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## □ U.S. Treasury Bond

□ <https://www.investopedia.com/terms/t/treasurybond.asp>

## □ Corporate Bond

□ <https://www.investopedia.com/terms/c/corporatebond.asp>

## □ Municipal Bond

□ <https://www.investopedia.com/terms/m/municipalbond.asp>

## □ General Obligation Bond

□ <https://www.investopedia.com/terms/g/generalobligationbond.asp>

## □ Revenue Bond

□ <https://www.investopedia.com/terms/r/revenuebond.asp>

# Why do most people buy Bonds ?

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- They want Relative Safety (vs. stocks for example)
- They want less Volatility
- They want “Fixed Income” (regular income)
- They want tax-efficiency
- They want to preserve capital
- They want to minimize big losses
- They want better annualized yields than savings accounts

# Risks in a Bond

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- **Prepayment risk** - The possibility that a bond issue will be paid off earlier than expected is known as prepayment risk. This often occurs through a call provision.
  - Reinvestment Risk – Low in a rising rate environment.
  - Loss of planned return over call/issue price
- **Default Risk** - The possibility that a bond issuer will not be able to make interest or principal payments when they are due.
- **Interest Rate risk** - Interest rate risk is the possibility that interest rates will be different than the investor expected over the life of the bond. If interest rates decline significantly, you face the possibility of prepayment as firms exercise call features. If interest rates rise, you risk holding a bond with below-market rates that may lose value.



# Bond Credit Ratings – three major agencies

Moody's		S&P		Fitch		Rating description	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment-grade
Aa1		AA+		AA+			
Aa2		AA		AA			
Aa3		AA-		AA-			
A1		A+	A+	F1			
A2		A	A				
A3	P-2	A-	A-2	A-	F2	Upper medium grade	
Baa1		BBB+		BBB+			
Baa2	P-3	BBB	A-3	BBB	F3	Lower medium grade	
Baa3		BBB-		BBB-			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-investment grade AKA high-yield bonds AKA junk bonds
Ba2		BB		BB			
Ba3		BB-		BB-			
B1		B+		B+			
B2		B		B			
B3		B-		B-			
Caa1		CCC+	C	CCC	C	Substantial risks	
Caa2		CCC				Extremely speculative	
Caa3		CCC-				Default imminent with little prospect for recovery	
Ca		CC					
		C					
C		D	/	DDD	/	In default	
				DD			
/				D			

Increasing Effort needed to manage risk

Increasing Risk

# Credit Rating Descriptions

Moody's	S&P	Fitch	Credit worthiness <sup>[7][8]</sup>
Aaa	AAA	AAA	An obligor has <b>extremely strong</b> capacity to meet its financial commitments.
Aa1	AA+	AA+	An obligor has <b>very strong</b> capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	An obligor has <b>strong</b> capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	An obligor has <b>adequate</b> capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	An obligor is <b>less vulnerable</b> in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	An obligor is <b>more vulnerable</b> than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
B2	B	B	
B3	B-	B-	
Caa	CCC	CCC	An obligor is <b>currently vulnerable</b> , and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.
Ca	CC	CC	An obligor is <b>currently highly vulnerable</b> .
	C	C	The obligor is <b>currently highly vulnerable</b> to nonpayment. May be used where a bankruptcy petition has been filed.
C	D	D	An obligor has <b>failed</b> to pay one or more of its financial obligations (rated or unrated) when it became due.

# US Treasuries

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- Bills – short term one year or less
  - Zero coupon Bonds
- Notes – medium term 2 to 10 years
  - Interest paid semiannually
- Bonds – long term 10+ years
  - Interest paid semiannually
  
- All interest is taxed federally
  - Tax free in most states including DE, PA and NY
- Muni bond interest is tax free federally and in the state the muni lies in
- Corporate bond income is taxed both federally and in states



## The Fed and interest rates

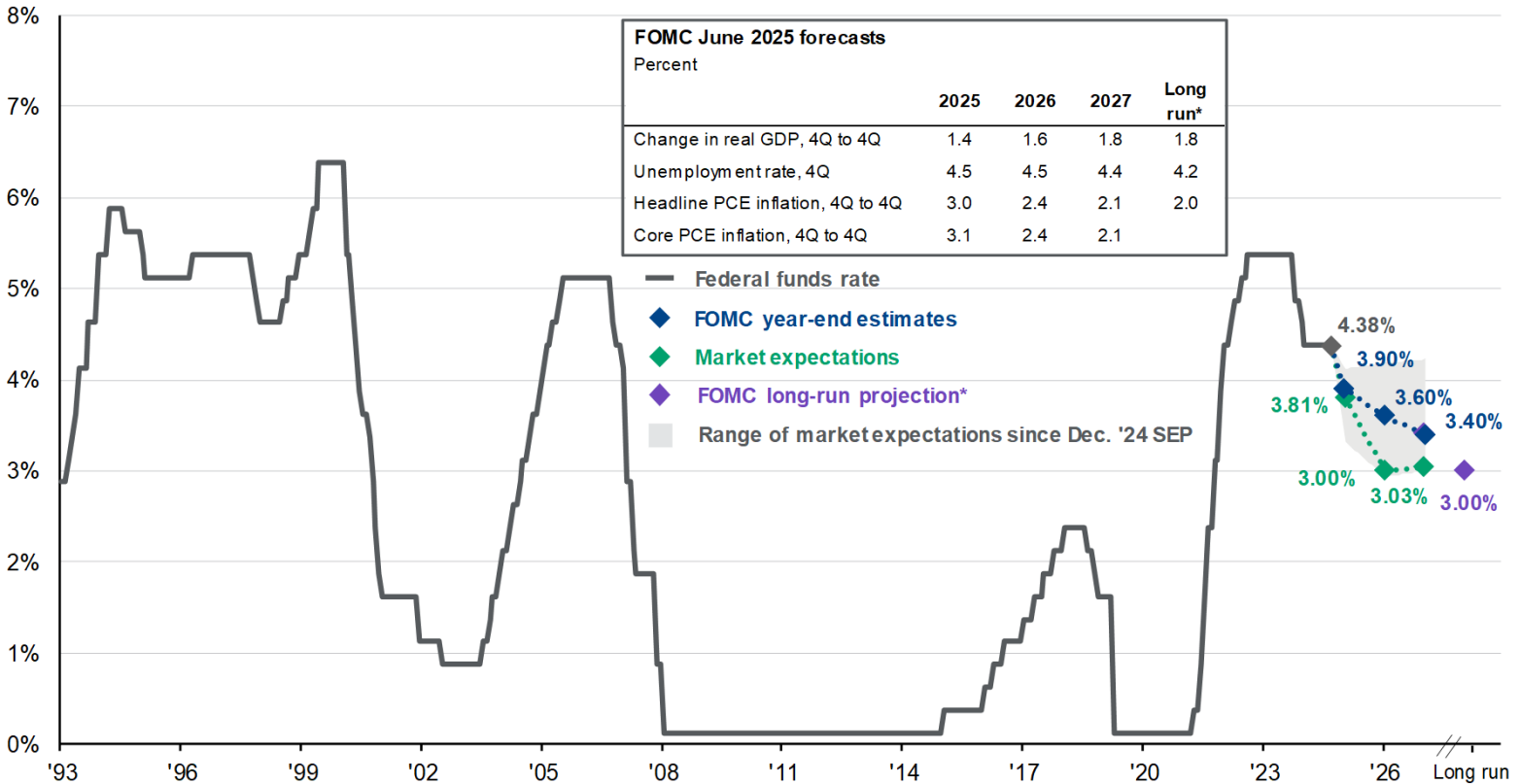
GTM

U.S.

33

### 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, 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 August 31, 2025.

**J.P.Morgan**  
ASSET MANAGEMENT

# Bond values & Interest Rates

- Suppose you bought a bond last year with a coupon rate of 5%, when market rate of interest was also 5%, and you paid \$1,000 per bond.
- Next year, market rate of interest has risen to 6%.

Obviously, a buyer would not pay \$1,000 for a bond yielding 5% when the buyer could buy new \$1,000 bonds with current coupon rates of 6%. The buyer would expect to get at least 6%, which means that this bond will sell at a discount (less than \$1,000) in order to be competitive with current bonds.
- Conversely, if market rates of interest fall to 4%.

Obviously, a seller would not sell the bond for \$1,000 for a bond yielding 5% when the buyer would have to pay \$1000 to buy new bonds with current coupon rates of 4%. The seller would expect to get at least 5%, which means that this bond will sell at a premium (more than \$1,000) in order to be competitive with current bonds.
- This is relevant if you buy and sell a bond. It is not relevant if you buy a bond at issue and hold it to maturity.
  - If you buy after issue – Premium / Discount and YTM are relevant.



# Fixed income market dynamics

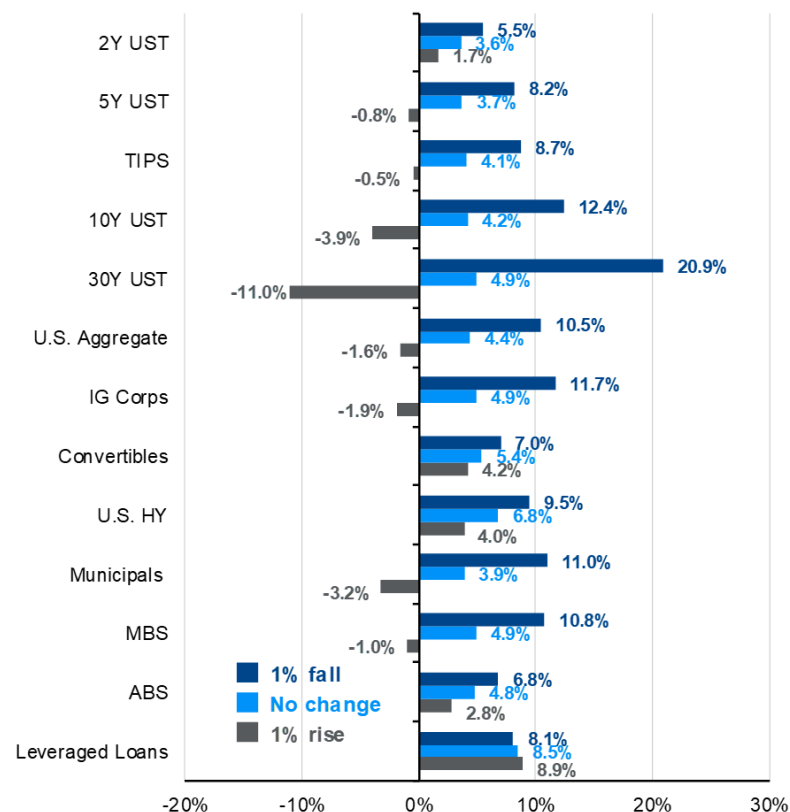
GTM U.S. 35

Fixed Income

U.S. Treasuries	Yield		Return		Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
	8/31/2025	12/31/2024	2025	2025			
<b>2-Year</b>	3.59%	4.25%	3.51%	2 years	0.74	0.02	
<b>5-Year</b>	3.68%	4.38%	5.92%	5	0.94	0.01	
<b>TIPS</b>	1.51%	2.13%	6.41%	7.2	0.74	0.36	
<b>10-Year</b>	4.23%	4.58%	6.00%	10	1.00	-0.03	
<b>30-Year</b>	4.92%	4.78%	0.73%	30	0.93	-0.07	
<b>Sector</b>							
<b>U.S. Aggregate</b>	4.44%	4.91%	4.99%	8.3	0.91	0.28	
<b>IG Corps</b>	4.91%	5.33%	5.30%	10.4	0.70	0.49	
<b>Convertibles</b>	5.39%	6.13%	12.39%	-	-0.01	0.86	
<b>U.S. HY</b>	6.75%	7.49%	6.35%	4.7	0.11	0.79	
<b>Municipals</b>	3.89%	3.74%	0.32%	13.4	0.73	0.29	
<b>MBS</b>	4.86%	5.27%	5.48%	7.7	0.82	0.28	
<b>ABS</b>	4.79%	5.38%	4.22%	2.2	0.41	0.27	
<b>Leveraged Loans</b>	8.52%	8.68%	4.11%	4.7	-0.21	0.62	

## Fixed income returns in different interest rate scenarios

Total return, assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Federal Reserve Bank of Cleveland, 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. TIPS returns consider the impact that inflation could have on returns by assuming the Cleveland Fed's 1-year inflation expectation forecasts are realized. 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 August 31, 2025.

**J.P.Morgan**  
ASSET MANAGEMENT





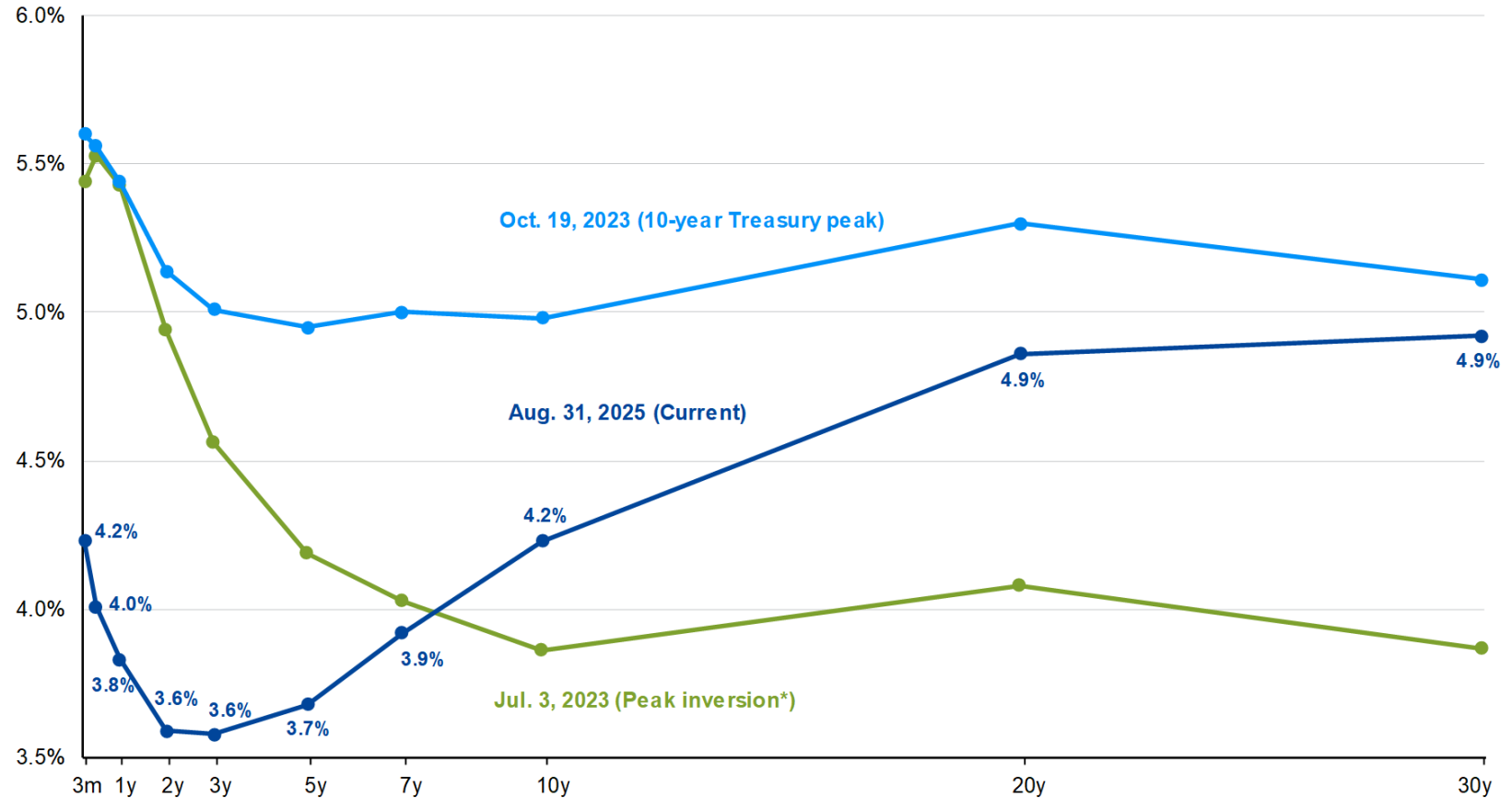
# Yield curve

GTM

U.S.

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## U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. \*Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.  
Guide to the Markets – U.S. Data are as of August 31, 2025.

J.P.Morgan  
ASSET MANAGEMENT

# Current Fixed Income Yields

Schwab website data – 9/14

S&P 500 dividend yield on 9/14 = 1.25%  
from YCharts

	3MO	6MO	9MO	1YR	18MO	2YR	3YR	4YR	5YR	10YR	20YR	30YR+
CDs	4.11	3.93	3.86	3.90	3.70	3.60	3.85	3.70	3.95	4.25	--	--
Bonds												
U.S. Treasuries	4.04	3.85	3.78	3.73	3.65	3.57	3.54	3.59	3.65	4.06	4.72	4.68
U.S. Treasury Zeros	--	--	--	3.47	3.49	3.50	3.51	3.60	3.71	4.28	4.92	4.72
Government Agencies	3.51	3.65	3.62	3.62	3.61	3.67	3.79	3.60	4.03	4.68	4.77	5.19
Corporates (AAA)	--	3.50	--	3.57	3.65	3.47	--	3.68	3.88	4.46	4.99	5.45
Corporates (AA)	3.39	3.71	--	3.65	3.65	3.57	3.84	3.75	3.90	4.46	5.10	5.52
Corporates (A)	3.73	3.79	3.86	3.89	3.88	3.83	4.04	4.01	4.45	5.15	5.95	6.09
Municipals (AAA)	1.89	2.06	2.24	2.26	3.25	2.44	2.24	2.82	2.66	4.26	4.81	4.71
Municipals (AA)	2.15	2.63	2.72	2.66	3.25	2.84	3.01	3.12	3.27	4.26	5.06	4.98
Municipals (A)	2.15	2.63	2.72	2.66	3.25	2.84	3.01	3.12	3.27	4.26	5.06	4.98

Powered by BondSource™ | Ratings by Standard & Poor's



# Bond Market Update

September 2025



Kathy Jones  
Managing Director,  
Chief Fixed Income Strategist



Collin Martin, CFA  
Director, Fixed Income Strategist,  
Taxable Asset Classes



Cooper Howard, CFA  
Director, Fixed Income Strategist,  
Municipal Bonds

Tune in to our [Schwab Coaching webcast, Yield Talk: Monthly Bond Market Update, September 11<sup>th</sup> at Noon ET.](#)

## Schwab Center for Financial Research perspective

- **The labor market is softening.** Revisions to the July payrolls made headlines, but the employment-to-population ratio, which shows the share of the working-age population with a job, fell to its lowest level since 2015. As Baby Boomers age out of the workforce there are fewer workers to replace them, especially with limits on immigration.
- **The dollar is likely to weaken as the gap between US bond yields and those of other developed markets shrinks.** Federal Reserve rate cuts should pull US yields lower, but other global central banks appear closer to the end of their rate cutting cycles, or - in the case of Japan - are raising rates. Narrower interest rate differentials should pull the dollar lower.
- **Inflation is still above the Fed's 2% target.** The core Personal Consumption Expenditures (PCE) index rose 2.9% year/year in July, highlighting the stickiness of inflation. The Fed is likely to cut the fed funds rate in September due to labor market weakness, but stubborn inflation will make a lengthy rate-cutting cycle less likely.
- **The yield curve should continue to steepen.** The gap between the 10-year and 2-year Treasury yield should keep widening. Short-term yields will likely fall on Fed rate cuts, but elevated inflation and rising fiscal deficits will likely keep long-term yields from falling as much.

# Corporate Bond Market Update

September 2025



Collin Martin, CFA

Director, Fixed Income Strategist,  
Taxable Asset Classes

## Schwab Center for Financial Research perspective

- **Mixed corporate fundamentals.** Investment grade corporate bond upgrades have significantly outpaced downgrades lately, with the ratio of upgrades to downgrades at 1.6 so far in the third quarter. That ratio has been above "1" in all but two of the last twelve quarters. High-yield bonds, however, have seen more downgrades than upgrades over that time frame, as the upgrade/downgrade ratio below "1" illustrates in the chart below.
- **The credit quality of the Bloomberg US Corporate Bond Index has improved** due to that trend. After hitting a peak of 52%, the share of "Baa" rated bonds in the investment grade index is near its ten-year low.
- **High-yield bond yields are down.** The average yield-to-worst of the Bloomberg US Corporate High-Yield Bond Index fell to 6.7% at the end of August, a more than three-year low. With the extra yield offered above comparable Treasuries very low and weakening fundamentals, we continue to [only suggest high-yield bonds in moderation](#).
- **Preferred securities generally offer relatively high income payments but tend to have relatively large price fluctuations.** Given their long maturities and generally low ranking in an issuer's payment priority, preferred securities prices tend to be volatile. Income-oriented investors should be prepared to ride out potential ups and downs.

For more information, please contact your Schwab advisor.

# Bond - Investment Return

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- Interest (Quarterly, Semi-Ann, Annual etc.)
- Capital Gain or Loss (at sale or maturity)
- The sum of both cash flows, over time =  
total annualized Yield

# Understanding Yields

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- Coupon Rate – set at initial offering
- Your Yield depends on what price you buy the bond at, if you buy it in the secondary market after issue and how long you hold it.
  - Price of the bond
  - Your cost includes accrued interest
- Yield to Maturity
- Yield to Worst
- Yield to Call
  - Depends on the terms of the call

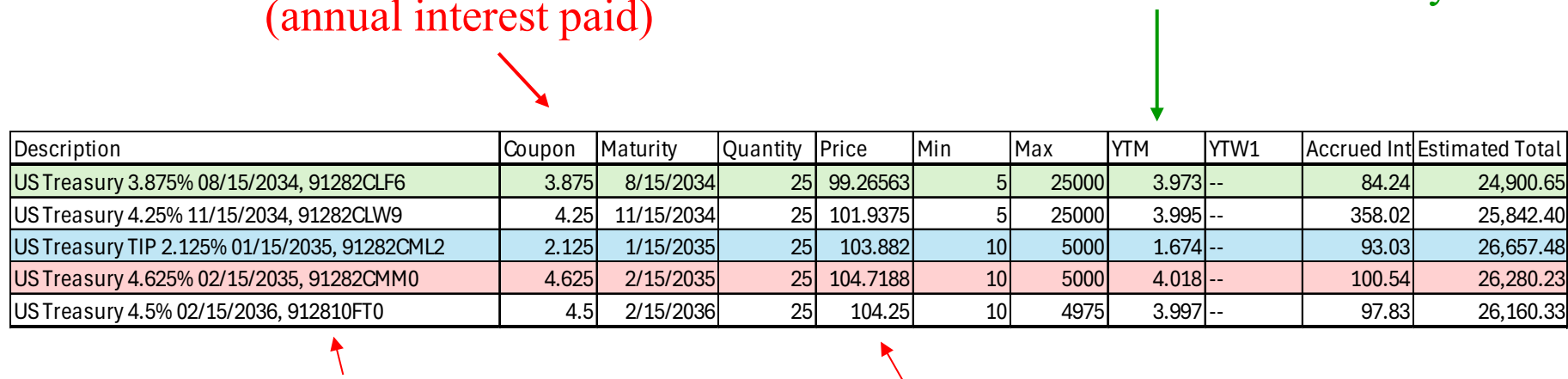
<https://www.investopedia.com/articles/investing/022516/understanding-different-types-bond-yields.asp>

# Bond Yields

## US Treasury examples – similar maturities 2034 - 2036

Different COUPON  
(annual interest paid)

Similar Yield to Maturity



Description	Coupon	Maturity	Quantity	Price	Min	Max	YTM	YTW1	Accrued Int	Estimated Total
US Treasury 3.875% 08/15/2034, 91282CLF6	3.875	8/15/2034	25	99.26563	5	25000	3.973	--	84.24	24,900.65
US Treasury 4.25% 11/15/2034, 91282CLW9	4.25	11/15/2034	25	101.9375	5	25000	3.995	--	358.02	25,842.40
US Treasury TIP 2.125% 01/15/2035, 91282CML2	2.125	1/15/2035	25	103.882	10	5000	1.674	--	93.03	26,657.48
US Treasury 4.625% 02/15/2035, 91282CMM0	4.625	2/15/2035	25	104.7188	10	5000	4.018	--	100.54	26,280.23
US Treasury 4.5% 02/15/2036, 912810FT0	4.5	2/15/2036	25	104.25	10	4975	3.997	--	97.83	26,160.33

CUSIP

Different prices

**WHY?** In the lower red highlighted bond, annual yield is mostly from interest capital loss at maturity.

In the top green highlighted bond, annual yield from interest is smaller, but a portion of yield comes from capital gain at maturity.

Taxation on capital gains or losses – complicated and depends on whether held to maturity and the de-minimis rule. Consult your accountant / tax advisor.



# US 5-year TIPS

- Principal is adjusted by CPI rate annually.
- Earn coupon on higher principal value.
- Phantom tax – best in IRAs
- Less liquid than normal treasuries
- Do not have the same \$10K per year limit as I-bonds
- Great sources for information on tips
  - Investopedia
  - Treasurydirect.gov
  - TIPSladder.com
  - Your brokers website?



# How can you buy bonds?

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## Buy Individual Bonds

- US Treasury bonds can be bought through a Treasury Direct account ([treasurydirect.gov](https://treasurydirect.gov)) that you set up.
- Schedule of auctions <https://home.treasury.gov/system/files/221/Tentative-Auction-Schedule.pdf>
- All bonds (Treasury, Corporate, Municipal etc) can be bought through a broker investment account or an IRA or Roth IRA
- All bonds (Treasury, Corporate, Municipal etc) can be bought through a managed broker investment account for a fee. (usually less than 0.5%)

## Buy Bond Funds (Mutual Funds or ETFs)

- Very important to understand the prospectus/strategy of the fund
- Both broad-market index or managed ETFs exist. (FBND, VGLT, MINT)
- Active bond funds do better in volatile markets with changing interest rates
- Fixed maturity year – Invesco “Bullet shares”
- Hard to assess the premium or discount to par value of the portfolio
- You can not control how other investors in the fund act. They may sell before maturity for example

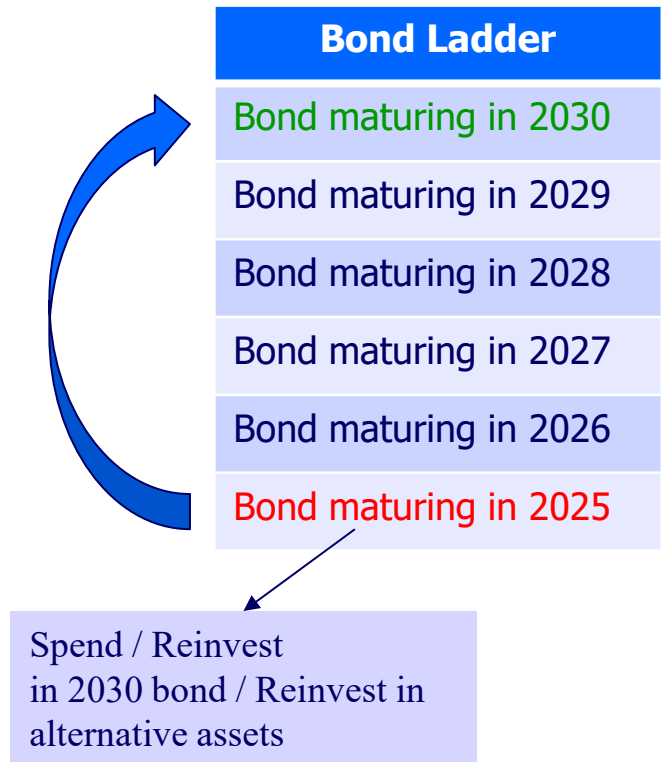
# Buying bonds

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- Stocks are identified with a ticker symbol ... Bonds with a CUSIP
- Fidelity, TD Ameritrade and other brokers have tools to select bonds.
- Work with a bond expert on the fixed income desk at your broker.
- Understand that there are commissions and bid/ask spreads.  
Buying bonds at best prices needs some work to understand what options you have with the broker you use.
- Diversify
  - Not too much in any one bond.
  - Across bond types and industry groups within corporates.
  - Across maturity horizons ... short to long ... in ladders.
  - Buying high quality with the intent to hold to maturity minimizes variables / unknowns.

# Bond Ladders

- ❑ Ladders can be built with various types of bonds – treasuries, TIPS, corporate bonds, target maturity bond ETFs
- ❑ Requires you to hold bonds to maturity
- ❑ Lowers interest rate risk
- ❑ Timeframe and amount invested
  - ❑ Your investment horizon
  - ❑ Your portfolio diversification needs
  - ❑ Your liquidity / income needs
- ❑ Taxable income in a brokerage account
- ❑ Tax deferred in an IRA
- ❑ Most brokers websites have a laddering tool
  - ❑ Investopedia
  - ❑ Perplexity.ai



# Lazy Cash?

SOURCE – AARP Magazine 2 / 2023

Where to Keep		Your Cash Now		Your best option depends on the amount you have, the convenience you want and the yield you'll accept, among other factors By KAREN HUBE	
TYPE	YIELD	PROS	CONS	BOTTOM LINE	FYI
<b>CHECKING ACCOUNT</b> A basic account at a bank or credit union	Zero to 2%	Cash is instantly available via a debit card or ATM. Up to \$250,000 per person, per account type is insured by the FDIC or NCUA. 	Interest is low, sometimes nil. Fees can be high: Monthly maintenance fees for interest-bearing accounts average \$16.19; overdraft fees, \$29.80; insufficient funds, \$26.58.	Ideal for everyday spending and bill paying but not for stashing significant amounts of money. 	Accounts labeled "high-yield checking" usually apply the teaser rate to only a portion of an account balance.
<b>HIGH-YIELD SAVINGS ACCOUNT</b> An account available at both online and traditional banks	Up to 4.03%	You can easily transfer money between these accounts and your checking account. Deposits are insured. 	The number of free monthly withdrawals may be limited. At traditional banks, minimum balances tend to be higher than those of standard savings accounts.	If you're comfortable banking with your computer or smartphone app, online banks offer the best rates and lowest fees.	Go to Bankrate.com or DepositAccounts.com to find offers for these and other banking products.
<b>MONEY MARKET ACCOUNT</b> A high-yielding bank or credit union account	Up to 4.15%	Funds are insured and available via check or debit card. 	Withdrawals are typically limited to about six per month. Fees often apply when deposit minimums—from \$100 to more than \$2,000—aren't maintained.	If you meet minimum deposit requirements, it's a good place for storing cash you don't need on a daily basis but want to access occasionally by check.	Features vary by bank. For example, Discover Bank has a high minimum deposit; Sallie Mae has no minimum deposit and offers check writing but no debit card.
<b>CERTIFICATE OF DEPOSIT</b> A savings account that locks up your money for a specified amount of time	6-month CDs get up to 4.39%; 1-year CDs, up to 4.75%	Rates are generally higher than for savings and money market accounts. Deposits are insured, and advertised interest is guaranteed. 	You'll usually pay a penalty for cashing out early. Fixed yields mean you may be locked into below-market terms if interest rates rise.	A CD is a safe place to park cash you don't need in the short term. 	Online CD rates tend to beat those offered by your local bank. Most of the time, the longer a CD's term length, the higher the yield.

For the latest rates and information go to - <https://www.bankrate.com/>

# Cash in your brokerage account?

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## □ Three common options

### □ Bank Sweep programs

- FDIC insured to \$250K
- Offer very low rates below 0.5%

### □ Money Market Sweep Programs - Not FDIC insured

- VMFXX – Default sweep at Vanguard
- SPAXX – standard sweep for most Fidelity accounts
- Many different Money Market Mutual Funds offered by Schwab – but these are not really sweeps.

### □ Cash management accounts – FDIC insured

- Offered at many roboadvisors – Wealthfront, Betterment, Schwab ?, Fidelity ?
- Interactive Brokers

## □ Key things to consider

- Is this an automatic sweep?
- What is the APY and any fees.
- What is the expense ratio on the fund?
- What is the FDIC / SIPC coverage?

# Use of AI in Investment decisions

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- Ask perplexity.ai – Which sectors see the biggest gains from a reduction in interest rate by the Federal Reserve in a slowing economy? Also, do small caps see a bigger impact than big caps?
- Proposal for an Extra Curricular activity class next semester
  - “How do you use AI in your investment decisions”
  - Discussion, not lectures – no charts, live AI interaction if useful
  - Pre-requisite – You use AI tools and are willing to share your experience with others in the class
  - Small class – limit 20 students?
  - 5 weeks Feb 2<sup>nd</sup> through March 6<sup>th</sup> – Probably Wednesday at 2.30pm
  - Need someone to be a co-instructor with me.
    - If I get a volunteer, I will put the proposal in. The deadline is 10/1



# Fourth Class – Sep. 24<sup>th</sup>

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- Market Update
- Investing in International Markets
  - Currency Risk / Opportunity
  - Equities
    - ADRs
    - Dividends and taxes
  - Bonds
- Questions

# Thanks !!

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- Happy Investing !!

- **My EMail**

  - [diyinvst@udel.edu](mailto:diyinvst@udel.edu)

- **Class website**

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