

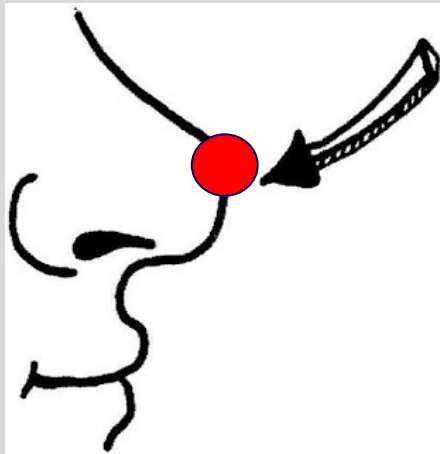
Investing for Successful Retirement

UD Osher – OLLI
Spring 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.

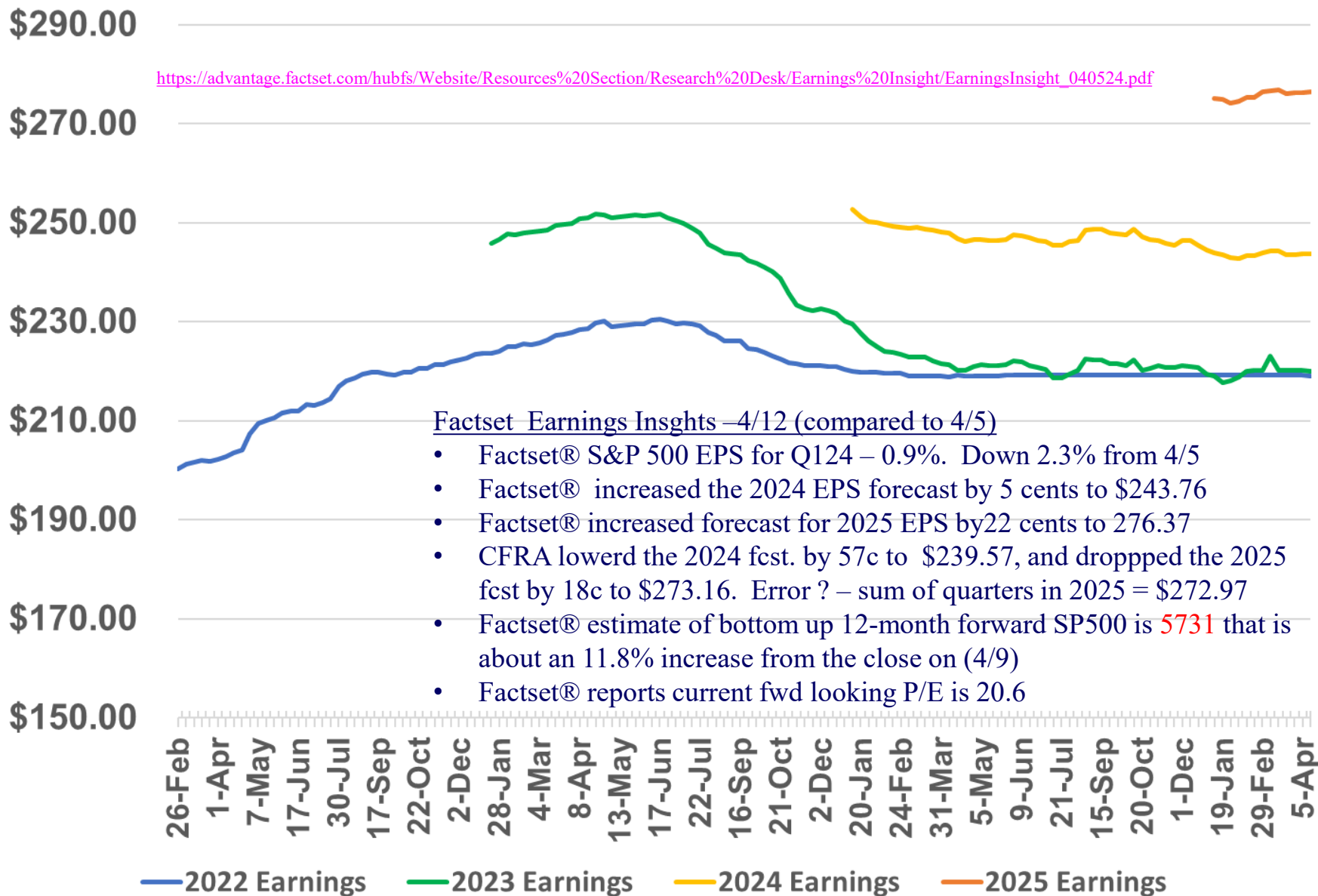
This course is for educational purposes only.

Form your own opinion, make your own investment decisions.

Tenth Class – April 17th

- US Equities Market Review – 20 minutes
- Managing Risk
 - A little bit on tax efficiency in inheritance

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



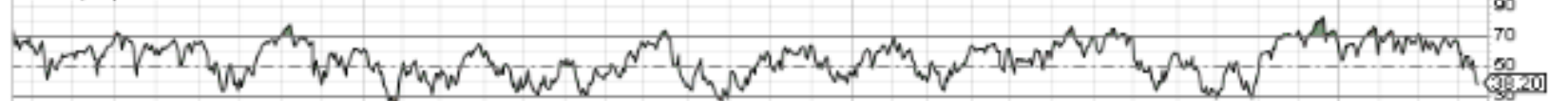
\$SPX S&P 500 Large Cap Index INDX

16-Apr-2024

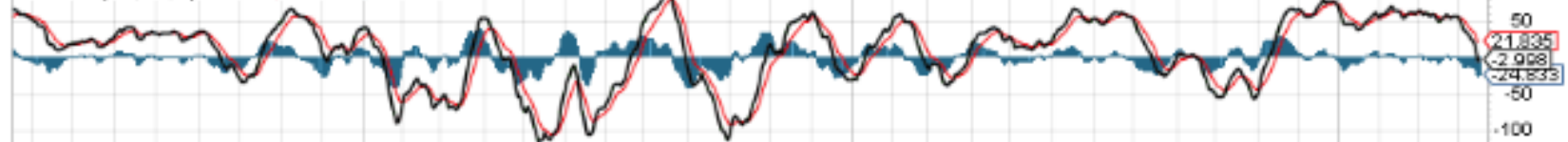
Open 5064.59 High 5079.84 Low 5039.83 Close 5051.41 Volume 2.3B Chg -10.41 (-0.21%)

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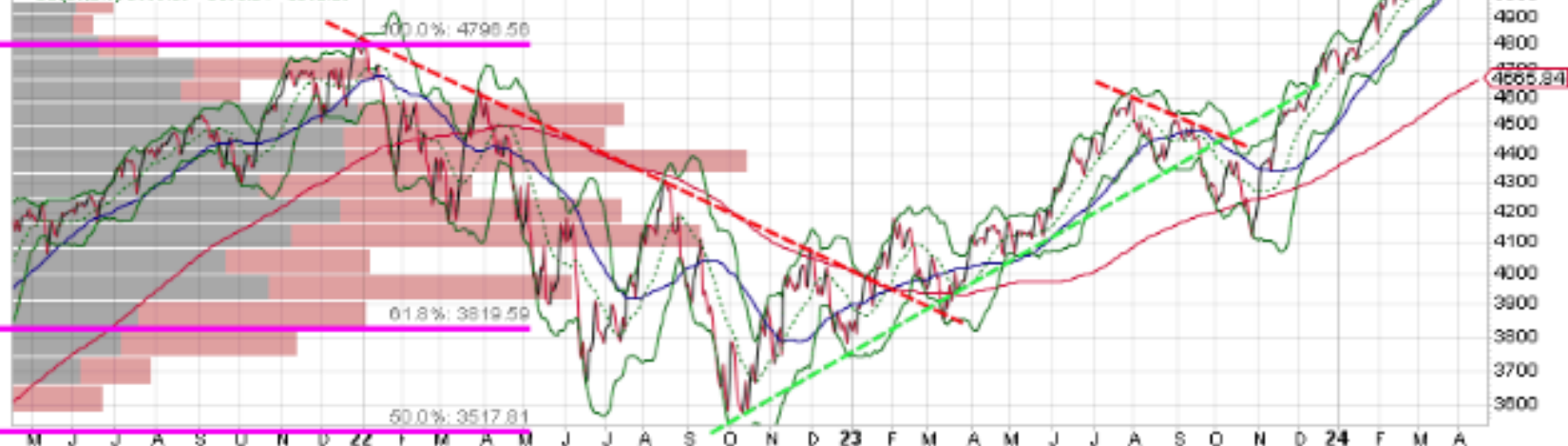
▲ RSI(14) 38.20



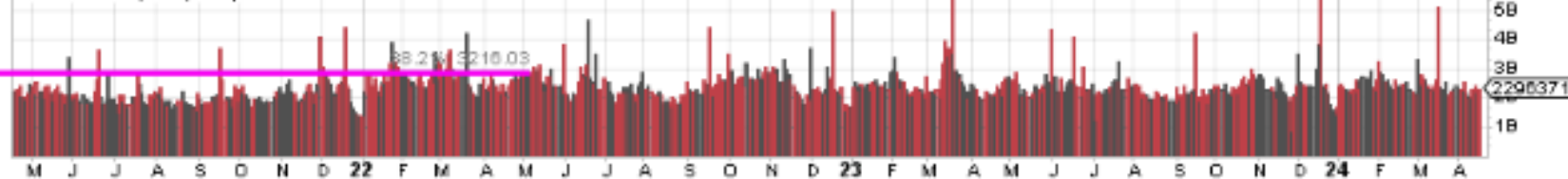
— MACD(12,26,9) -2.998, 21.835, -24.833



— \$SPX (Daily) 5051.41
— MA(50) 5116.14
— MA(200) 4665.84
— BB(20,2.0) 5080.19 - 5191.24 - 5302.28



Volume 2,296,371,968



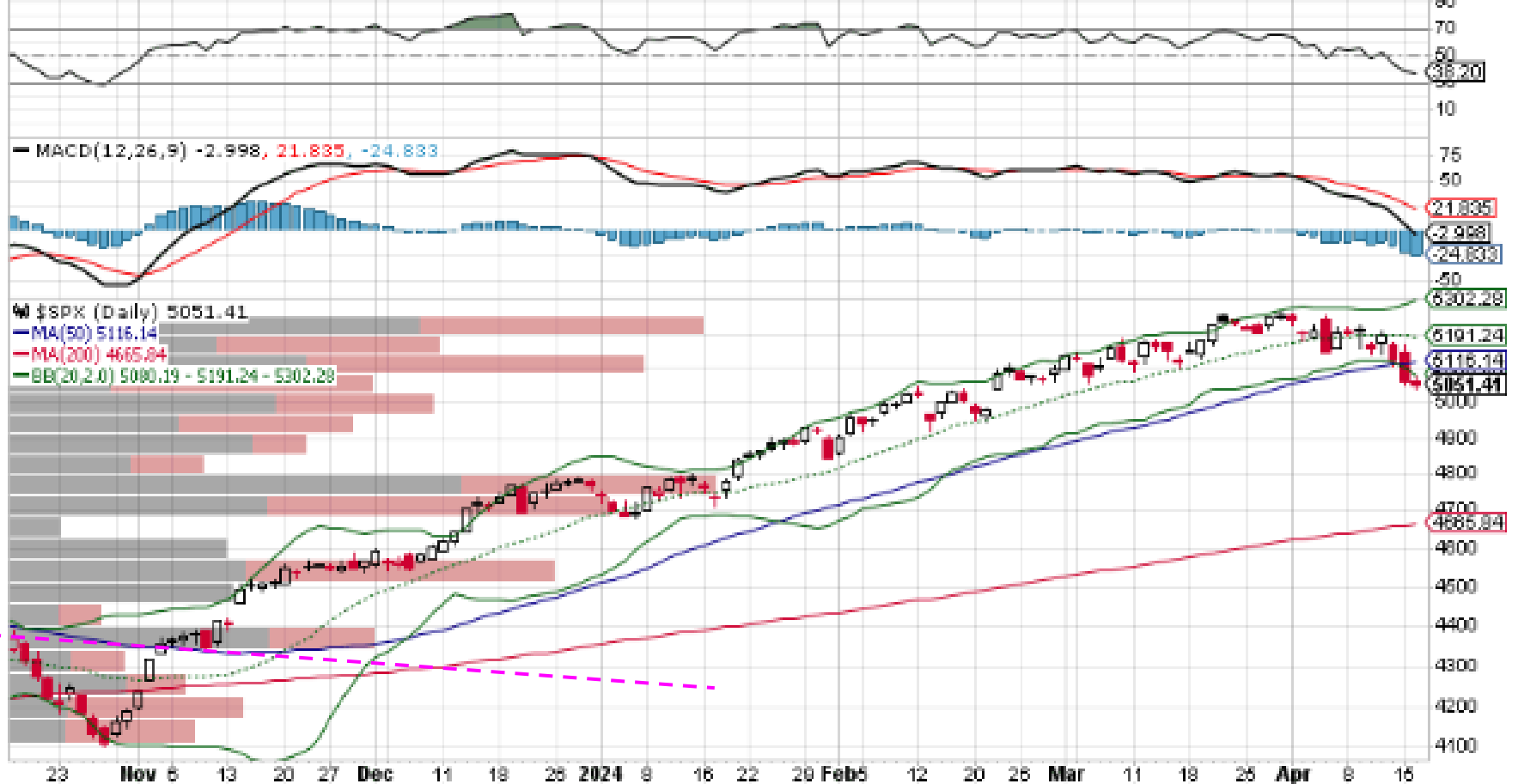
\$SPX S&P 500 Large Cap Index: INDX

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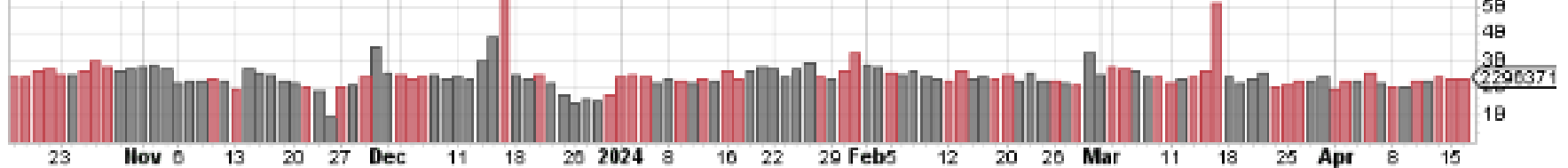
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Volume 2,296,371,968



\$NYAD NYSE - Advance-Dcline Issues INDX

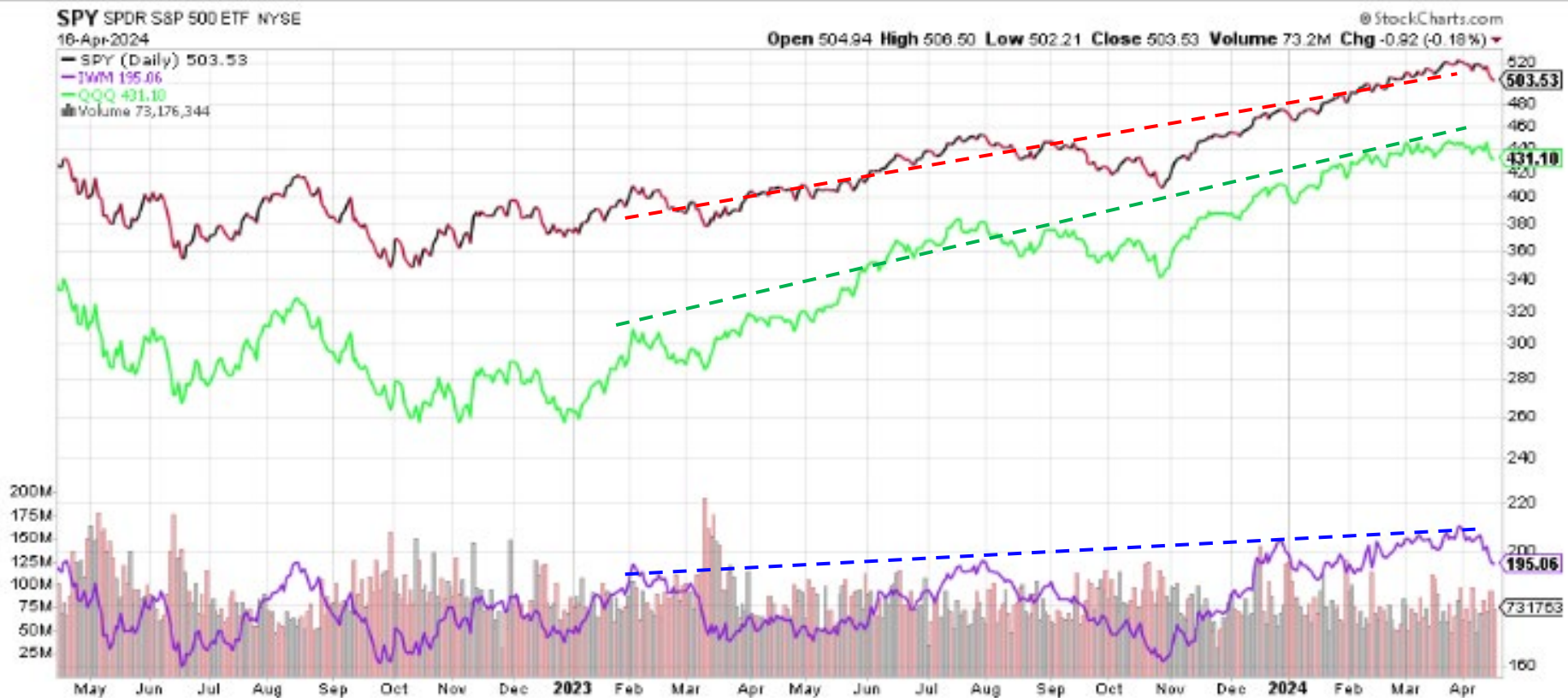
16-Apr-2024

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Open 1804.00 High 1804.00 Low 1804.00 Close 1804.00 Chg -802.00 (-30.78%)



Market Breadth – another way



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)	ANIL PARIKH'S TRIPLE SCREEN (62 W DAILY HIGH SHOWN IN GREEN 62 W LOW SHOWN IN RED)														
		DISTRIBUTION DAYS		S&P 500 TRIPLE SCREEN					NASDAQ TRIPLE SCREEN							
		S&P 500	NASDAQ	3-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE	3-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE	
TUE	04/02/24	CONFIRMED UP (60% -80%)	6	8	P	F	P	5,205	-38	-0.72%	P	F	P	16,240	-156	-0.95%
WED	04/03/24	CONFIRMED UP (60% -80%)	6	8	P	F	P	5,211	6	0.12%	P	F	P	16,277	37	0.23%
THUR	04/04/24	UPTREND UNDER PRESSURE (40% - 60%)	7	8	P	F	F	5,147	-64	-1.23%	P	F	F	16,049	-228	-1.40%
FRI	04/05/24	UPTREND UNDER PRESSURE (40% - 60%)	7	8	P	F	P	5,204	57	1.11%	P	F	P	16,248	199	1.24%
SAT	04/06/24								-50	-0.95%					-131	-0.80%
SUN	04/07/24								435	9.12%					1237	8.24%
MON	04/08/24	UPTREND UNDER PRESSURE (40% - 60%)	7	8	P	F	P	5,202	-2	-0.04%	P	F	P	16,253	5	0.03%
TUE	04/09/24	UPTREND UNDER PRESSURE (40% - 60%)	7	7	P	F	P	5,209	7	0.13%	P	F	P	16,308	53	0.33%
WED	04/10/24	UPTREND UNDER PRESSURE (40% - 60%) CPI	8	7	P	F	F	5,160	-49	-0.94%	P	F	F	16,170	-136	-0.83%
THUR	04/11/24	UPTREND RESUMES (80% -100%)	8	7	P	F	P	5,199	39	0.76%	P	F	P	16,442	272	1.68%
FRI	04/12/24	UPTREND UNDER PRESSURE (40% - 60%)	9	7	0	F	F	5,123	-76	-1.46%	0	F	F	16,175	-267	-1.62%
SAT	04/13/24								-81	-1.56%					-73	-0.45%
SUN	04/14/24								354	7.42%					1114	7.75%
MON	04/15/24	UPTREND UNDER PRESSURE (20% - 40%)	8	7	F	F	F	5,061	-62	-1.21%	F	F	F	15,885	-114	-0.72%
TUE	04/16/24	?	?	?	F	F	F	5,051	-10	-0.20%	F	F	F	15,865	-20	-0.13%

https://drive.google.com/drive/folders/0B6Qc_gipshXMelkzQ245d2R1eTQ?resourcekey=0-5pWglNqaJPJ12L2qYurMWg

US Treasuries - long duration



US Dollar - weekly



Tenth Class – April 17th

- US Equities Market Review – 20 minutes
- Managing Risk
 - A little bit on tax efficiency in inheritance

This is NOT investment advice

Plan with short investment horizons

- Minimize lazy cash. Many options ... covered in Fall '23
 - Maximize returns on cash you don't need right away – safe 4% +
 - Yes, this is not helping small banks.
 - Economics ... people do what is best for them.
- No bank accounts in excess of FDIC limits.
- Traders.
 - Trade in the direction of the short / intermediate trend.
 - Have a defined exit and know your maximum possible loss.
 - Careful trading over significant events – earnings, dividends etc.

Why is income relevant

- Typical Portfolio drawdown recommendations – 4% per year.
 - Depends on your specific situation and the expected market returns
- If your portfolio produces income, you need to draw down less of the principal to meet your needs
 - Helps in a down market – you are forced to sell less.
 - Helps in a up market – you have more money growing.

10 Year Treasury Yields and S&P 500 dividend yields



The big picture

Stock market since 1900

GTM - U.S. | 19

What, Me Worry?

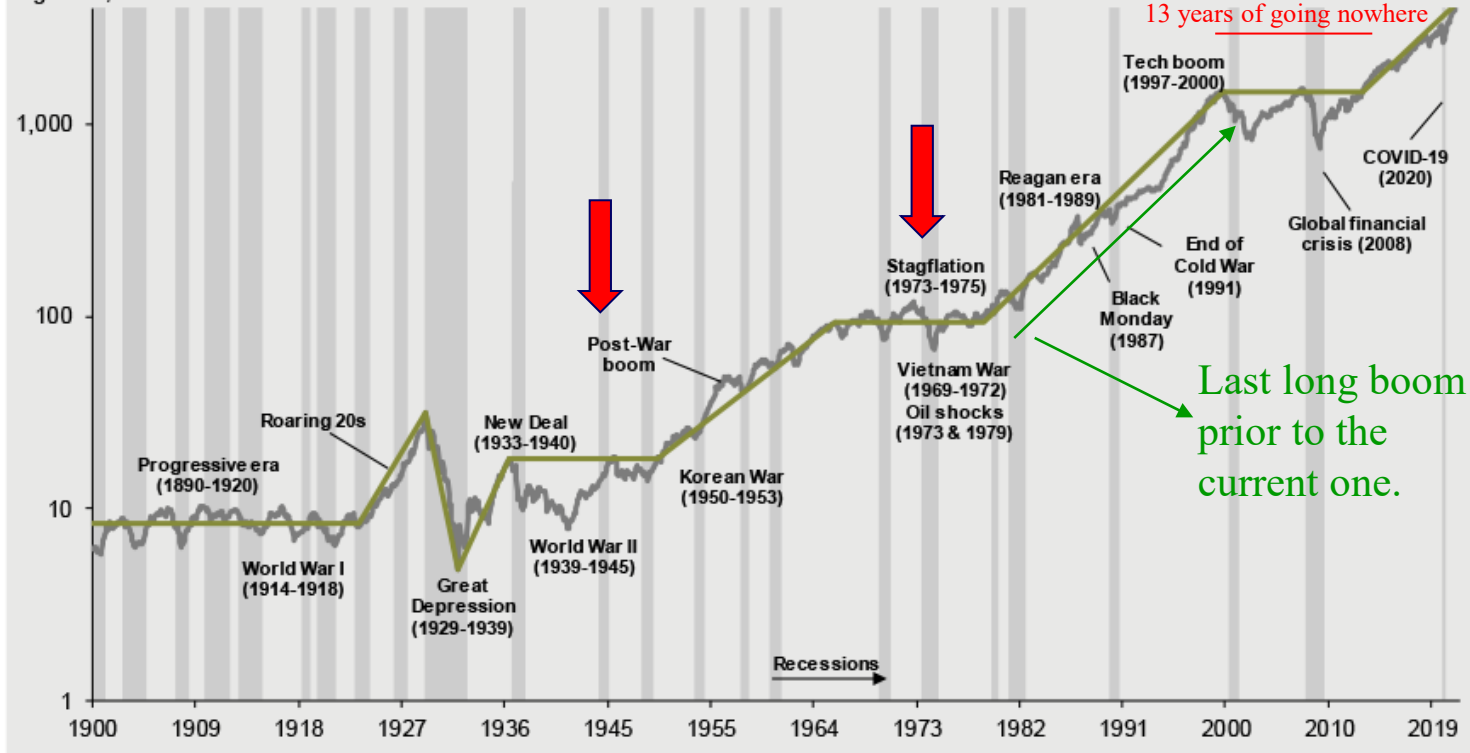


Mad Magazine

Equities

S&P Composite Index

Log scale, annual



Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.
 Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.
 Guide to the Markets – U.S. Data are as of August 31, 2021.

J.P.Morgan
 Asset Management

The big picture updated



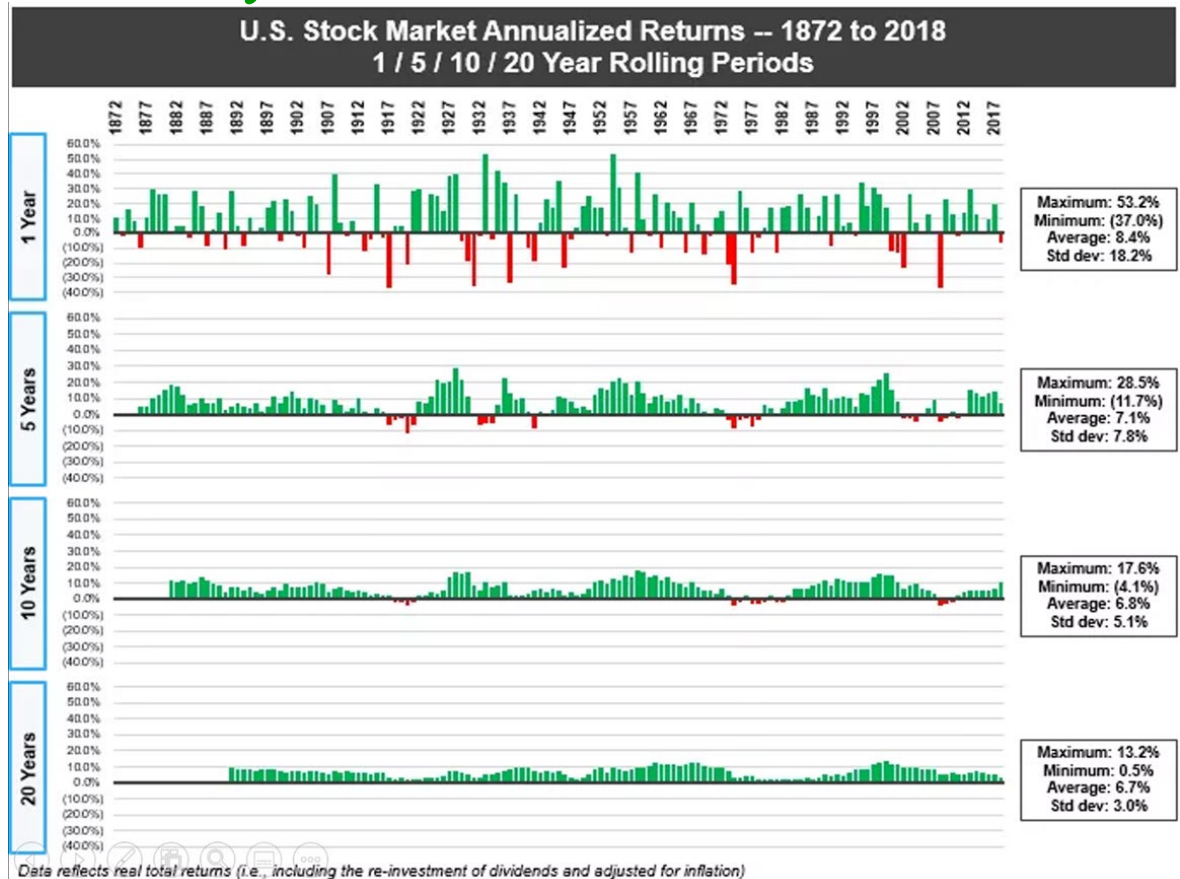
Time is your friend

Don't panic



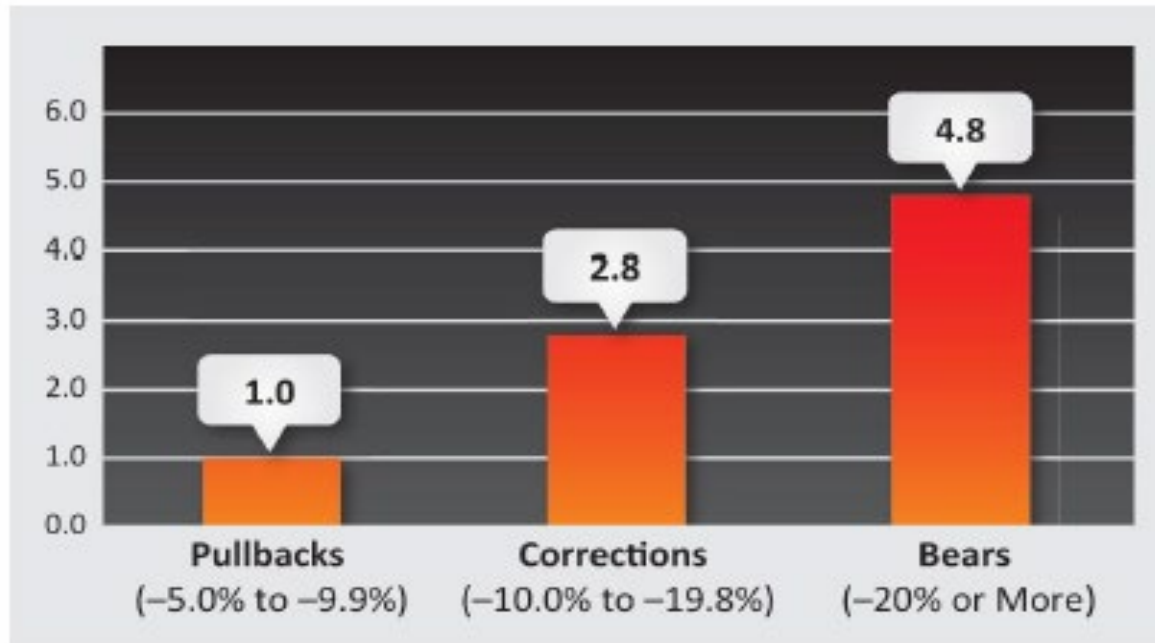
Different plans
for different
time horizons

Time is your friend



How frequent?

Figure 1. Average Number of Years Between Market Declines
Since World War II



Source: S&P Dow Jones Indices.

11 biggest downturns

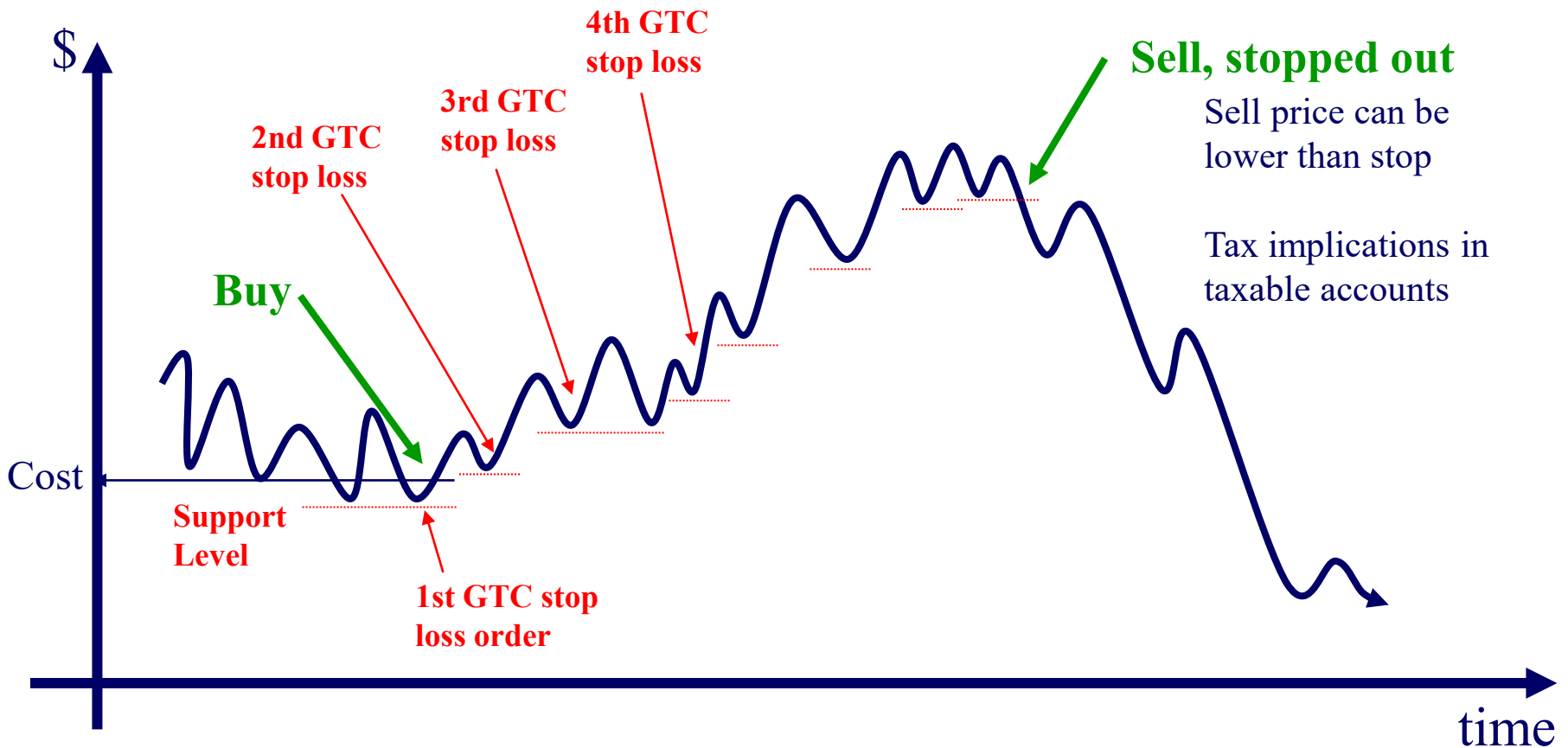
Recovery 3 to 5 months

Start Date	S&P 500 Value at top	Low Date	S&P 500 Value at bottom	Days down	Total Loss	Recovery back to start Date	Days to recover
7/17/1998	1186.75	8/31/1998	957.28	45	-19.3%	11/23/1998	84
4/29/2011	1363.61	10/3/2011	1099.23	157	-19.4%	2/23/2012	143
9/20/2018	2930.75	12/24/2018	2351.10	95	-19.8%	4/26/2019	123
7/16/1990	368.95	10/11/1990	295.46	87	-19.9%	2/13/1991	125
11/28/1980	140.52	8/12/1982	102.42	622	-27.1%	11/3/1982	83
8/25/1987	336.77	12/4/1987	223.92	101	-33.5%	7/25/1989	599
2/19/2020	3386.15	3/23/2020	2237.4	33	-33.9%	8/18/2020	148
11/29/1968	108.37	5/26/1970	69.29	543	-36.1%	3/6/1972	650
1/11/1973	120.24	10/3/1974	62.28	630	-48.2%	7/15/1980	2112
3/24/2000	1527.46	10/9/2002	776.76	929	-49.1%	5/30/2007	1694
10/9/2007	1565.15	3/9/2009	676.53	517	-56.8%	3/28/2013	1480

Recovery 20 to 69 months

Protecting your profits

Using Stop loss orders



Distribution of size of downturns

Size of the downturn	Number
0 - 3%	487
3 - 5%	53
5 - 6%	14
6 - 7%	13
7 - 8%	7
8 - 9%	2
9 - 10%	7
10 - 11%	5
11 - 12%	0
12 - 13%	1
13 - 14%	0
14 - 15%	5
15 - 16%	0
16 - 17%	0
17 - 18%	0
18 - 19%	0
>19%	13
	607

Analysis from Jan 1950 to Nov 2021

- 607 downturns
 - Most are noise less than 5%
 - Very few are >10% and less than 19%
- Stop loss at 5% would have triggered 67 times and only 24 of these instances would have been a correction > 10%
 - Misfiring rate of 64%
- Stop loss between 8 and 9% has a misfiring rate of 27%

Selling at market bottoms

- 100 shares \$100/share = \$10,000
- Need \$2000 for expenses
- Market correction - Shares drop to \$70
- Sell 30 shares = \$2100
- Left 70 shares
- Market recovers and rises - Shares rise to \$120
- Portfolio = \$8400
- If you did not sell portfolio = \$12000

This is NOT investment advice

Getting out is half the story

- When is the downturn over?
- When do you get back in?
- Passive low risk way #1
 - Get back in at a bullish moving average crossover
 - Anil Parikh's method – EMA(8), EMA(20) crossover
 - Golden Cross – SMA(50), SMA(200) crossover
- Passive low risk way # 2
 - Sense where the bottom is likely to be
 - Dollar cost average in
- Active way
 - Sense the change in wind direction – Guy's spread sheet

Ideas that apply broadly

- Diversify – across asset classes and industries
- Use a combination of technical and fundamental analysis to make your sell and buy decisions.
- Have a buy list.
 - The market will give you an opportunity.
- Reexamine your “buy thesis”
 - Is something wrong with the company.
- Tax loss harvesting



Asset class returns

GTM U.S. 60

2009-2023		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Ann.	Vol.																
Large Cap	Small Cap	EM Equity	REITs	REITs	REITs	Small Cap	REITs	REITs	Small Cap	EM Equity	Cash	Large Cap	Small Cap	REITs	Comdty.	Large Cap	Large Cap
14.0%	21.9%	79.0%	27.9%	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	37.8%	1.8%	31.5%	20.0%	41.3%	16.1%	26.3%	10.6%
Small Cap	REITs	High Yield	Small Cap	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	DM Equity	Fixed Income	REITs	EM Equity	Large Cap	Cash	DM Equity	DM Equity
11.3%	21.2%	59.4%	26.9%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	25.6%	0.0%	28.7%	18.7%	1.5%	18.9%	5.8%	
REITs	EM Equity	DM Equity	EM Equity	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	Large Cap	REITs	Small Cap	Large Cap	Comdty.	High Yield	Small Cap	Small Cap
10.9%	20.3%	32.5%	19.2%	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	21.8%	-4.0%	25.5%	18.4%	27.1%	-12.7%	16.9%	5.2%
High Yield	DM Equity	REITs	Comdty.	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Comdty.	Small Cap	High Yield	DM Equity	Asset Alloc.	Small Cap	Fixed Income	Asset Alloc.	Asset Alloc.
8.6%	18.4%	28.0%	16.8%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	14.6%	-4.1%	22.7%	10.6%	-13.0%	14.1%	4.2%	
Asset Alloc.	Comdty.	Small Cap	Large Cap	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	Asset Alloc.	Large Cap	Asset Alloc.	DM Equity	Asset Alloc.	Asset Alloc.	High Yield	Comdty.
8.1%	16.6%	27.2%	15.1%	0.1%	16.3%	7.3%	4.9%	-0.4%	11.6%	14.6%	-4.4%	19.5%	8.3%	13.5%	-13.9%	14.0%	2.2%
DM Equity	Large Cap	Large Cap	High Yield	Asset Alloc.	Large Cap	REITs	Cash	Asset Alloc.	REITs	High Yield	Asset Alloc.	EM Equity	Fixed Income	DM Equity	DM Equity	REITs	EM Equity
7.4%	16.1%	26.5%	14.8%	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	18.9%	7.5%	11.8%	-14.0%	11.4%	2.2%
EM Equity	High Yield	Asset Alloc.	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	REITs	Small Cap	High Yield	High Yield	High Yield	Large Cap	EM Equity	High Yield
6.9%	11.5%	25.0%	13.3%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	12.6%	7.0%	1.0%	-18.1%	10.3%	2.1%
Fixed Income	Asset Alloc.	Comdty.	DM Equity	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Comdty.	Fixed Income	Cash	Cash	EM Equity	Fixed Income	Cash
2.7%	11.5%	18.9%	8.2%	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	3.5%	-11.2%	8.7%	0.5%	0.0%	-19.7%	5.5%	1.3%
Cash	Fixed Income	Fixed Income	Fixed Income	Comdty.	Cash	EM Equity	DM Equity	EM Equity	DM Equity	Comdty.	DM Equity	Comdty.	Comdty.	Fixed Income	Small Cap	Cash	Fixed Income
0.8%	4.5%	5.9%	6.5%	-13.3%	0.1%	-2.3%	-4.5%	-14.6%	1.5%	1.7%	-13.4%	7.7%	-3.1%	-1.5%	-20.4%	5.1%	-0.8%
Comdty.	Cash	Cash	Cash	EM Equity	Comdty.	Comdty.	Comdty.	Comdty.	Cash	Cash	EM Equity	Cash	REITs	EM Equity	REITs	Comdty.	REITs
-0.2%	0.7%	0.1%	0.1%	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	0.8%	-14.2%	2.2%	-5.1%	-2.2%	-24.9%	-7.9%	-1.3%

Investing Principles

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
 Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2009 to 12/31/2023. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
 Guide to the Markets - U.S. Data are as of March 31, 2024.

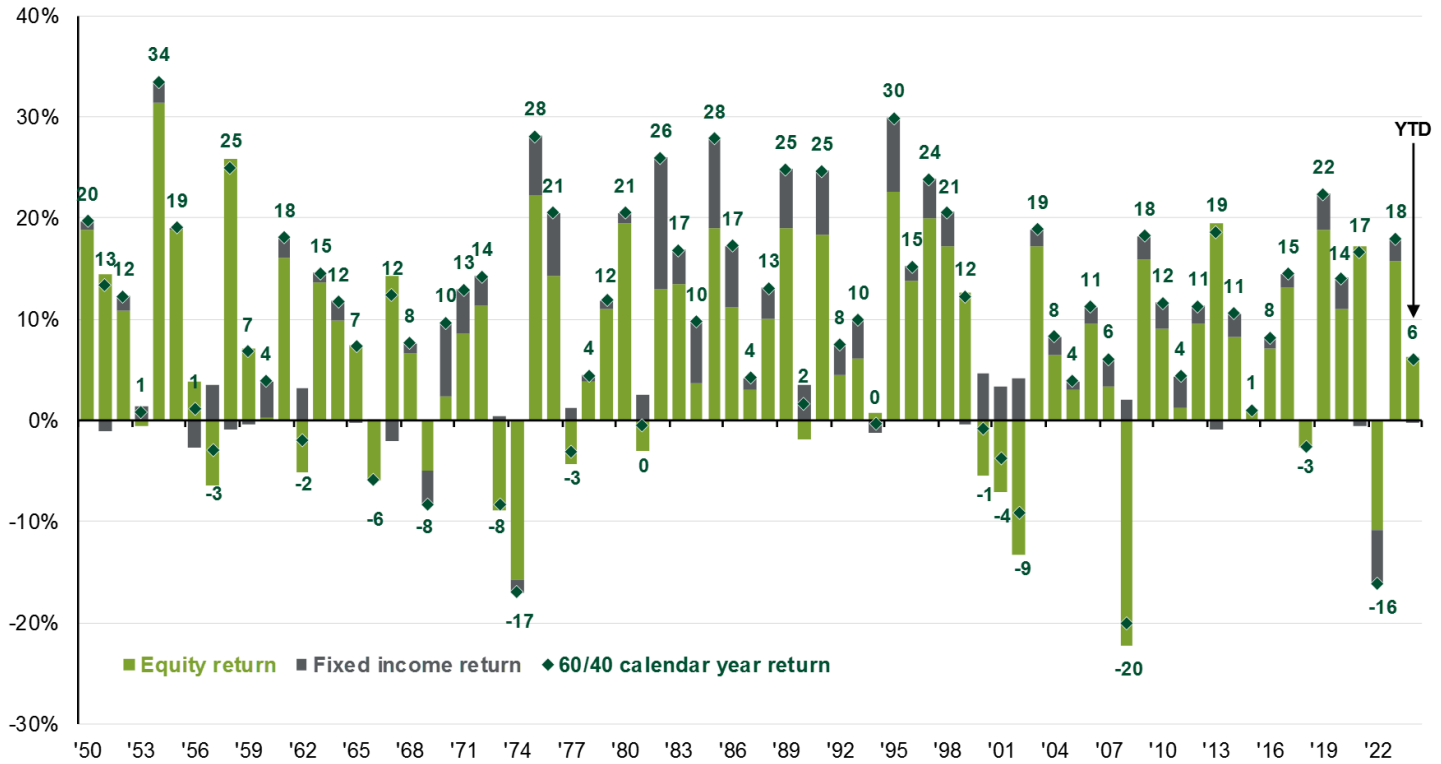


60/40 annual returns

GTM U.S. 62

60/40 annual return decomposition

Total returns in percent, 1950-present



Investing Principles

Source: Bloomberg, FactSet, Ibbotson/Strategas, Standard & Poor's, J.P. Morgan Asset Management. The 60/40 portfolio is 60% invested in the S&P 500 Total Return Index and 40% invested in the Bloomberg U.S. Aggregate Total Return Index. U.S. fixed income total returns from 1950 to 1975 are estimated using data from Strategas/Ibbotson. The portfolio is rebalanced annually. *Guide to the Markets - U.S.* Data are as of March 31, 2024.

J.P.Morgan
ASSET MANAGEMENT

Inheritance of IRAs and taxes

- Assume a couple is leaving \$500k in a Roth IRA for their heirs and assume that that Roth IRA has been open for at least 5 years before their death.
 - Heirs have to liquidate the Roth IRA in 10 years but in most cases the liquidation does not create a tax burden. There are special cases to eliminate the 10 year limit based on who the heir is.

- Assume that the IRA is not a Roth but a simple IRA
 - If the heir is in a 37 % tax bracket. 37% of the money inherited is going out of the family as taxes.

- How much do you convert to a Roth, if you want to pay taxes instead of your heirs?
 - Enough to raise your AGI to the lower of either the top for your IRS income tax bracket or the IRMAA MAGI bracket. This avoids a bump up in tax rates or IRMAA payments for you.
 - If you want to do more, than it is a calculation of how the total increase in your taxes and payments compares to the taxes your heirs would pay.
 - If you have contributed to your IRA and had income higher than the limit for taking a tax deduction when the contribution was made, then you have a capital basis in your IRA. This is filed on form 8606 on your tax return. This amount is subtracted from how much you convert before taxes are computed for you or taxable income for your heirs.

- Worksheet for RMD calculation – thanks to Mark White
 - <https://www.irs.gov/publications/p590b>

Last Class – April 24th

- US Equities Market Review – 20 minutes
- International investing
- Closing surveys
- Option to have one more class on May 1
 - No topic or charts ... Just any questions you have unanswered.
 - If yes, same class link and password will work.

Thanks !!

- Happy Investing !!

- **My EMail**

 - diyinvst@udel.edu

- **Class website**

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