

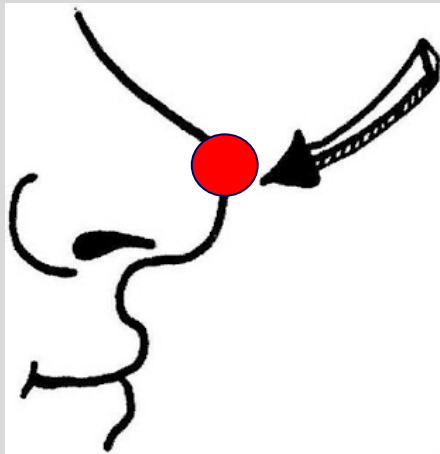
Investing for Successful Retirement

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.

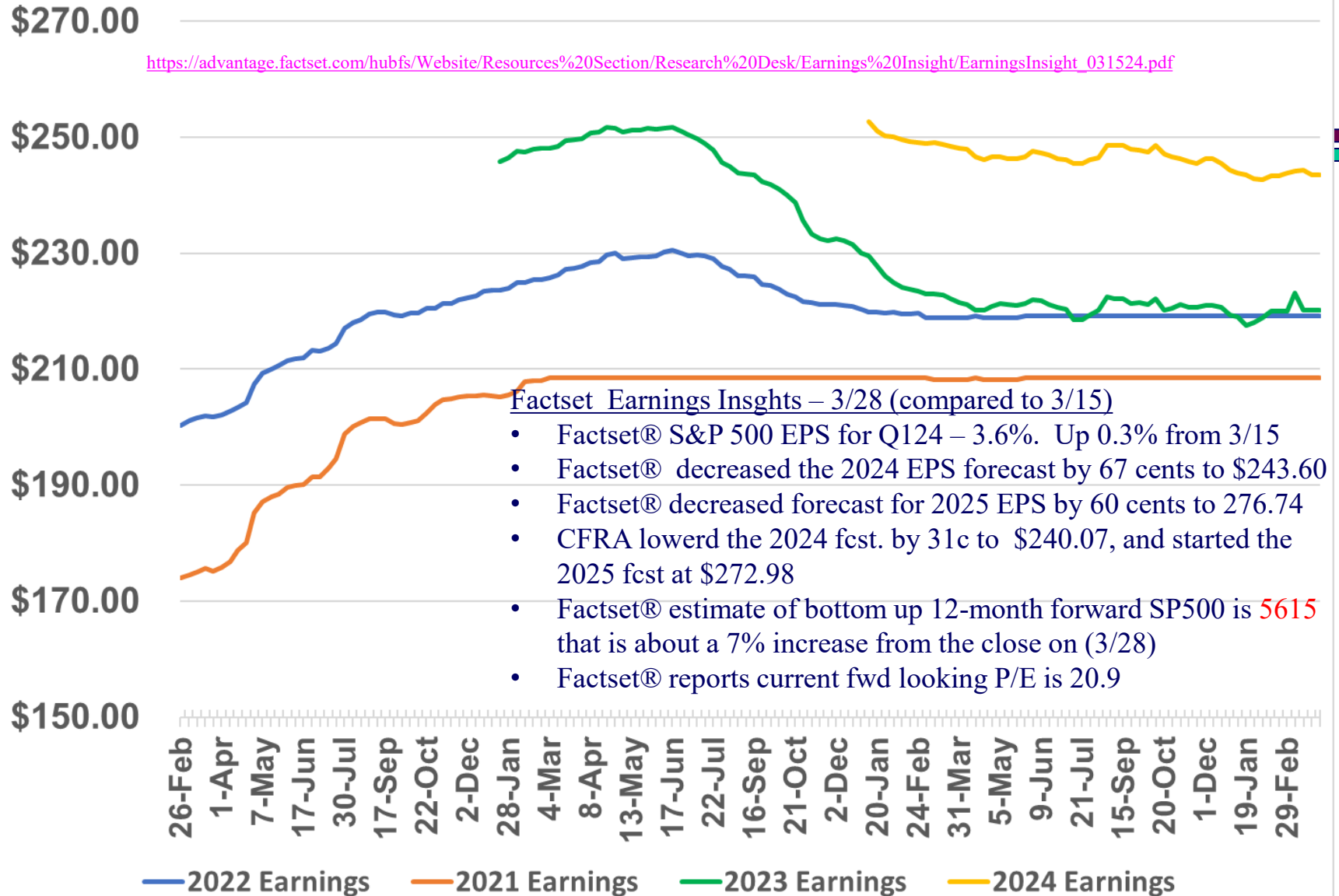
Form your own opinion, make your own investment decisions.

Eighth Class – April 3rd

- US Equities Market Review – 20 minutes
- You only make money when you sell

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

https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_031524.pdf



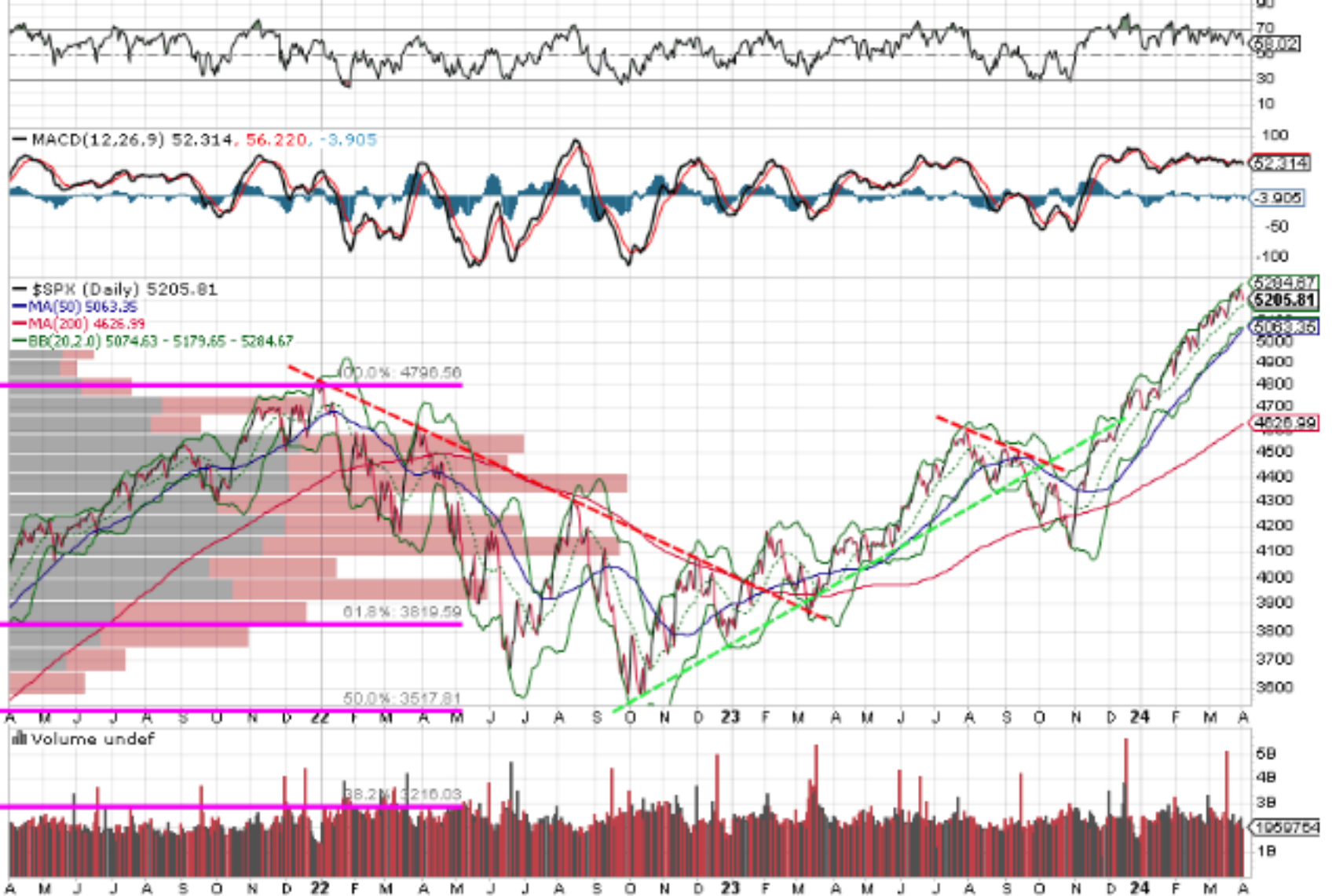
\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

2-Apr-2024

Open 5204.29 High 5208.34 Low 5184.05 Close 5205.81 Chg -37.98 (-0.72%)

▲ RSI(14) 58.02

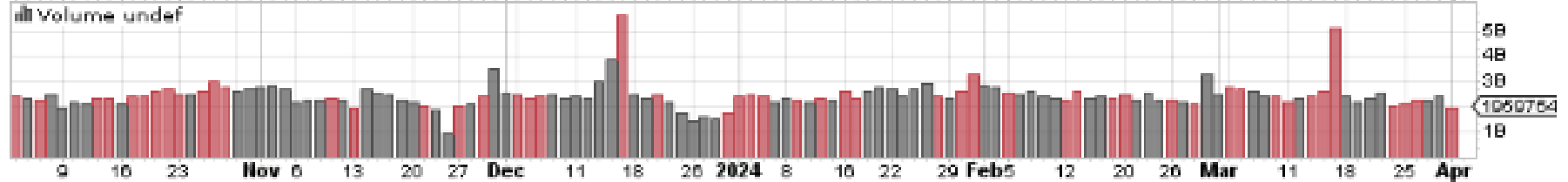
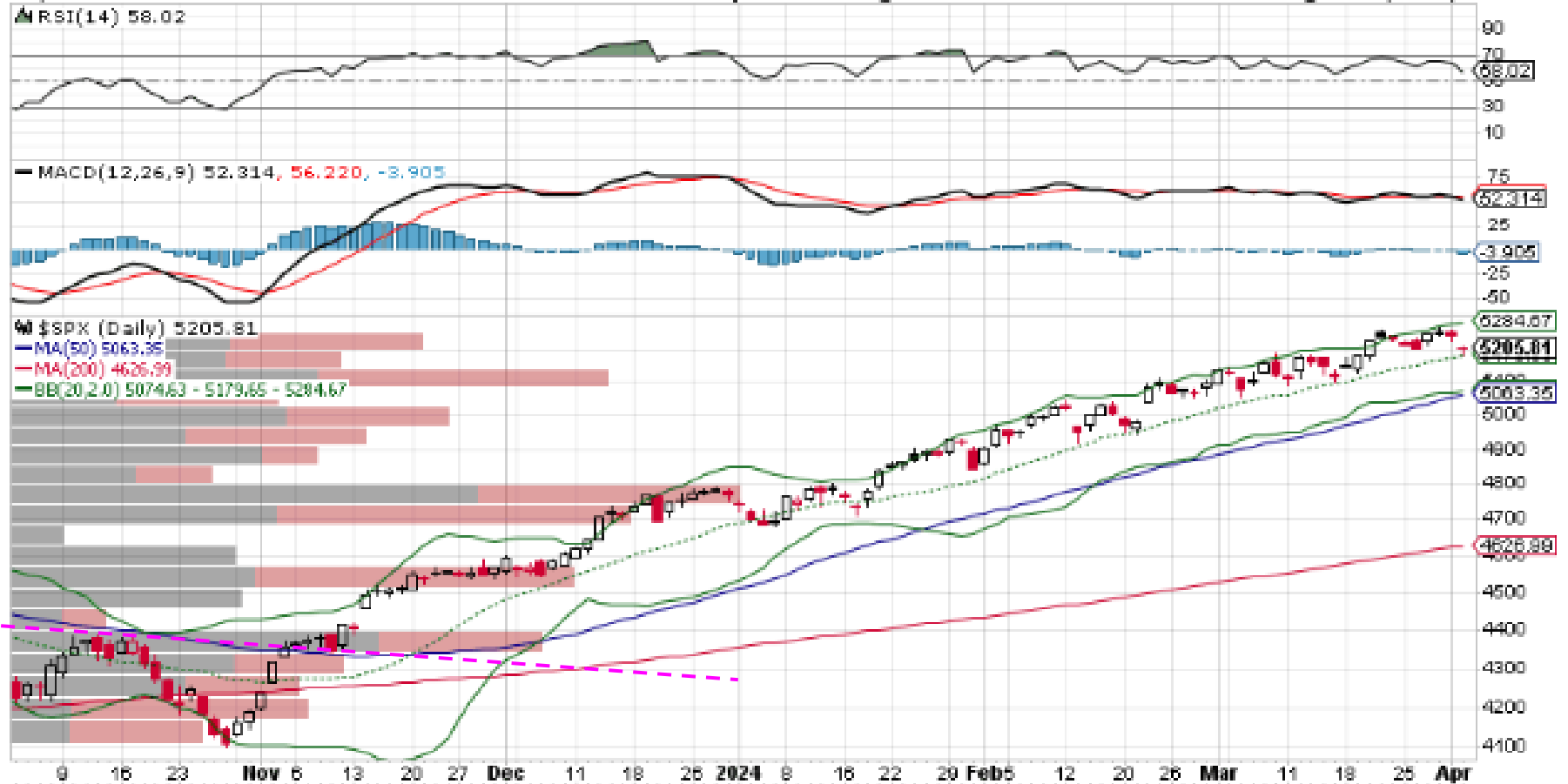


\$SPX S&P 500 Large Cap Index INDX

2-Apr-2024

© StockCharts.com

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\$NYAD NYSE - Advance-Delay Issues INDX

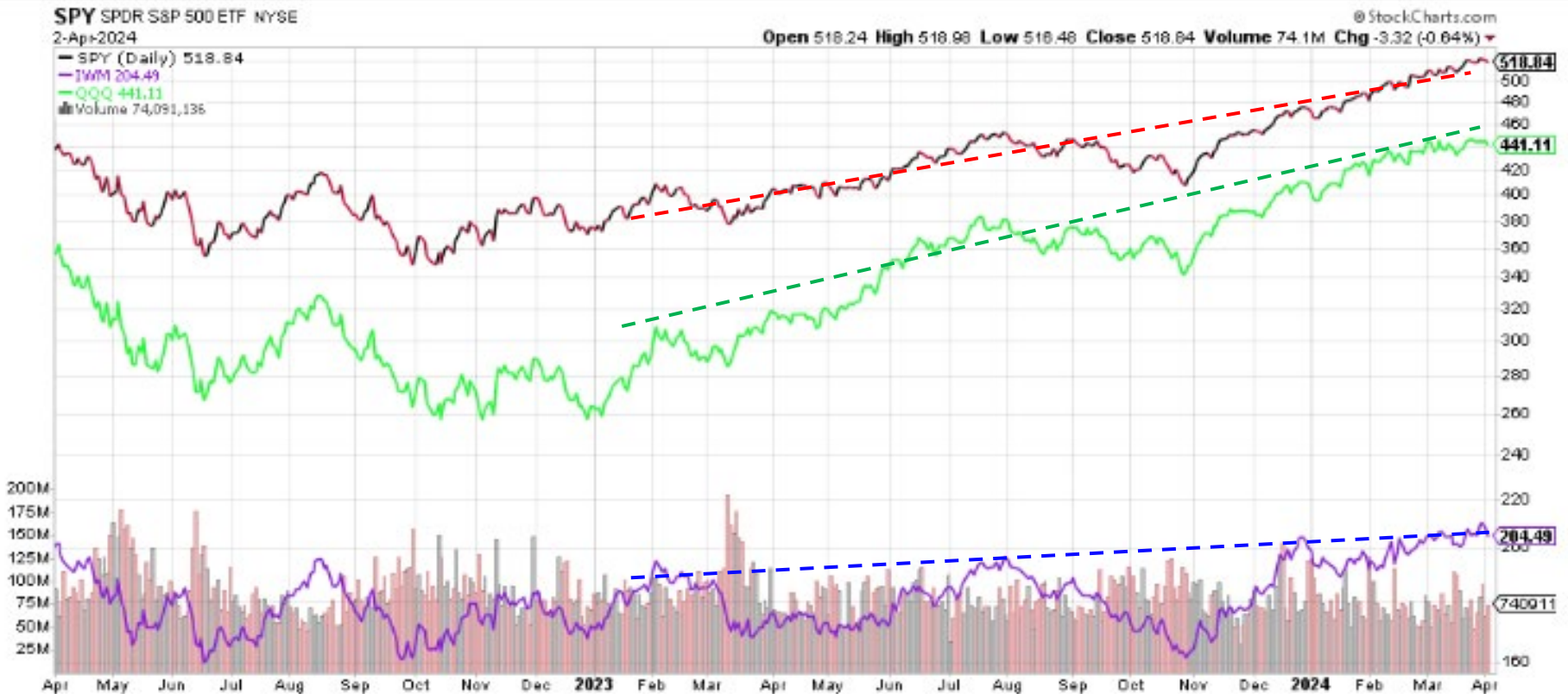
2-Apr-2024

© StockCharts.com

Open 8094.00 High 8094.00 Low 8094.00 Close 8094.00 Chg -1424.00 (-14.96%)



Market Breadth – another way



This is NOT investment advice

Weekly market direction

Prof. Guy Werner

Guy.werner@verizon.net

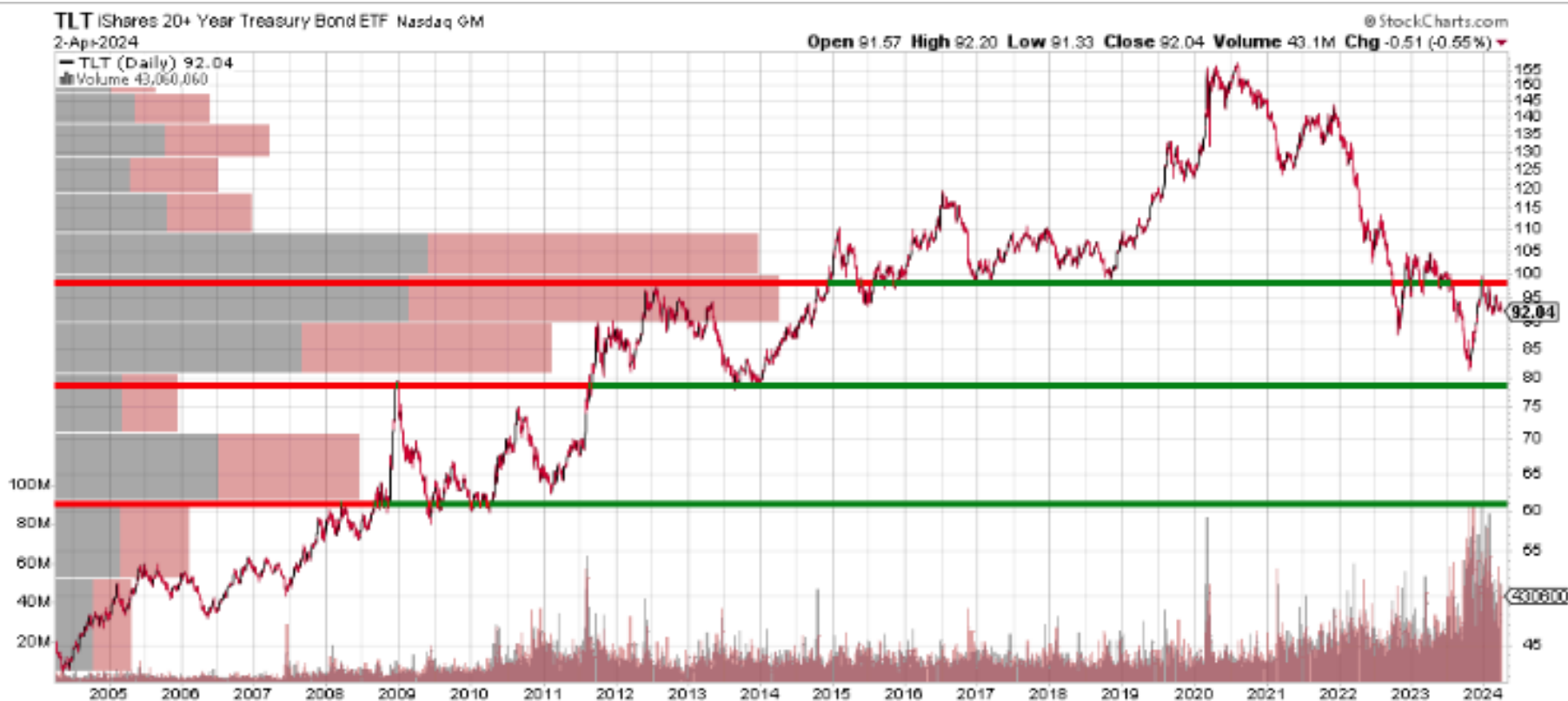
COLUMNS CD&E ARE FROM IBD AND ARE PROVIDED BY DAVE (IN THE NORTH) SMITH

ANIL PARIKH'S TRIPLE SCREEN (52 W DAILY HIGH SHOWN IN GREEN 52 W LOW SHOWN IN RED)

	DATE	MARKET PULSE (IBD)	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	03/23/24	FOR THE WEEK							117	2.29%				455	2.85%	
SUN	03/24/24	YTD							465	9.75%				1417	9.44%	
MON	03/25/24	CONFIRMED UP (60% -80%)	5	7	P	P	P	5,218	-16	-0.31%	P	0	P	16,384	-44	-0.27%
TUE	03/26/24	CONFIRMED UP (60% -90%)	6	8	P	0	P	5,203	-15	-0.29%	P	0	P	16,315	-69	-0.42%
WED	03/27/24	CONFIRMED UP (60% -80%)	6	8	P	0	P	5,248	45	0.86%	P	0	P	16,399	84	0.51%
THUR	03/28/24	CONFIRMED UP (60% -80%)	6	8	P	0	P	5,254	6	0.11%	P	0	P	16,379	-20	-0.12%
FRI	03/29/24	GOOD FRIDAY MARKET CLOSED														
SAT	03/30/24	FOR THE WEEK							20	0.38%				-49	-0.30%	
SUN	03/31/24	YTD							485	10.17%				1368	9.11%	
SUN	03/31/24	FOR THE MONTH							158	3.10%				288	1.79%	
MON	04/01/24	CONFIRMED UP (60% -80%)	6	8	P	0	P	5,243	-11	-0.21%	P	0	P	16,396	17	0.10%
TUE	04/02/24	?	?	?	P	F	P	5,205	-38	-0.72%	P	F	P	16,240	-156	-0.95%

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

US Treasuries - long duration



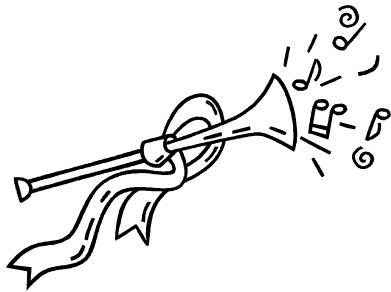
US Dollar - weekly



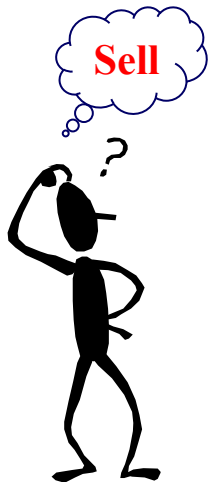
Eighth Class – April 3rd

- US Equities Market Review – 20 minutes
- You only make money when you sell

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!
- Only things certain is death and taxes. Being tax smart is OK!
- Match selling strategy to your investment thesis and bucket strategy and asset location.
- 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
 - Are the fundamentals still sound?
 - Is market action consistent with the fundamentals?
 - Is the stock acting the way I expected it to?
 - 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

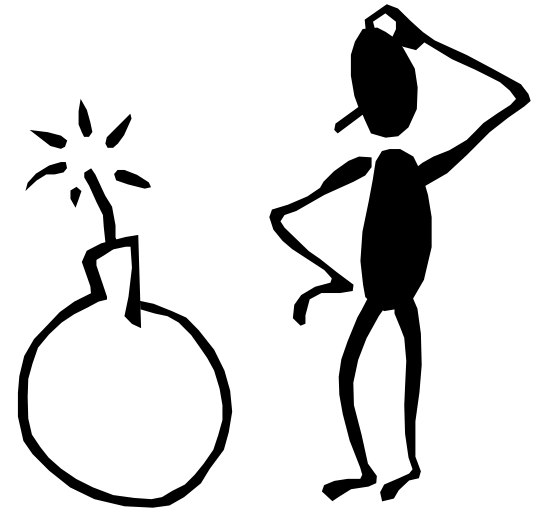
A good investor repurchases her investments everyday. Graydon Morris, Sunday Times 10/10/02

Key messages

- Selling is OK!
- Only things certain is death and taxes. Being tax smart is OK!
- Match selling strategy to your investment thesis and bucket strategy and asset location.
- Three rules.
 1. **Be impatient with your losers.**
 2. **Protect your profits**
 3. **Thinking of selling and selling are not the same**

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	Group	A	B	C	D	E	F
				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	\$ 300
B	\$ 100	150%	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
C	\$ 100	150%	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
D	\$ 100	20%	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
E	\$ 100	20%	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
F	\$ 100	10%	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110
G	\$ 100	-20%	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ 90
H	\$ 100	-50%	\$ 50	\$ 50	\$ 50	\$ 60	\$ 70	\$ 80	\$ 80	\$ 90
I	\$ 100	-50%	\$ 50	\$ 50	\$ 50	\$ 60	\$ 70	\$ 80	\$ 80	\$ 90
J	\$ 100	-90%	\$ 10	\$ 10	\$ 50	\$ 60	\$ 70	\$ 80	\$ 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?
 - Are the fundamentals still sound?
 - Why is market action inconsistent with the fundamentals?
 - 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

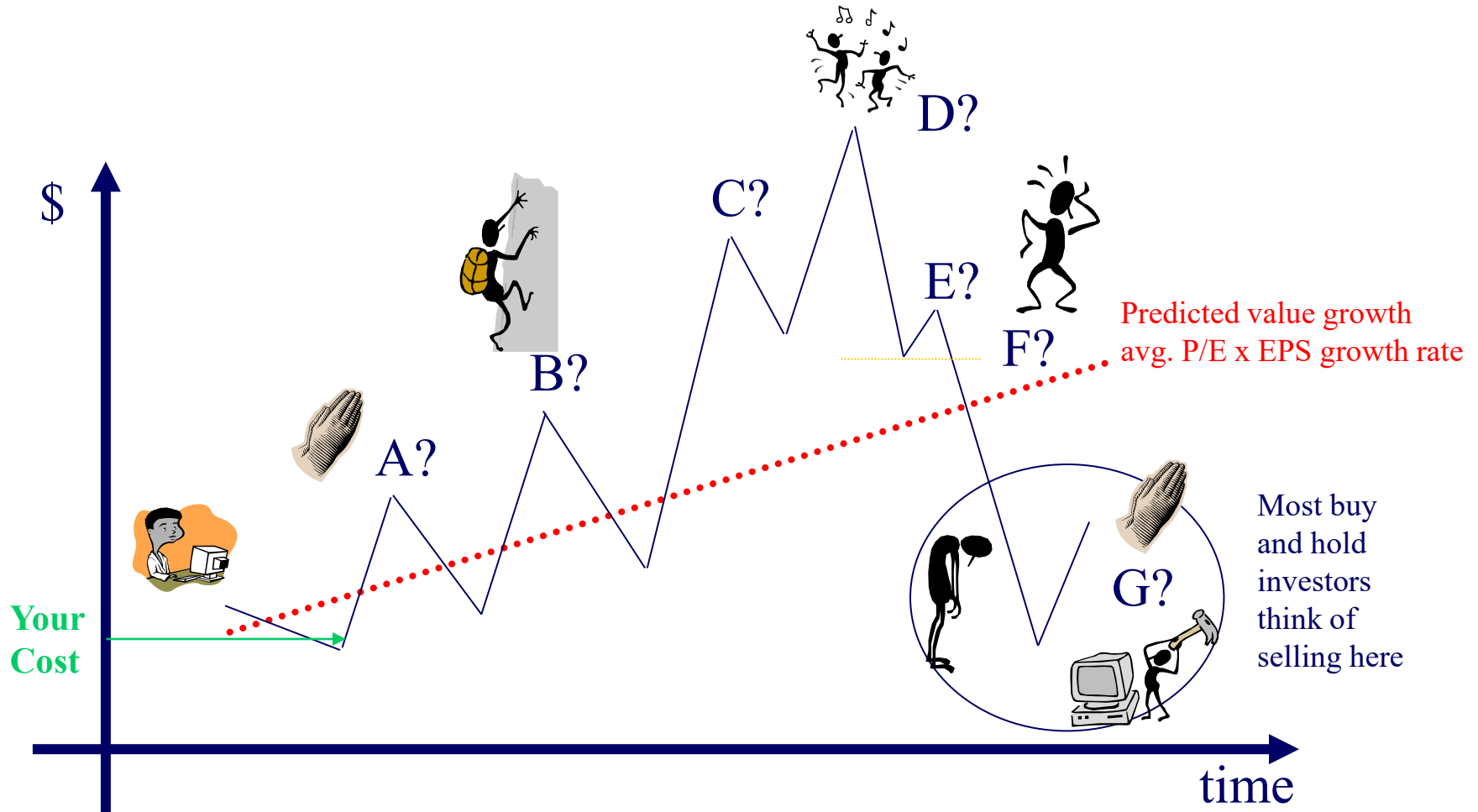
- You don't make money by buying stocks
 - Paper profits are worth.....paper!!
 - You are never wrong taking a profit
- Common reasons for not taking a profit
 - Commission phobia
 - Tax phobia
 - Long term investing = holding forever



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%

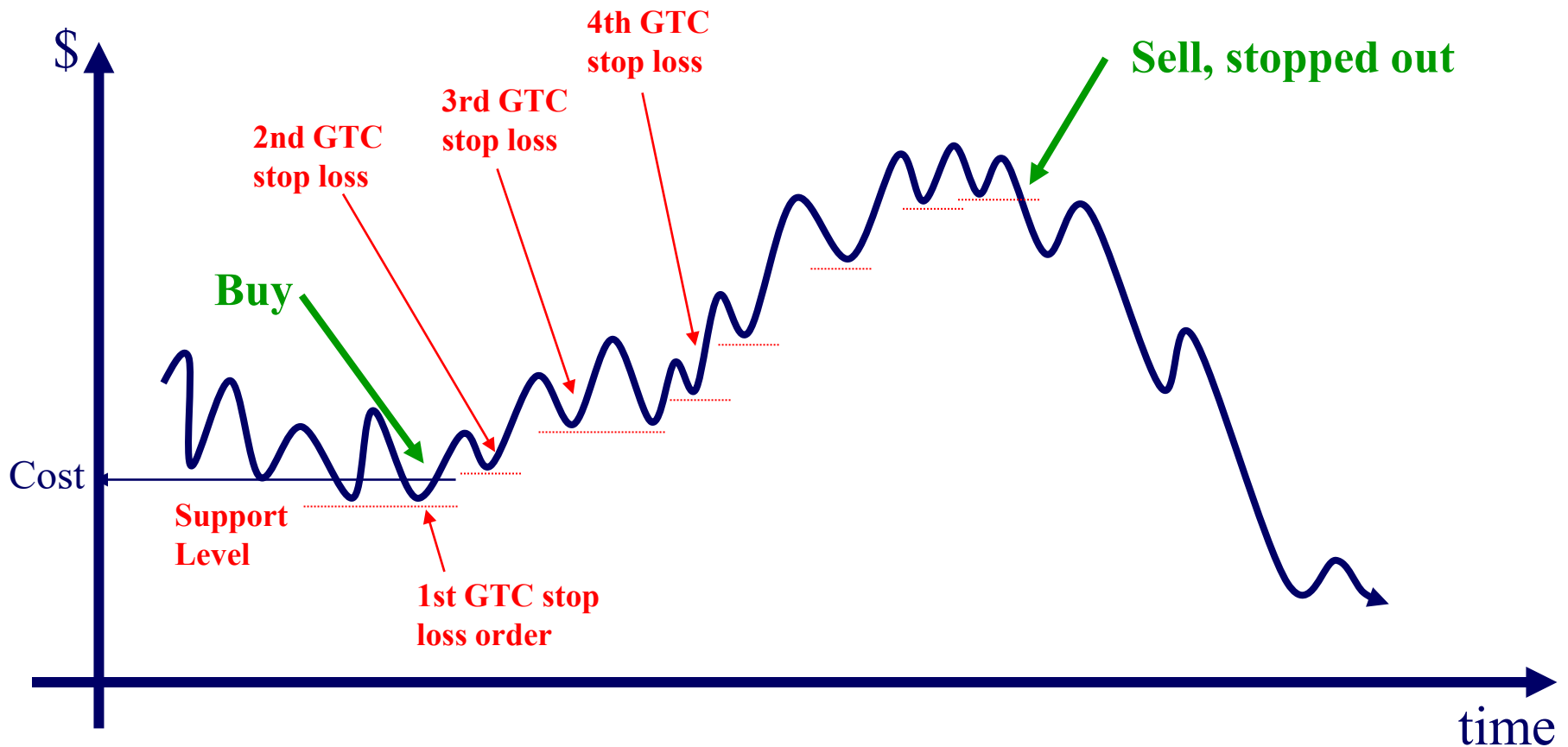
When will you sell?



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.

Protecting profits

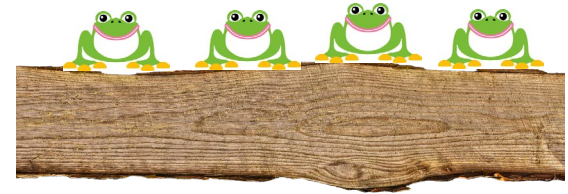
- Moving up stop loss orders can protect profits.
- Selling above the market early
 - Above market limit sell orders.
 - Covered calls ... a great alternative.
 - Make money immediately
 - Be happy to part with the stock profitably at the strike price.
 - If call expires ... repeat the action.
- You can sell part of the holding to lock in some profit.

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!
- Only things certain is death and taxes. Being tax smart is OK!
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- Three rules.
 - 1. Be impatient with your losers.**
 - 2. Protect your profits**
 - 3. Thinking of selling and selling are not the same**

Ninth Class – April 10th

- US Equities Market Review – 20 minutes
- RMDs – Jane Roe Fox

Thanks !!

- Happy Investing !!

- **My EMail**

 - diyinvst@udel.edu

- **Class website**

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