



L I F E T I M E P L A N N I N G

# Types of Investments

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# Investments101



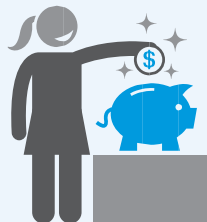
**“Someone is sitting in the shade today because someone planted a tree a long time ago.”**

—Warren Buffett

# Investments 101: Top Investment Rules

“A goal without a plan is just a wish.” —Antoine de Saint-Exupery

**1** Create an emergency fund



**2** You don't have to be safe to succeed



**3** Diversify your investments



**4** Automate your investments



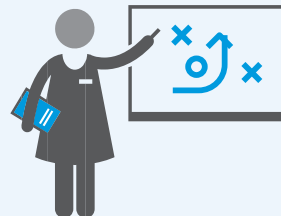
**5** Minimize taxes



**6** Beware of hot tips



**7** Have a plan and stick to it



**8** Seek professional advice



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# Build Your Emergency Fund

“I didn’t invent the rainy day, man. I just own the best umbrella.” —Jimmy Fallon



**3.75 months\***

If you expect to be re-employed in short time.



**6 Months**

If you have a limited safety net and volatile income sources.



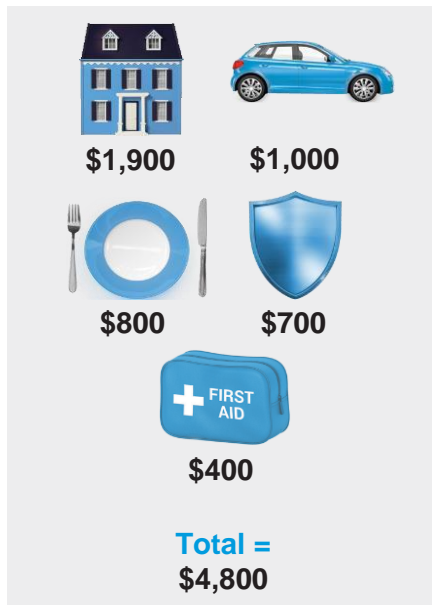
**12 Months**

If your income fluctuates wildly from year to year and you work in a profession where it is hard to find work.

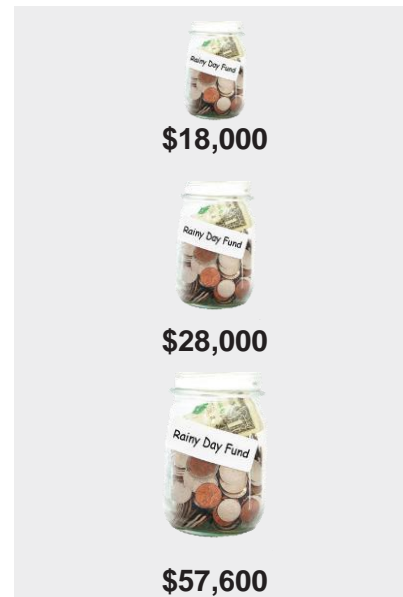
Average Monthly  
Expenditures



Fund Size



Needed Duration



National average unemployment benefits 4 months (3/1948–7/2016) Source:  
Bureau of Labor Statistics, 12/31/16.

# What Should You Do with Your Savings?

“You loan your friend money. You see them again, they don’t say nothin’ about the money. “Hi, how ya’ doing? How’s your mama doing?” Man, how’s my money doing?” —Chris Tucker



Poor Uncle



Bank



U.S. Treasury



What will they take?

Whatever you have

Whatever you have \*

\$100



When will you pay me back?

What will you give me for it?

What protection

Some day or never

Nothing

None

Whenever you want

0.50%–  
1.00%

FDIC Insured  
• Up to  
\$250,000

Maturities:  
Liquidity:  
1M, 3M, 6M, 1Y  
Daily  
2Y, 3Y, 5Y,  
7Y, 10Y,  
30Y

≈ 1% to 3%

Full faith and  
credit of  
U.S.  
Government



ction  
do I  
have  
?

- Per depositor, per bank

\* Certain banks may charge a fee if you don't maintain a minimum balance.

Source: Bankrate.com and Bloomberg, 12/31/16. Past performance does not guarantee future results.

# The Risk of “Safe Assets” Is that You Might End Up Running in Place

“How many millionaires do you know who have become wealthy by investing in savings accounts?  
I rest my case.” —Robert Allen

Running in place

Improving your position

Scaling new heights



Certificate of deposit rate	2%
Inflation	2%

Your real return	0%
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10 Year U.S. Treasury	4%
Inflation	2%

Your real return	2%
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U.S. equities	8%
Inflation	2%

Your real return	6%
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### 1995–2016

(Actual real returns on \$100K)

\$100,000 → \$100,000

\$100,000 → \$154,598




\$100,000 → \$320,714

Sources: Bankrate.com, U.S. Treasury, and Standard & Poor's. Rates of return and inflation are derived using the averages from 1995 to 2016. U.S. equities are represented by the S&P 500 Index. **Past performance does not guarantee future results.**

# Understand the Power of Compounding

“Compound interest is the 8th wonder of the world.” —Albert Einstein

**Would You Rather Double a Penny Every Day for 31 Days or Receive \$5 Million?**















Sun	Mon	Tue	Wed	Thu	Fri	Sat
1 	2 	3 	4 <b>\$0.08</b>	5 <b>\$0.16</b>	6 <b>\$0.32</b>	7 <b>\$0.64</b>
8 <b>\$1.28</b>	9 <b>\$2.56</b>	10 <b>\$5.12</b>	11 <b>\$10.24</b>	12 <b>\$20.48</b>	13 <b>\$40.96</b>	14 <b>\$81.92</b>
15 <b>\$163</b>	16 <b>\$327</b>	17 <b>\$655</b>	18 <b>\$1,310</b>	19 <b>\$2,621</b>	20 <b>\$5,242</b>	21 <b>\$10,485</b>
22 <b>\$20,971</b>	23 <b>\$41,943</b>	24 <b>\$83,886</b>	25 <b>\$167,772</b>	26 <b>\$335,544</b>	27 <b>\$671,088</b>	28 <b>\$1,342,177</b>
29 <b>\$2,684,354</b>	30 <b>\$5,368,709</b>	31 <b>\$10,737,418</b>				

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# The Rule of 72

“The Rule of 72 is useful in determining how fast money will grow. Take the annual return from any investment, expressed as a percentage, and divide it into 72. The result is the number of years it will take to double your money.” —Peter Lynch

$$\frac{72}{\text{Interest Rate}} = \text{The number of years it takes to double your money}$$

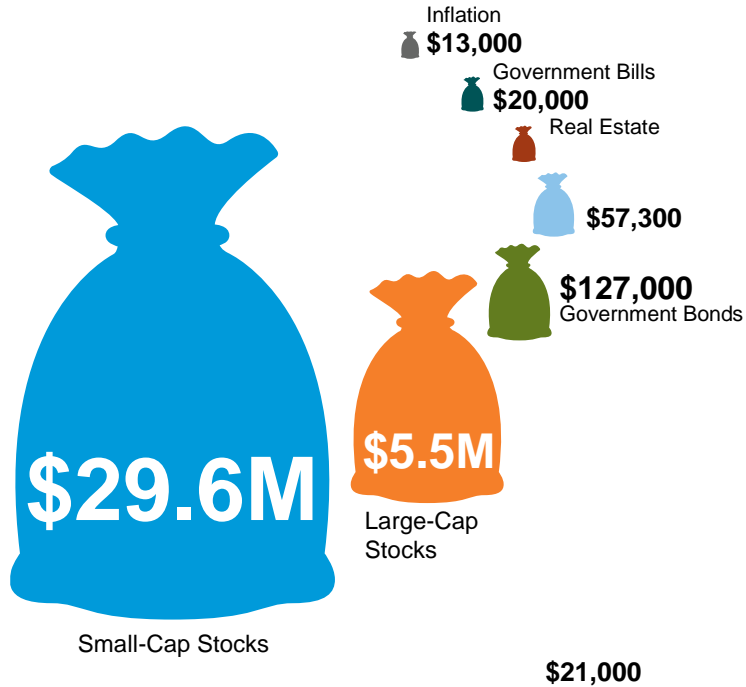
Years	3%	6%	12%
0	\$10,000	\$10,000	\$10,000
6			\$20,000 
12		\$20,000 	\$40,000 
18			\$80,000 
24	\$20,000 	\$40,000 	\$160,000 
30			\$320,000 
36		\$80,000 	\$640,000 
42			\$1,280,000 
48	\$40,000 	\$160,000 	\$2,560,000 

\* National average unemployment benefits 4 months (3/1948–7/2016)

1. Source: Bureau of Labor Statistics. Slide is for illustrative purposes only.

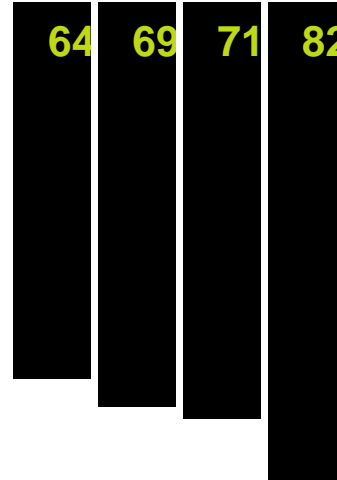
# Stocks Outperform Most Asset Classes Over Time

Growth of \$1,000 (1926–2016)



Gold

## Percentage of Time U.S. Stocks Outperformed Long-Term Government Bonds Over Rolling Periods (1926–2016)





1-Year

3-Year

5-Year

10-Year

15-Year

Rolling Monthly Returns

Source: Morningstar Direct, 12/31/16. Small-Cap Stocks are represented by the total return for the SBBI U.S. Small Company Stock Index. Large-Cap Stocks are represented by the SBBI U.S. Large Company Stock Index. Government Bonds are represented by the SBBI U.S. Long-Term Government Bond Index. Gold is represented by the U.S. dollar spot price of one troy ounce. Real Estate is represented by the Shiller Real Home Price Index. Government Bills are represented by the SBBI U.S. (30-day) Treasury Bills. Inflation is represented by the Consumer Price Index. The charts are hypothetical examples which are shown for illustrative purposes only and do not predict or depict the performance of any investment. Index definitions can be found on page 87. **Past performance does not guarantee future results.**

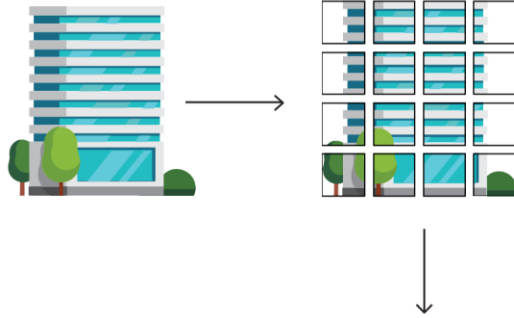
# What's a Stock?

“Behind every stock is a company. Find out what it's doing.” —Peter Lynch



## Invest in stocks

One way a company can raise money is to divide itself into little pieces and sell the pieces to investors. Each little piece of the company is a share of stock.



Stock

The value of the stock will be determined by supply and demand. How many shares are outstanding? How many people want to buy the shares, and how many people want to sell the shares?

Buyers

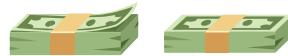


Sellers



The money is used by the companies' management teams to provide goods and services that consumers and businesses demand

Retained earnings are reinvested back into the business



Dividends are paid to shareholders

# Diversify Your Stock Holdings

“Don’t put all your eggs in one basket.” —



Risks of liquidity and solvency

LEHMAN BROTHERS

BEAR  
STEARNS



WaMu



Risks of accounting  
irregularities/corporate fraud

WORLD COM

tyco



ARTHUR ANDERSEN



Risks of obsolescence



Proverb

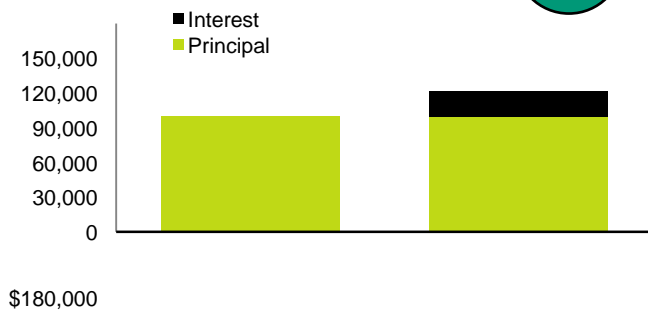
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Company logos are for illustrative purposes only and are not intended as investment advice. The mention of specific companies does not constitute a recommendation on behalf of any fund or OppenheimerFunds, Inc.

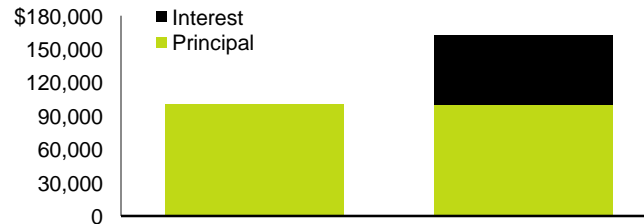
# What's a Bond?

“To have a full stomach and fixed income are no small things.” —Elbert Hubbard

## Investing in Government Bonds



## Investing in Private Companies



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Today

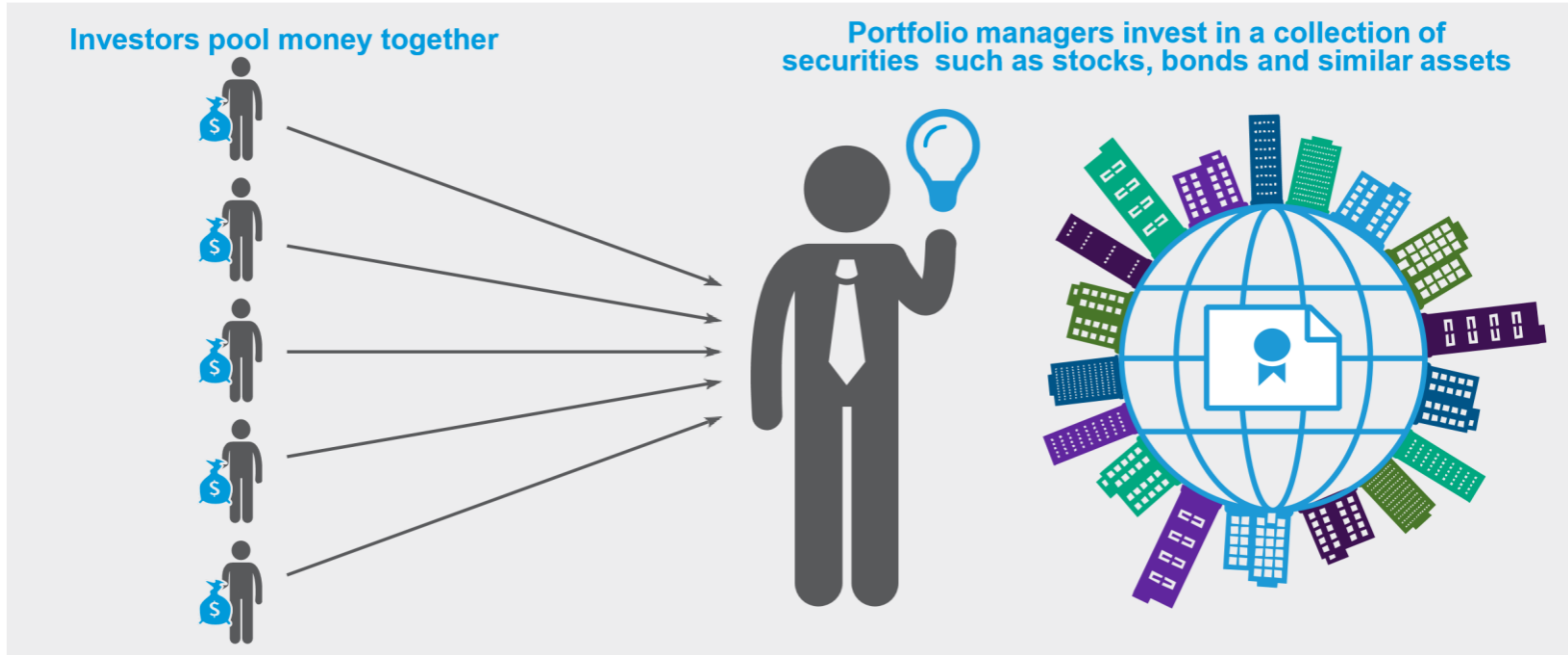
Year 10

Today

Year 10

# Diversification: What's a Mutual Fund?

“A mutual fund can do for you what you would do for yourself if you had sufficient time, training, and money to diversify, plus the temperament to stand back from your money and make rational decisions.” —Venita Van Caspel

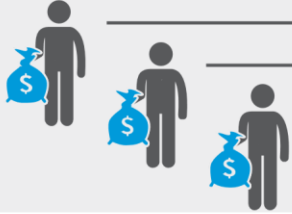


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# How Are Mutual Funds and ETFs Different?

## What Is a Mutual Fund?

1. Group of individuals invest money with an expert



2. Professional manager invests money in a portfolio to match the objectives and risk tolerance of the individuals



3. Ownership in a diversified portfolio of securities

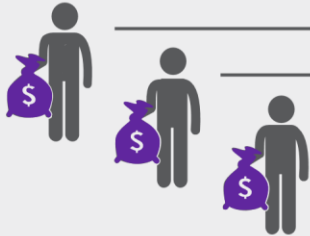


## Characteristics

1. Not listed on stock exchange
2. Priced to the end of the trading day
3. Capital gains distributed to shareholders

## What Is an ETF?

1. Group of individuals invest money in an ETF



2. ETF acts as a stock, but owns an underlying basket of assets like a passive index that it tracks



3. Ownership in a diversified portfolio of securities



## Characteristics

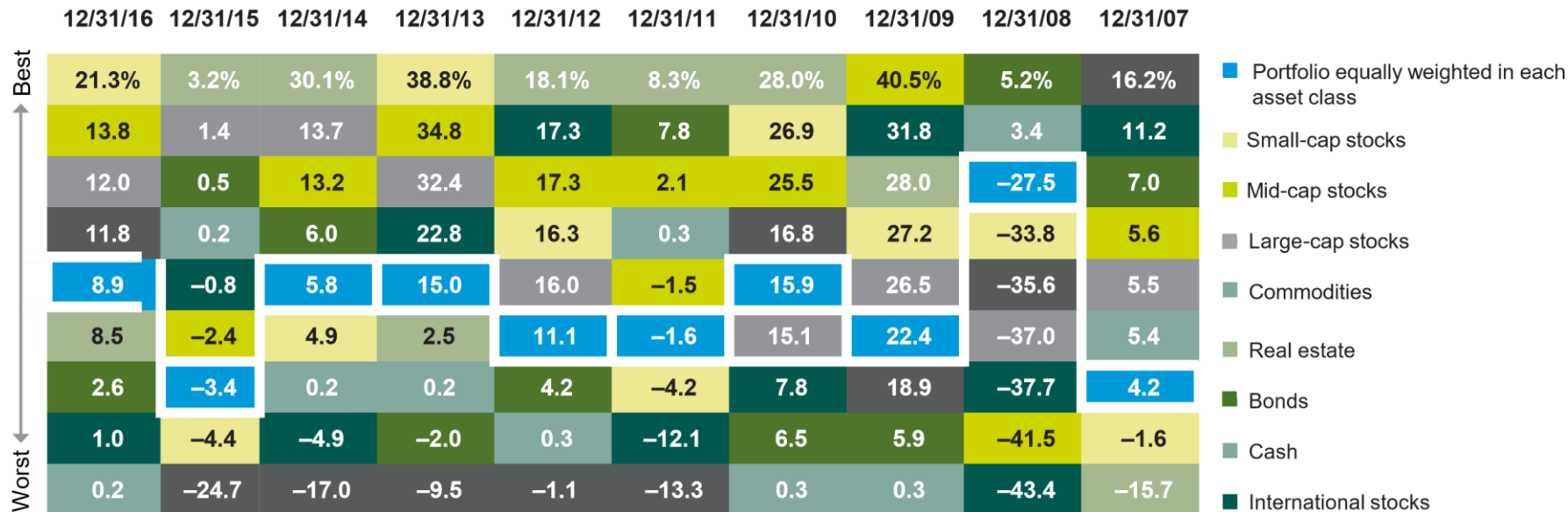
1. Listed on stock exchange
2. Priced continuously during trading day
3. Capital gains reinvested

# Diversify Your Portfolio

“Extremes are easy, strive for balance.” —Colin Wright

Diversification May Help Lower Risk

Performance of Major Indices and a Balanced Portfolio (2007–2016)

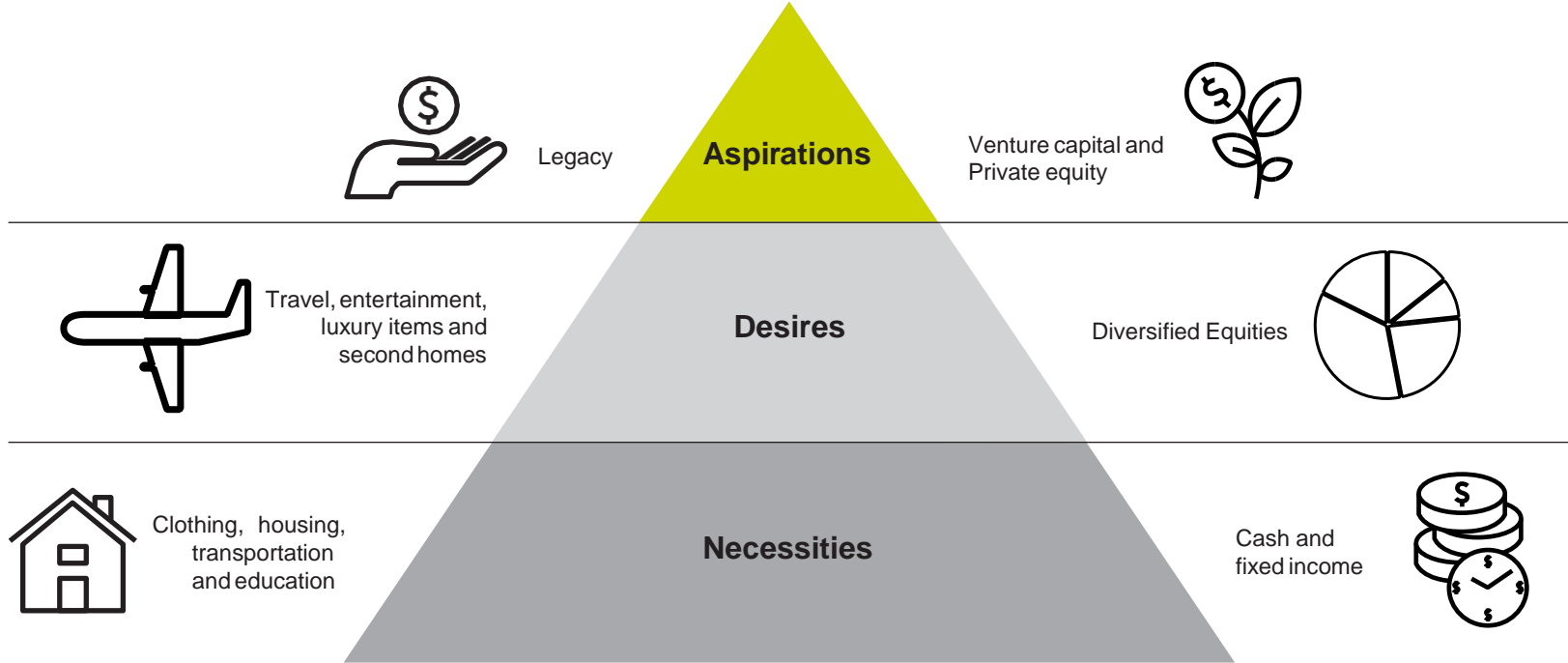


1. Source: Bloomberg, 12/31/16. Diversification does not guarantee profit or protect against loss. Past performance does not guarantee future results.

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# Pyramid of Needs and Assets



## Index Definitions

The 10-Year U.S. Treasury Yield is generally considered to be a barometer for long-term interest rates.

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs).

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of U.S. Government and corporate bonds that includes reinvestment of dividends.

The Bloomberg Barclays Aggregate Corporate Bond Index represents primarily investment-grade corporate bonds within the Bloomberg Barclays U.S. Aggregate Bond Index. The Bloomberg Barclays Aggregate U.S. Treasuries Index represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

The Bloomberg Barclays High Yield Bond Index covers the universe of fixed rate, non-investment-grade debt. The JPMorgan GBI-EM Global Diversified Index tracks total returns for local-currency-denominated money market instruments in the emerging markets.

The Bloomberg Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market and includes bonds rated investment-grade by at least two of the three major rating agencies (Moody's, S&P and Fitch). SBBI U.S. Large Company Stock Index is an unmanaged index of stocks of large U.S. companies.

SBBI U.S. Long-Term Government Bond Index is an unmanaged index generally representative of the bond market. SBBI U.S. Small Company Stock Index is an unmanaged index of stocks of small U.S. companies.

SBBI U.S. (30-day) Treasury Bills is generally representative of the rate of return on a savings investment.

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap Index measures the performance of mid-capitalization stocks.

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

The S&P 500 Index is a market-capitalization weighted index of the 500 largest domestic U.S. stocks. Shiller Home Price Index tracks changes in home prices throughout the United States.

Treasury Inflation Protected Securities is generic U.S. Government inflation-index bonds.

The U.S. existing home sales median price tracks changes in residential property prices of existing single-family homes, condos and co-op sales.

Indices are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past performance does not guarantee future results.**

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