



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

# All About Investing

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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



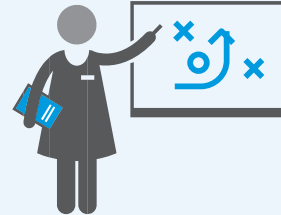
**5** Minimize taxes



**6** Beware of hot tips



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



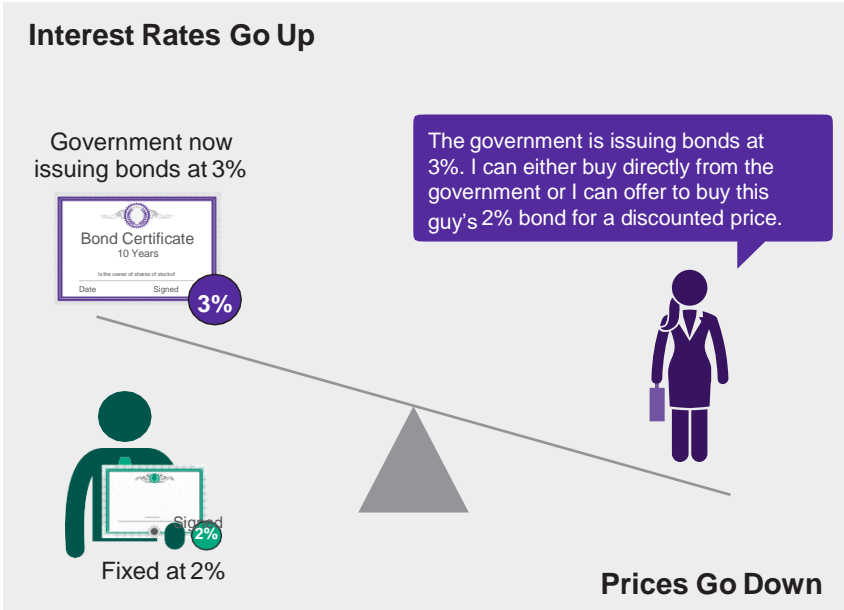
**8** Seek professional advice



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# What Happens If Interest Rates Change?

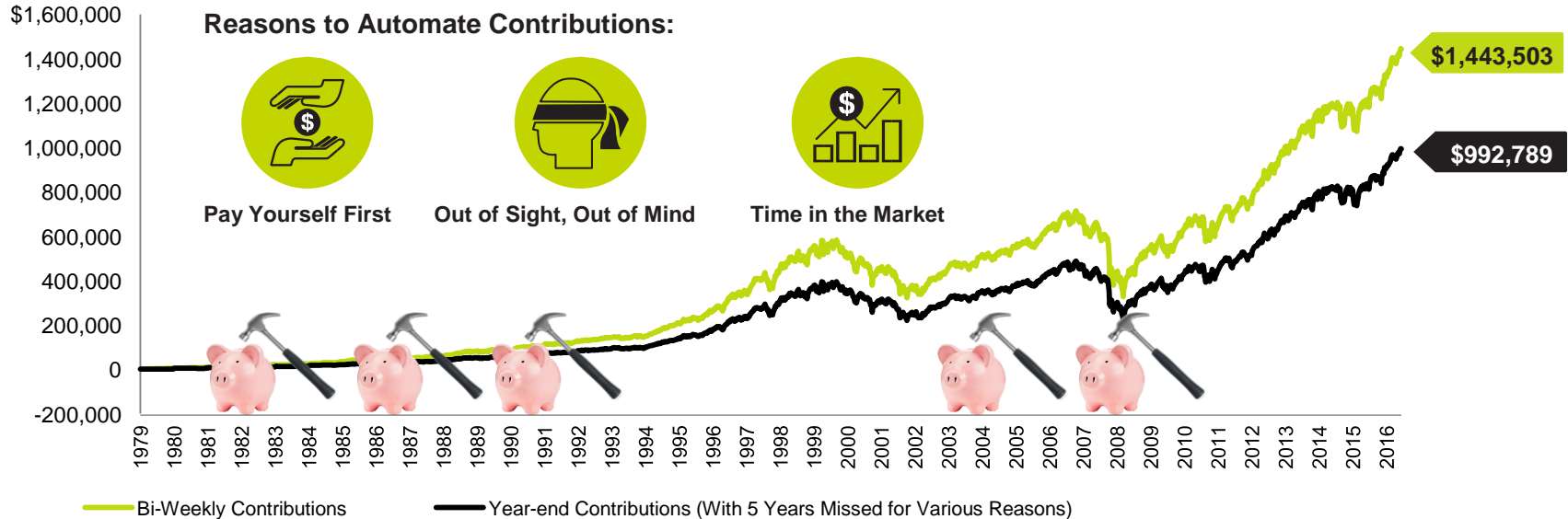
“If interest rates go up, someone willing to buy your bond will say, ‘Gee your bond gives a (lower) coupon. That’s not the (higher) coupon I can get on the open market. I’m going to pay less for your bond.’” —Sal Khan



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# Automate Your Investments

“Good habits, which bring our lower passions and appetites under automatic control, leave our natures free to explore the larger experiences of life. Too many of us divide and dissipate our energies in debating actions which should be taken for granted.” —Ralph W. Sockman

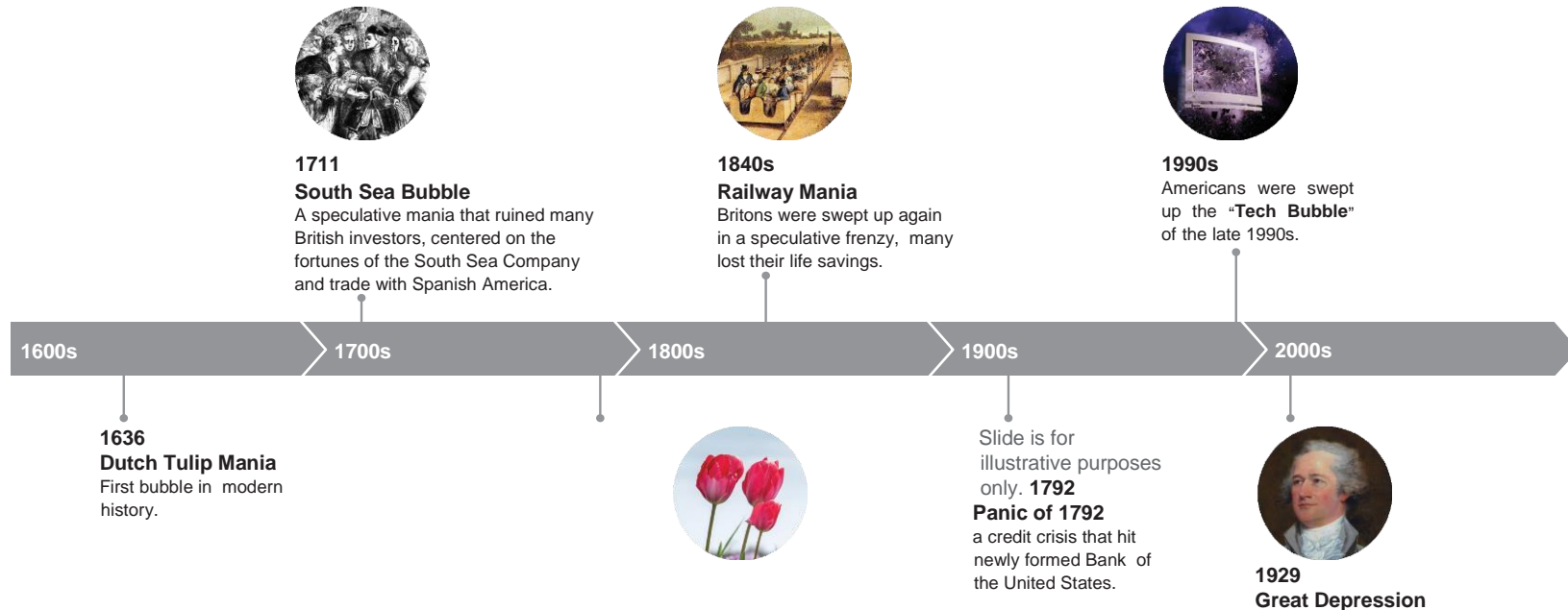


Slide is for illustrative purposes only.

Source: Bloomberg, 12/31/16. Assumes a 10% savings rate of a \$35,000 a year salary beginning in 1980. Bi-weekly contributions assumes 10% of each paycheck vs. once a year contributions of 10% of \$35,000 on the last day of the year. All contributions are pre-tax and all returns are market based on the S&P 500 Index over a 35year time horizon (age 30–65). **Past performance does not guarantee future results.**

# Beware of Hot Tips

“Even the intelligent investor is likely to need considerable willpower to keep from following the crowd.” —Benjamin Graham



Roaring 20s culminate with a prolonged depression in the U.S.



2008

**U.S. Financial Crisis** Began with a crisis in the U.S. mortgage market and developed into a full-blown international banking crisis.



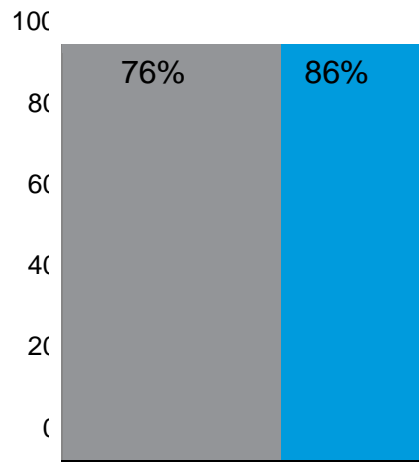
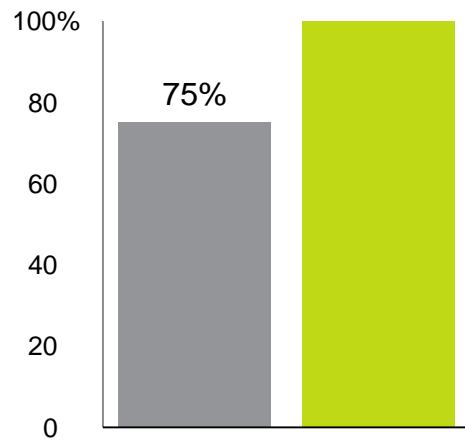
# The Longer You Own an Asset, the More Likely It Will Exhibit the Characteristics for Which You Bought It

“In the short run, the market is a voting machine, but in the long run it is a weighting machine.” —Benjamin Graham

## Rolling Monthly Periods (1925–2016)

Percent of time U.S. Treasury bonds cash-like instruments	Percent of time large-cap stocks outperform U.S. Treasury bonds	Percent of time small-cap stocks outperform large-cap stocks 100%
-----------------------------------------------------------	-----------------------------------------------------------------	-------------------------------------------------------------------



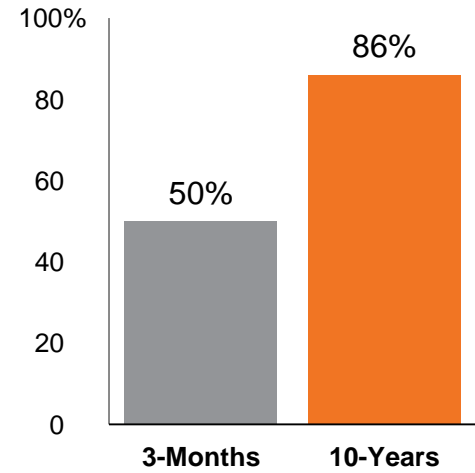


3-Months

10-Years

3-Months

10-Years

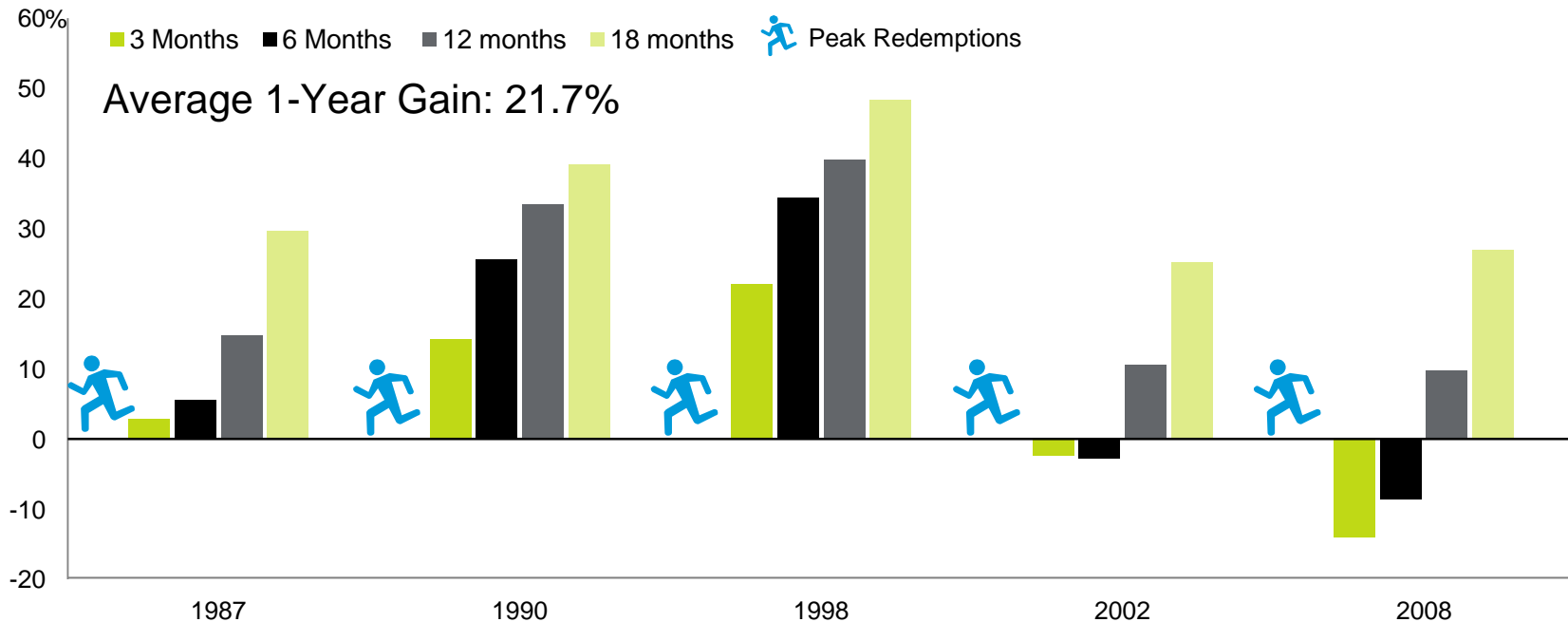


Sources: Morningstar Direct and Ibbotson Associates, 12/31/16. Stocks are represented by the S&P 500 Index and U.S. Treasury Bonds are represented by the Bloomberg Barclays U.S. Treasury Index. **Past performance does not guarantee future results.**

# Markets Tend to Perform Well After Peak Redemptions

“If every instinct that you have is wrong, then the opposite would have to be right.” —Jerry Seinfeld

**Market Performance 3-Months, 6-Months, 12-Months and 18-Months after Peak Redemptions in the Equity Market**

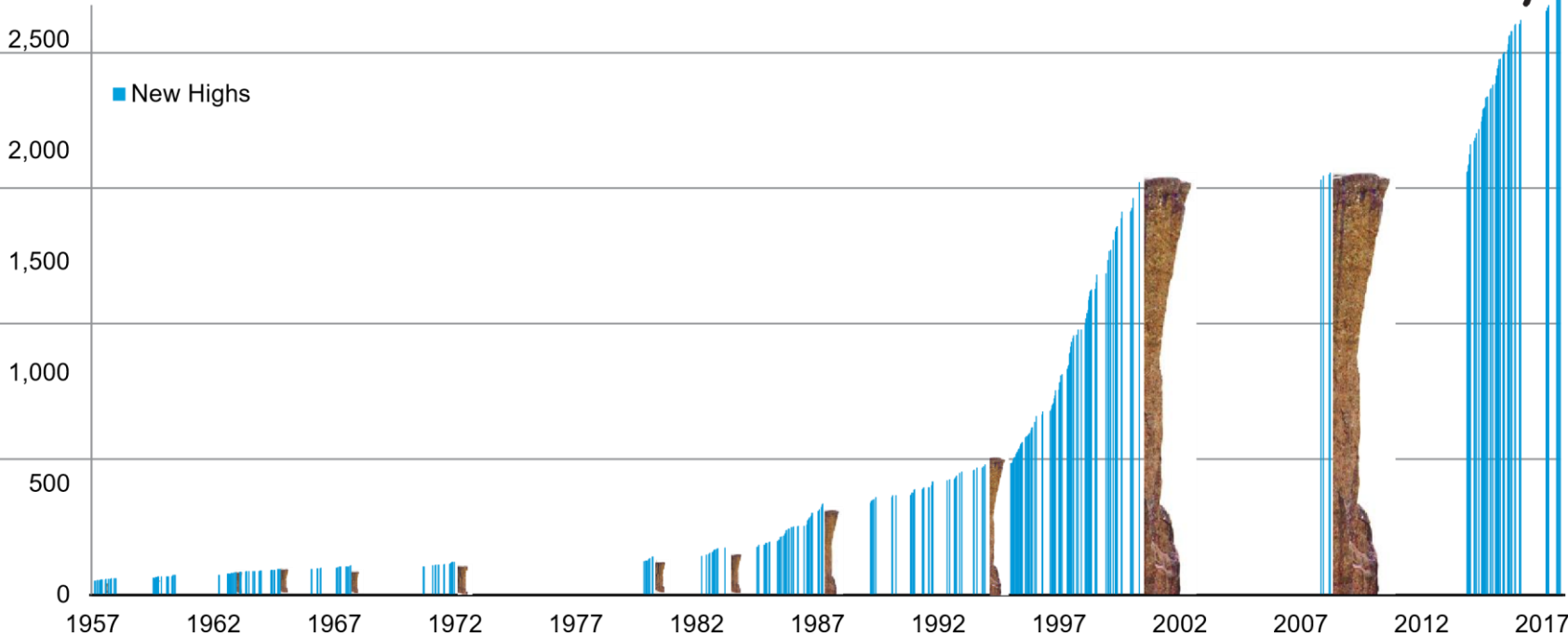


Source: FactSet, 12/31/16. Peak redemption months for equity flows are 10/31/87, 10/31/90, 8/31/98, 7/31/02, 10/31/08. All returns are total return and calculated cumulatively on a monthly basis. Past performance does not guarantee future results.

# Don't Fear New Highs

“Be patient. Wave come. Wave always come.” —Duke Kahanamoku

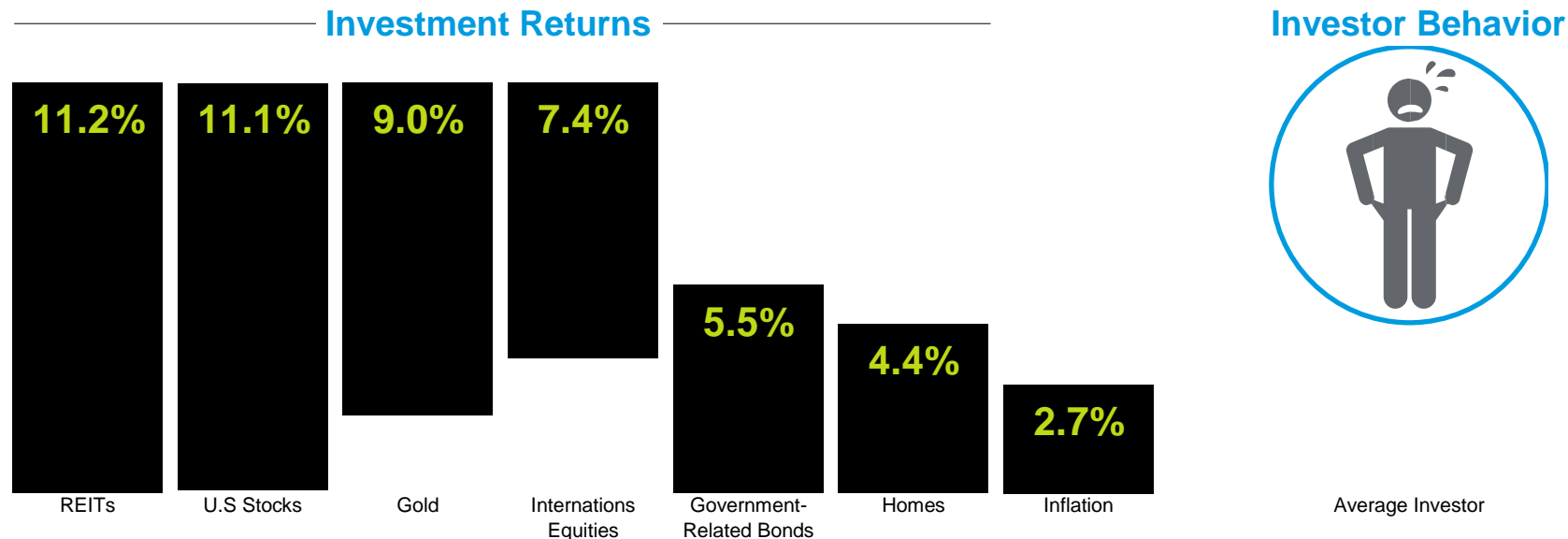
964 New Highs Since 1957 Inception of the S&P 500 Index



Source: FactSet, 2016. Index definitions can be found on page 42. **Past performance does not guarantee future results.**

# What Has the Greatest Impact on Investment Results?

30-Year Annualized Returns % (1986–2015)

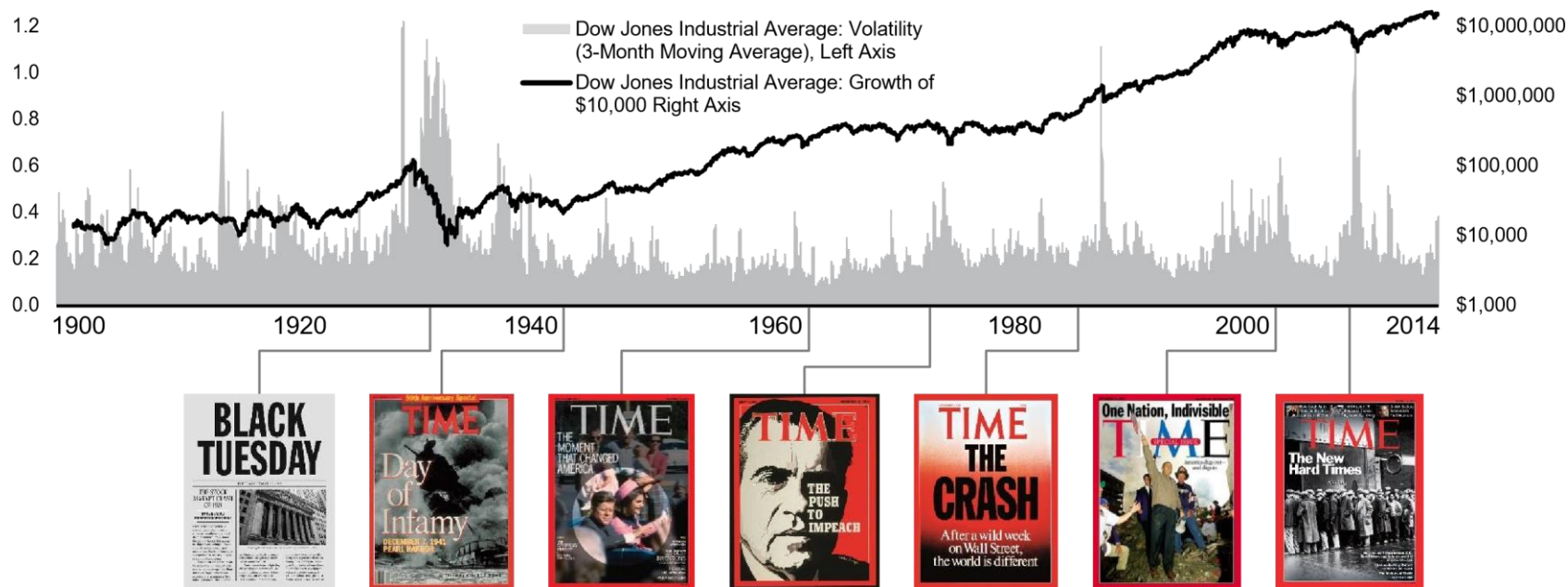


Source: Bloomberg, 12/31/16. Average asset allocation investor return is based on an analysis by DALBAR, Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Indices shown are as follows: Gold is represented by the U.S. dollar spot price of one troy ounce, Homes are represented by U.S. existing home sales median price, inflation is represented by the Consumer Price Index. U.S. stocks are represented by the S&P

500 Index, international equities are represented by the MSCI EAFE Index, government-related bonds are represented by the Barclays U.S. Aggregate Bond Index. 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. Index definitions can be found on page 87. **Past performance does not guarantee future results.**

# Every Generation Faces Its Share of Challenges

“In the 20th century, the United States endured two world wars...the Depression, a dozen or so recessions and financial panics, oil shocks, a flu epidemic, and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497.” – Warren Buffett, 10/17/08 **Dow Jones Industrial Average: Growth of \$10,000 and Volatility (1900–2016)**  
(Log Scale)



Source: Morningstar Direct and Ibbotson, 12/31/16. 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.**

## 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.

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