

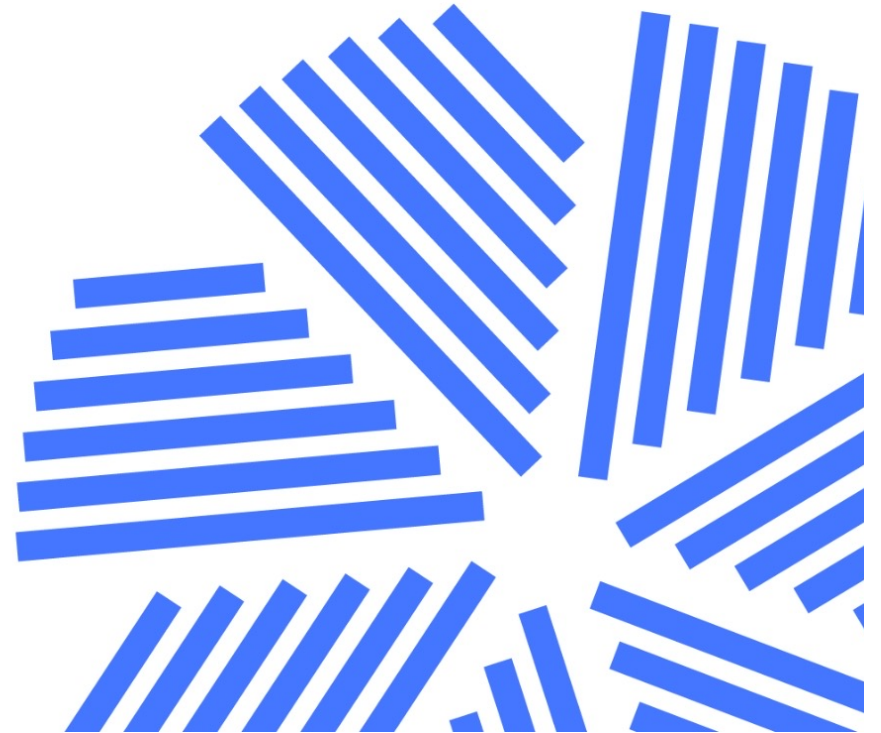


# Basics of Investing

[Presenter name]

[Presenter name]

[Date]



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- Non-profit professional society of over 6,000 investment professionals
- New England's largest investment professional membership organization
- Founded in 1946, CFA Society Boston is a founding society of CFA Institute.



## CFA Institute

- Global association of investment professionals
- Sets the standard for professional excellence and credentials
- Champions ethical behavior in investment markets
- Respected source of knowledge in the global financial community



# Speaker Biographies

Speaker  
Photo  
(Optional) [First, Last], CFA ...

Speaker  
Photo  
(Optional) [First, Last], CFA ...

Speaker  
Photo  
(Optional) [First, Last], CFA ...



# Session Goal -- Broad Understanding of Investing

## AGENDA



Know Your Risk Tolerance



Developing an Investment Plan



Investing vs. Saving



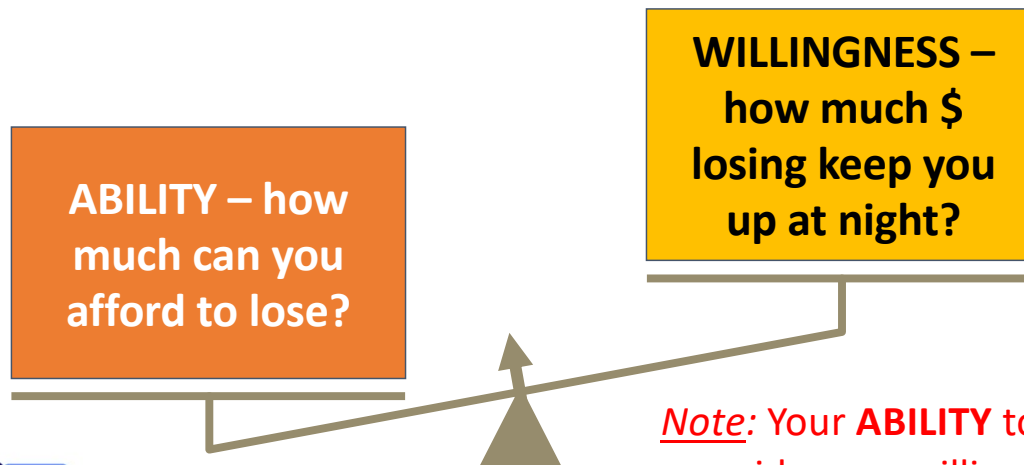
Building a Portfolio



*Image from Pexels*

# Know Your Risk Tolerance

The key is balancing your **ABILITY** and **WILLINGNESS** to take risk.  
*Understanding your own tolerance for risk is vital to Successfully developing and implementing an investment plan.*



*Note: Your **ABILITY** to take risk should override your willingness to take risk!*

# AUDIENCE POLL

Which individual has the ability to take more risk?

- A. 65-year-old who will retire in two (2) years
- B. 30-year-old with 30 to 40 years of work left

Answer the  
poll in  
Teams or in  
the chat

# AUDIENCE POLL

Which individual has the ability to take more risk?

- A. a 65-year-old who will retire in two (2) years
- B. a 30-year-old with 30 to 40 years of work left

Willingness to take risk is much more subjective and difficult to identify

# Know Your Risk Tolerance

## Ask yourself:



How would you feel if the value of your investments dropped 40%?

→ **Willingness to Take Risk**



How steady is your employment?

→ **Ability to Take Risk**



What keeps you up at night?

→ **Willingness to Take Risk**



How much debt do you have?

→ **Ability to Take Risk**



When do you need significant cash? → **Ability to Take Risk**

# Know Your Risk Tolerance

## Set Your Objectives and Priorities: **NEEDS** vs. **WANTS**

Needs – Top Priority (non-negotiable)

1. Emergency Fund
2. Pay off High Interest Debt
3. Retirement Savings
4. College Savings

WANTS – Lower Priority  
(nice-to-haves)

1. House Down Payment
2. Boat
3. Vacation

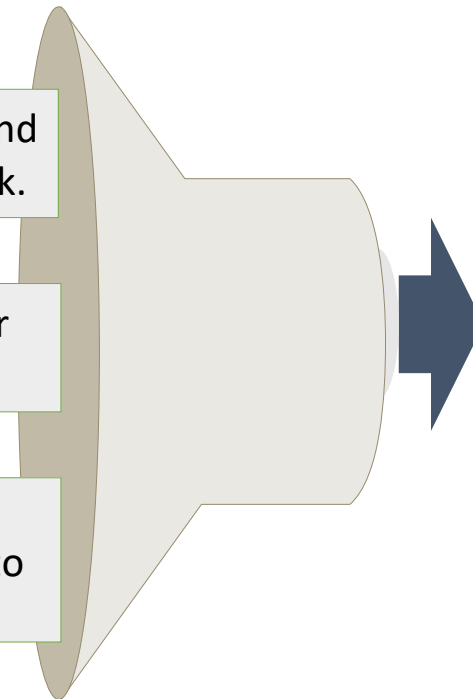
# Develop an Investment Plan

## INPUTS

Write out investment goals and ability/willingness to take risk.

Match risk/return with your objectives.

Different investments for different goals – important to set realistic expectations.



## INVESTMENT POLICY STATEMENT (IPS)

*IPS reflects your goals and changes as your goals and circumstances change.*

*It captures what you're investing for, how much risk you're comfortable with, and the guardrails that keep your decisions on track – especially when markets move a lot.*



# Investment Plan

## Summarize Goals and Risk Tolerance

<u>Objective</u>	<u>Goal</u>	<u>Horizon</u>	<u>Priority</u>	<u>Risk*</u>
Emergency Fund	\$5,000	5 Months	1	Low
Retirement	\$1,000,000	25 Years	2	High
College Tuition	\$200,000	10 Years	3	Moderate
Boat	\$10,000	5 Years	4	High

\*Remember the risk for each objective is based on both your ability to take risk for that goal and your willingness to take risk.

\* NEEDs before WANTs always.



# AUDIENCE POLL

How often should you revisit your investment policy statement (IPS)?

(select all that apply)

- A. Annually
- B. Every 2 years
- C. Every 5 years
- D. Anytime important life events occur (e.g., marriage)

Answer the  
poll in  
Teams or in  
the chat

# AUDIENCE POLL

How often should you revisit your Investment Policy Statement (IPS)?

- A. Every 2 years (select all that apply)
- B. Annually
- C. Every 5 years
- D. Anytime important life events occur (e.g., marriage)

During IPS review, ask following questions –

- Has your financial *reality* changed (income, expenses, timeline)?
- Has your *risk* tolerance shifted (closer to retirement, new dependents)?
- Does your actual portfolio still match your original plan, or has market movement quietly drifted it off course (e.g., your asset allocation getting off target)?

# Decisions for Investing

**More  
Important**

How much should I save and invest?

Over what time period am I investing?

What should my mix of stocks & bonds (and others) be?

Which stocks and bonds (and others) should I buy?

**Less  
Important**

How often should I buy and sell them?



# What is Investing vs. Saving?

Saving
<ul style="list-style-type: none"><li>• Mostly cash and products with “risk-free” interest-rates<ul style="list-style-type: none"><li>➤ Checking and savings accounts</li><li>➤ CDs, Money markets</li><li>➤ Treasuries</li></ul></li></ul>

Investing
<ul style="list-style-type: none"><li>• Stocks and bonds</li><li>• Mutual funds and ETFs</li><li>• Other “risky” products – e.g., crypto</li></ul>



# When To Save vs. Invest?

<u>Objective</u>	<u>Save?</u>	<u>Invest?</u>	<u>Both?</u>
College? (very soon!)	✓		
Car? (after college?)	✓		
House? (10+ years?)			✓
Retirement? (in 45+ years)		✓	



# Decisions for Saving & Investing

Short-term money needs safety. Long-term money needs growth and balanced risk.

## Short-term:

- < 5 years
- Mostly cash (savings)
- Emergency fund, vacation, car repair, school tuition

Preserve safety of principal first and avoid losses

## Medium-term:

- 3-10 years
- Blend of cash (savings) and stocks, bonds mutual funds & ETFs
- House down payment, wedding, college

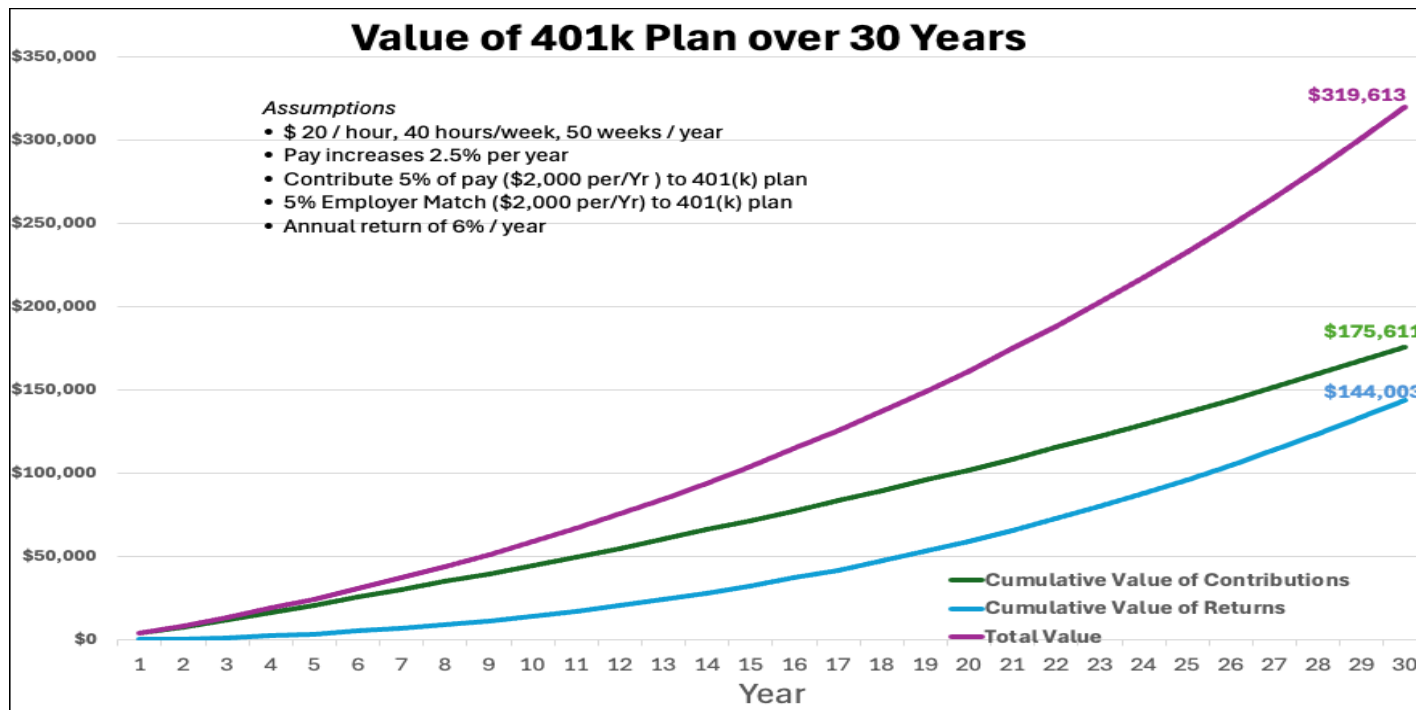
Protect principal and grow investment value

## Long-term:

- > 10 years
- Mostly stocks, mutual funds, ETFs
- Retirement, vacation home

Maximum growth in line with risk tolerance— time absorbs market volatility

# The Long-Term Picture



# Building a Portfolio

## The Market(s)

### Stocks = Equities = Shares

- You own a piece of something, and share the profits with other owners
- Return: dividends and capital gains
- Unlimited upside; might lose value

### Bonds = Fixed Income = Credit = Debt

- You lend money to someone, and get paid with interest periodically and the full principal later
- Return: interest payment as agreed (capital gains not as important)

### Stocks vs. Bonds

Stocks usually return more over the long run

Bonds are steadier over the short run (less risky)

# Building a Portfolio

## Examples of Investment Vehicles

1. **Individual Stocks / Bonds** – *Challenging to do successfully if you do not invest the time or have the skill to pick the right stocks/bonds*
2. **Active Mutual Funds and ETFs** – *Hire professional money managers to select stocks and bonds for you; higher fees*
3. **Index Mutual Funds and ETFs** – *Replicates the performance of a specified market index, usually “buy-and-hold” investing; lower fees*
4. **Target Date Funds** – *Multi-Asset fund where asset allocation adjusts according to investor’s objective/time horizon, e.g., 2035 retirement fund*

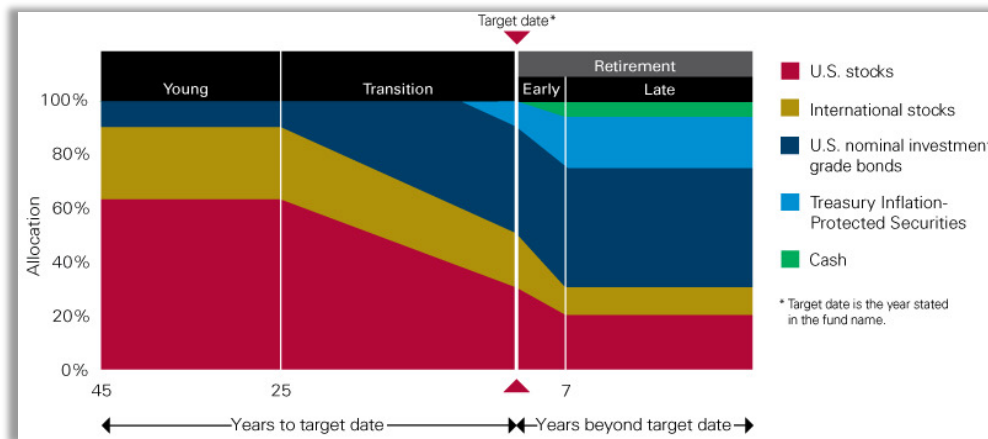


# Building a Portfolio

## Target Date Funds

Target-date funds, about 50% of retirement assets, are usually set-it-and-forget-it autopilot for retirement investing. The asset allocation of the fund will gradually shift toward bonds as the target date approaches.

Select a fund with a target date close to your retirement. (e.g., planning to retire in 2045? Choose the 2045 fund)



Source: Vanguard Target Retirement Funds: A one-fund investing approach

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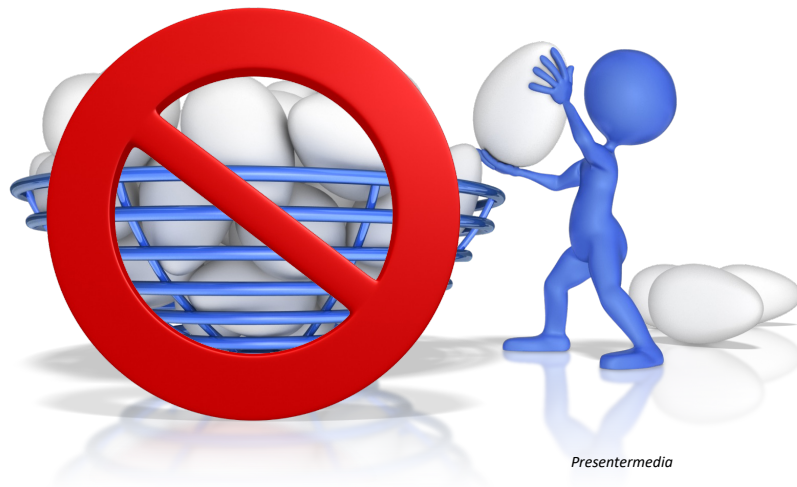
# Building a Portfolio

## Active v Passive Investment Options

- **Passive management or Index Funds** – seek to track a specified market index
  - *Instead of picking individual winners, an index fund buys everything in a market benchmark — like the S&P 500, the 500 largest U.S. companies*
  - *Lower fees and consistent market exposure; beat most stock-pickers long-term.*
  - *Low cost & historical ability to track a specified index is key to selecting an index fund*
- **Active management** – professionals paid to hand-pick investments to beat the market and more difficult to select performing active funds/products successfully
  - *Look for a proven track record (e.g., net of fee performance for the last 1-3-5 years), a clear repeatable strategy, a stable experienced team, and relatively low fees.*
  - *Morningstar.com is a good information resource to research active funds/ETFs.*

# Building a Portfolio

Hallmark of Investing: Don't Put All Your Eggs in One Basket.



# The Asymmetry of Loss

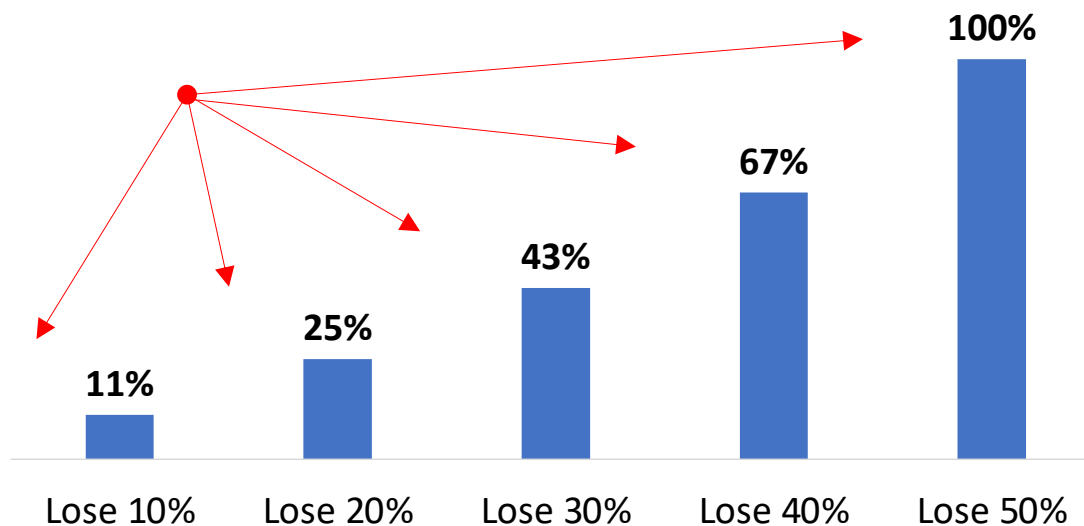
Avoiding catastrophic losses matters more than chasing maximum gains

*Note:* Losses hit harder than gains heal. Here's why:

If your \$100,000 drops 10%, you lose \$10,000 — and need an 11% gain to recover.

Lose 20%? You need a 25% gain to get your money back.

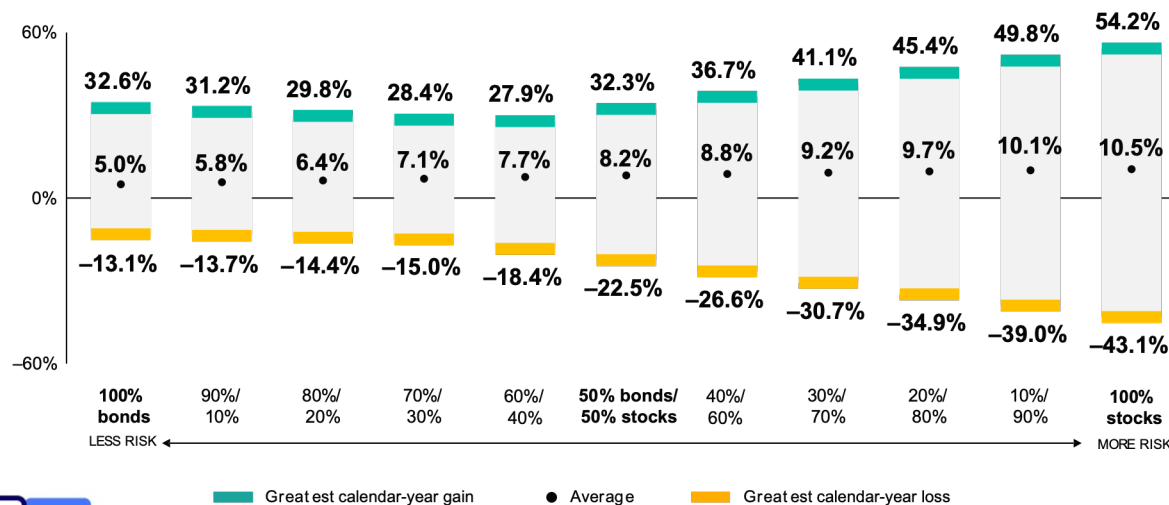
Lose 50%? You need a stunning 100% gain just to break even.



# Return Range Widens with More Risk

Higher Risk Earns Higher Average Returns — But With a Wilder Ride

Range of calendar-year returns (1926-2024)



Source: Vanguard Investment Advisory Research Center calculations through December 31, 2024, using data from FactSet.



# Last Year's Winner Is Rarely Next Year's Winner

## Asset Allocation Diversification – 20 Years of the Best and Worst



Everyone wants to be in the best-performing asset class every year. The thing is, few people are savvy enough to consistently choose the best. That's why diversification is key. This chart shows annual returns for eight broad-based asset classes, cash and a diversified portfolio ranked from best to worst. Notice how the "leadership" changes from year to year, and how competitively the diversified portfolio performed over 20 years (see the "annualized return" column).

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	ANNUALIZED RETURN
BEST	REITs 34.35%	Commodities 16.23%	Bonds 5.24%	Large Cap Growth 37.21%	REITs 27.58%	Bonds 7.84%	REITs 20.14%	Small/Mid Cap 36.80%	REITs 27.15%	Large Cap Growth 5.67%	Small/Mid Cap 17.59%	Large Cap Growth 30.21%	Cash 1.86%	Large Cap Growth 36.39%	Large Cap Growth 38.49%	REITs 39.88%	Commodities 16.09%	Large Cap Growth 42.68%	Large Cap Growth 33.36%	International 31.22%	Large Cap Growth 13.23%
	International 26.34%	Large Cap Growth 11.81%	Global Bonds 4.79%	Small/Mid Cap 34.39%	Small/Mid Cap 26.71%	REITs 7.28%	Small/Mid Cap 17.88%	Large Cap Growth 33.48%	Large Cap Value 13.45%	REITs 2.29%	Large Cap Value 17.34%	International 25.03%	Bonds 0.01%	REITs 28.07%	Small/Mid Cap 19.99%	Large Cap Growth 27.60%	Cash 1.50%	International 16.24%	Large Cap Value 14.37%	Large Cap Growth 18.56%	Small/Mid Cap 8.97%
	Large Cap Value 22.25%	International 11.17%	Cash 1.80%	International 31.78%	Commodities 16.83%	Global Bonds 5.64%	Large Cap Value 17.51%	Large Cap Value 32.53%	Large Cap Growth 13.05%	Bonds 0.55%	Commodities 11.77%	Small/Mid Cap 16.81%	Global Bonds -1.20%	Small/Mid Cap 27.77%	Diversified Portfolio 10.58%	Commodities 27.11%	Large Cap Value -7.54%	Small/Mid Cap 17.42%	Small/Mid Cap 12.00%	Large Cap Value 15.91%	Large Cap Value 8.32%
	Small/Mid Cap 16.17%	Global Bonds 9.48%	Diversified Portfolio -27.54%	REITs 27.45%	Large Cap Growth 16.71%	Large Cap Growth 2.64%	International 17.32%	International 22.78%	Small/Mid Cap 7.07%	Cash 0.03%	REITs 9.28%	Large Cap Value 13.66%	Large Cap Growth -1.51%	Large Cap Value 26.54%	Global Bonds 9.20%	Large Cap Value 25.16%	Bonds -13.01%	Diversified Portfolio 12.81%	Diversified Portfolio 9.04%	Commodities 15.77%	Diversified Portfolio 6.52%
	Diversified Portfolio 15.02%	Bonds 6.57%	Commodities -35.65%	Diversified Portfolio 23.72%	Diversified Portfolio 15.73%	Large Cap Value 0.39%	Large Cap Growth 15.26%	Diversified Portfolio 13.41%	Bonds 5.97%	International -0.81%	Diversified Portfolio 8.72%	Diversified Portfolio 13.21%	REITs -4.10%	International 22.01%	International 7.62%	Small/Mid Cap 18.18%	Diversified Portfolio -13.61%	REITs 11.48%	Cash 5.45%	Diversified Portfolio 14.03%	REITs 6.20%
	Large Cap Growth 9.07%	Cash 4.74%	Small/Mid Cap -36.79%	Large Cap Value 19.69%	Large Cap Value 15.51%	Cash 0.08%	Diversified Portfolio 12.02%	REITs 3.21%	Diversified Portfolio 5.32%	Small/Mid Cap -2.90%	Large Cap Growth 7.08%	REITs 9.27%	Diversified Portfolio -5.98%	Diversified Portfolio 20.33%	Bonds 3.21%	Diversified Portfolio 17.45%	International -14.45%	Large Cap Value 11.46%	Commodities 5.38%	Small/Mid Cap 11.91%	International 5.58%
	Global Bonds 6.64%	Diversified Portfolio 4.62%	Large Cap Value -36.85%	Commodities 18.91%	International 7.75%	Diversified Portfolio -0.16%	Global Bonds 4.32%	Cash 0.05%	Global Bonds 0.59%	Global Bonds -3.15%	Bonds 2.65%	Global Bonds 7.39%	Large Cap Value -8.27%	Bonds 8.72%	Large Cap Value 2.80%	International 11.26%	Global Bonds -16.25%	Global Bonds 5.72%	REITs 4.33%	Global Bonds 8.17%	Bonds 3.52%
	Cash 4.76%	Small/Mid Cap 1.38%	REITs -37.34%	Global Bonds 6.93%	Bonds 6.54%	Small/Mid Cap -2.51%	Bonds 4.21%	Bonds -2.02%	Cash 0.03%	Diversified Portfolio -3.33%	Global Bonds 2.09%	Bonds 3.54%	Small/Mid Cap -10.00%	Commodities 7.69%	Cash 0.58%	Cash 0.05%	Small/Mid Cap -18.37%	Bonds 5.53%	International 3.82%	Bonds 7.30%	Global Bonds 2.49%
	Bonds 4.33%	Large Cap Value -0.17%	Large Cap Growth -38.44%	Bonds 5.93%	Global Bonds 5.54%	International -12.14%	Cash 0.07%	Global Bonds -2.60%	International -4.90%	Large Cap Value -3.83%	International 1.00%	Commodities 1.70%	Commodities -11.25%	Global Bonds 6.84%	Commodities -3.12%	Bonds -1.54%	REITs -25.10%	Cash 5.26%	Bonds 1.25%	Cash 4.40%	Cash 1.70%
WORST	Commodities 2.07%	REITs -17.83%	International -43.38%	Cash 0.16%	Cash 0.13%	Commodities -13.32%	Commodities -1.06%	Commodities -9.52%	Commodities -17.01%	Commodities -24.66%	Cash 0.27%	Cash 0.84%	International -13.79%	Cash 2.25%	REITs -5.86%	Global Bonds -4.71%	Large Cap Growth -29.14%	Commodities -7.91%	Global Bonds -1.69%	REITs 1.66%	Commodities -0.54%

Source: FactSet SPAR. Returns are in USD, and net for MSCI EAFE and gross for all other asset classes. Annualized return and standard deviation (annualized) is for the 20-year period ending December 31, 2025. The diversified portfolio is rebalanced quarterly to maintain the equal allocations throughout the period. Standard deviation reflects a portfolio's total return volatility, which is based on a minimum of 36 monthly returns. The larger the portfolio's standard deviation, the greater the portfolio's volatility. Asset allocation and diversification do not guarantee a profit or protect against a loss.



Source: MFS asset allocation review, [https://www.mfs.com/content/dam/mfs-enterprise/mfscm/sales-tools/sales-ideas/mfsp\\_20yrsa\\_fly.pdf](https://www.mfs.com/content/dam/mfs-enterprise/mfscm/sales-tools/sales-ideas/mfsp_20yrsa_fly.pdf)

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# AUDIENCE POLL

What was the best performing asset class from 2010 to 2024?

- A. Emerging Market Equities
- B. Fixed Income
- C. Large Cap Equities
- D. Commodities (e.g., gold)
- E. Real Estate (REITs)
- F. Cash

Answer the  
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# AUDIENCE POLL

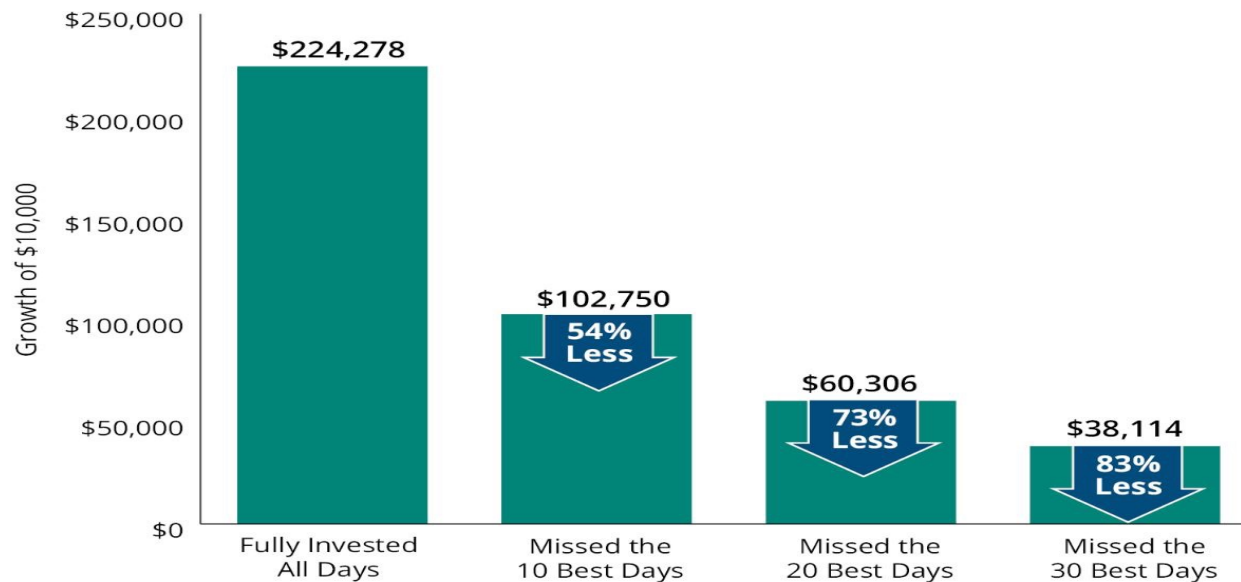
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- A. Emerging Market Equities
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- C. Large Cap Equities
- D. Commodities (e.g., gold)
- E. Real Estate (REITs)
- F. Cash



# Avoiding Investment Pitfalls – Don't try to time the market

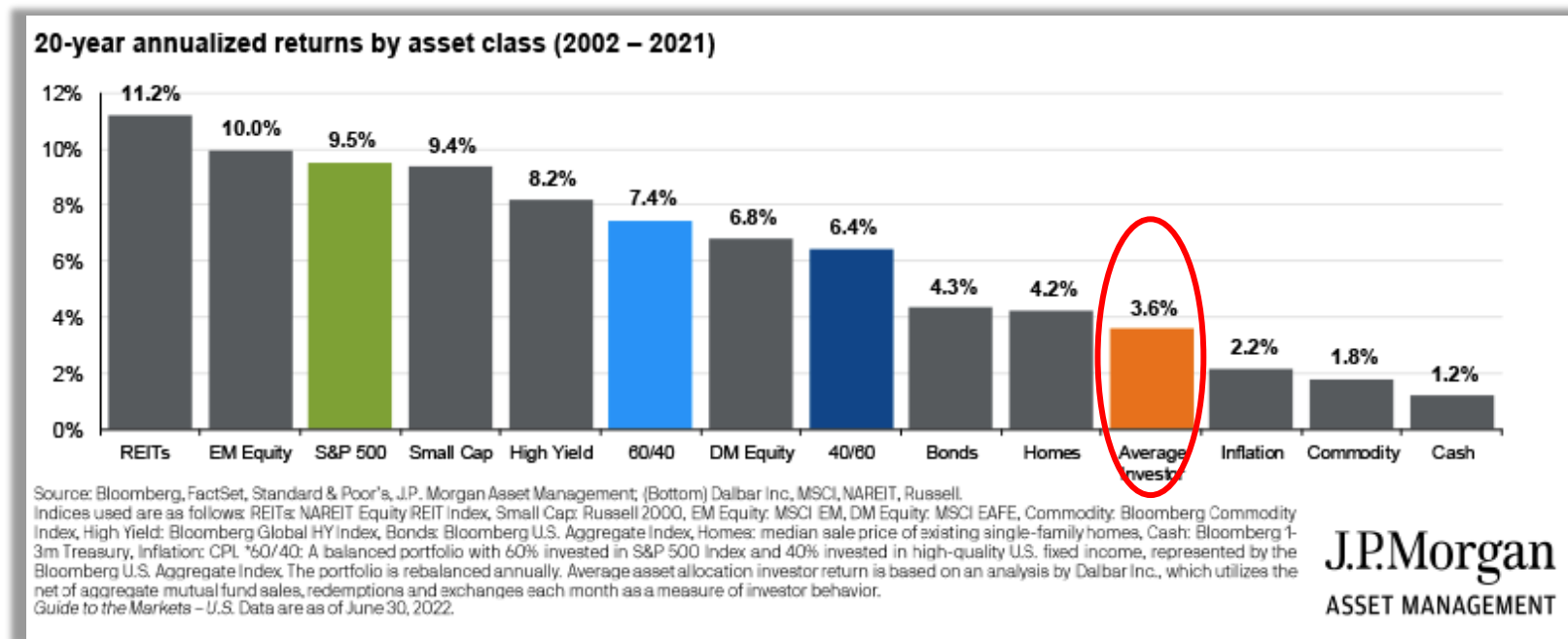
*S&P 500 Index Average Annual Total Returns: 1995–2024*



Source: Hartford Funds. For illustrative purposes only. Data Sources: Ned Davis Research, Morningstar, and Hartford Funds, 1/25.



# Time in the market, not timing the market



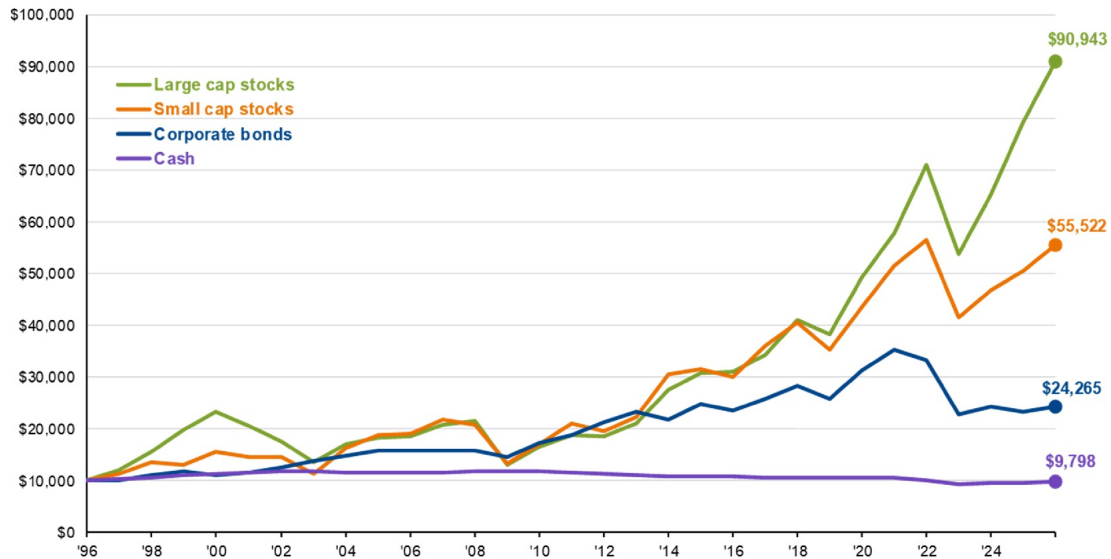
Source: J.P. Morgan Guide to Markets as of March 31, 2021



# Stay Invested for Power of Compounding

Higher Risk Earns Higher Average Returns — But With a Wilder Ride

**Change in purchasing power by investment in major asset class**  
Growth of \$10,000, adjusted for inflation, 1996 - 2025, annual returns



Source: J.P. Morgan Guide to Markets Q1 2026, <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/>

# 5 Rules for Successful Investing

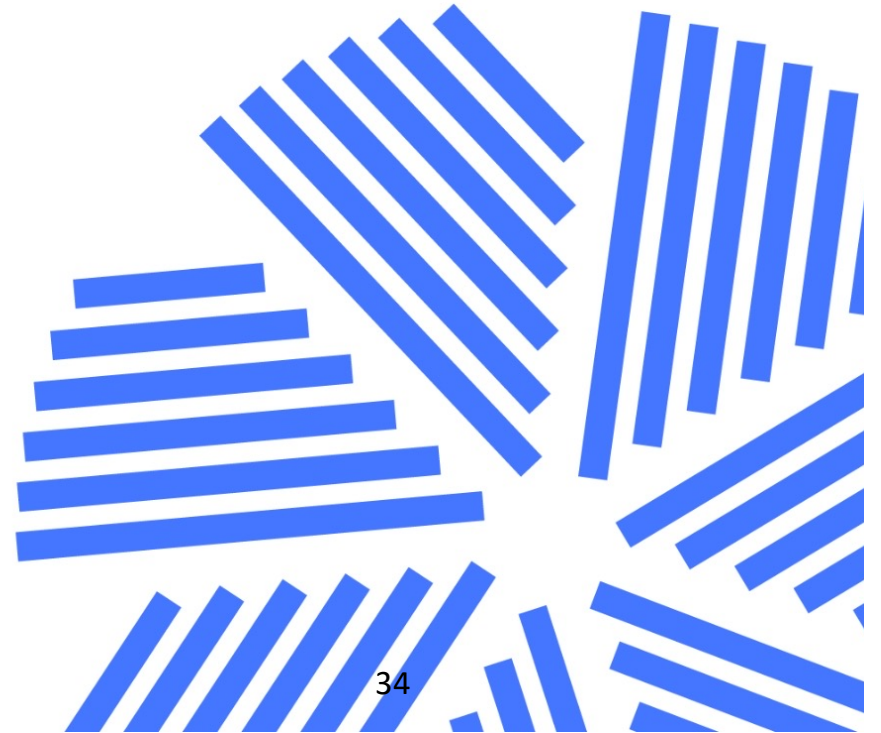
1. Take calculated risk - don't use leverage or borrowed money to buy stocks outside your risk tolerance
2. Focus on the long-term (at least 3 to 5 years)
3. Don't put all your eggs in one basket (Diversification)
4. Stay invested and let compounding build your wealth – boring outruns smart, and you can be your own worst enemy
5. Don't try to pick stocks by yourself -- unless you know how to value assets and are willing to spend a lot of time researching and understanding the company





How can we help?

CFA Society Boston  
[www.cfasociety.org](http://www.cfasociety.org)  
617-426-0270



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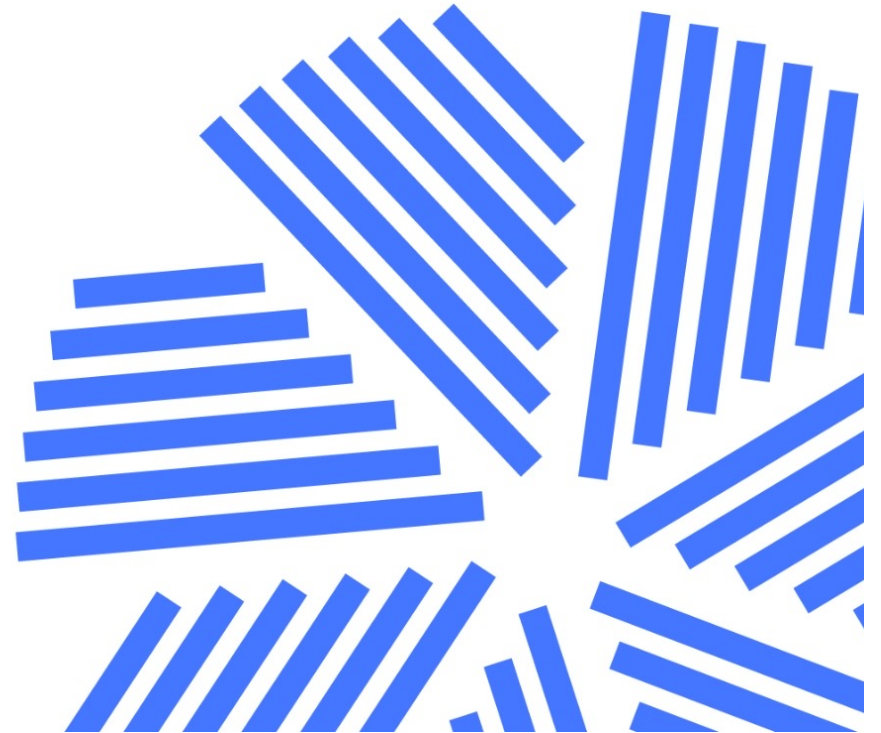
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Thank You



# Appendix



# Take Calculated Risk – But Never Bet the House

Imagine borrowing \$20,000 to invest in 2008.

The market drops 40%. You lost money AND still owe the loan...



Source: <https://unsplash.com/photos/a-person-stacking-coins-on-top-of-a-table-jpayfK7GB4w>

# Think in Decades, Not Days

The stock market is a wealth-building machine over 10 years and a panic machine over 10 days.

Your timeline is your superpower — don't waste it watching daily prices



Source: <https://unsplash.com/photos/green-plant-in-clear-glass-vase-ZVprbBmT8QA?>

# Don't Put All Your Eggs in One Basket

Diversification isn't exciting,  
but it's the only strategy that  
survives being wrong.



*Source:* <https://unsplash.com/photos/selective-focus-photo-of-plant-spouts-vrbZVyX2k4I>

# Boring Outruns Smart – Investing is Emotional

Your biggest investment enemy isn't the market — it's the person in the mirror making emotional decisions.

The investor who does nothing during a crash usually beats the investor who does something at the wrong moment.



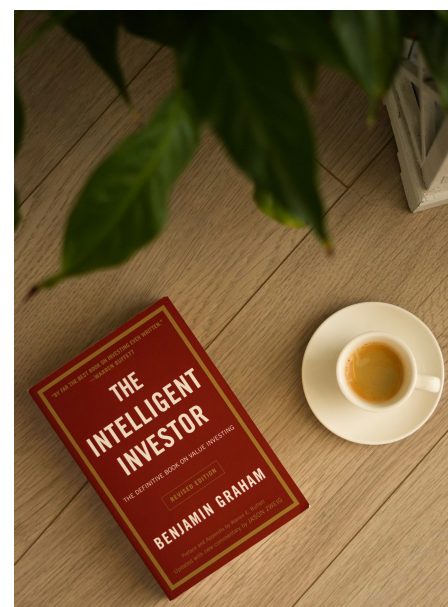
Source: <https://unsplash.com/photos/person-holding-silver-iphone-6-dAmHWsRYP9c>

# Don't Pick Stocks – Own the Whole Market

Stock-picking feels empowering — like diagnosing yourself on WebMD.

Occasionally right, dangerously often wrong.

Don't find the needle. Buy the haystack.



Source: [https://unsplash.com/photos/the-intelligent-investor-book-with-a-cup-of-espresso-jVr\\_W3fC5bM](https://unsplash.com/photos/the-intelligent-investor-book-with-a-cup-of-espresso-jVr_W3fC5bM)

# Diversified Investments

## MUTUAL FUNDS

- Mutual funds are investments where you pool your money with other people to buy a diversified portfolio which is difficult to recreate on your own.
- It can have stocks, bonds, cash, other investments in the portfolio. If the fund is not replicating an established market sector, there is usually an investment team choosing what to buy and sell (“Actively Managed”).
- Mutual funds trade once a day at the end of the day and reflect the closing price of the portfolio holdings.

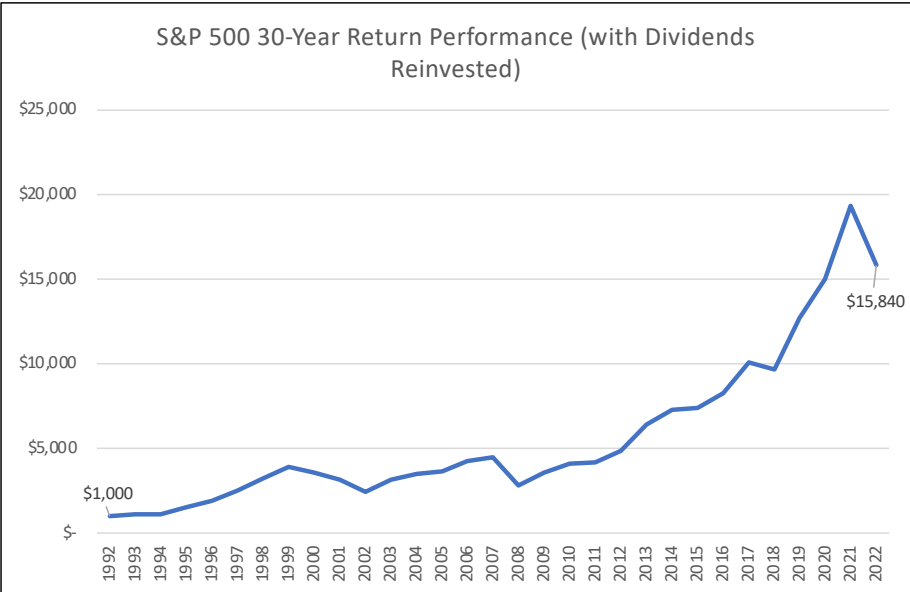
## ETFs

- ETFs are baskets of securities (stocks, bonds, crypto, etc.) that you can buy or sell on a stock exchange.
- You can buy and sell them at any time when the stock exchange is open and the price changes all day.
- For Passively Managed ETFs, the stocks and bonds in the portfolio are based on an index, with lower fees. Actively managed ETFs have higher fees but fees are usually lower than mutual funds.
- ETFs generally have lower fees than mutual funds but are subject to bid/ask spreads resulting in price fluctuation.



# S&P 500 Return performance over the past 30 years

Over the past 30 years, the S&P 500 generated an average return of 9.65% per year.



Source: FactSet. Returns are based on S&P 500 Total Return Index. Past performance is not indicative of future returns.



Source: Macrotrends.net. Historical data is inflation-adjusted using the headline CPI and each data point represents the month-end closing value. Grey columns represent recession periods.



# About CFA Society Boston Financial Literacy Program

## Who We Are

CFA Society Boston is dedicated to putting investors first and raising ethical standards within the investment profession. We unite Boston's investment community and provide a forum for collaboration, education, and innovation. Originally called the Boston Security Analysts Society, Inc., we are a non-profit professional society founded in 1946. In 2017, we became CFA Society Boston. More than 6,000 investment professionals locally and globally are members of CFA Boston, representing over 650 investment firms. 96 percent of CFA Boston members hold the Chartered Financial Analyst designation from CFA Institute.

## Our Financial Literacy Mission

This community outreach program aligns with non-profit groups to reach a wide variety of audiences, from late high school onward. Since its inception in 2014, the initiative has touched thousands of people, partnered with over 30 organizations, and currently has over 30 active volunteers. This community outreach program makes valuable financial literacy content available to the general investing public through collaboration with our alliance partners. The initiative addresses issues such as Personal Finance, Basics of Investing, Retirement, Bonds vs. Equities, Choosing a Bank, and more.

## How it Works

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**CFA Society  
Boston**





## How to Partner with the CFA Society Boston Financial Literacy Program

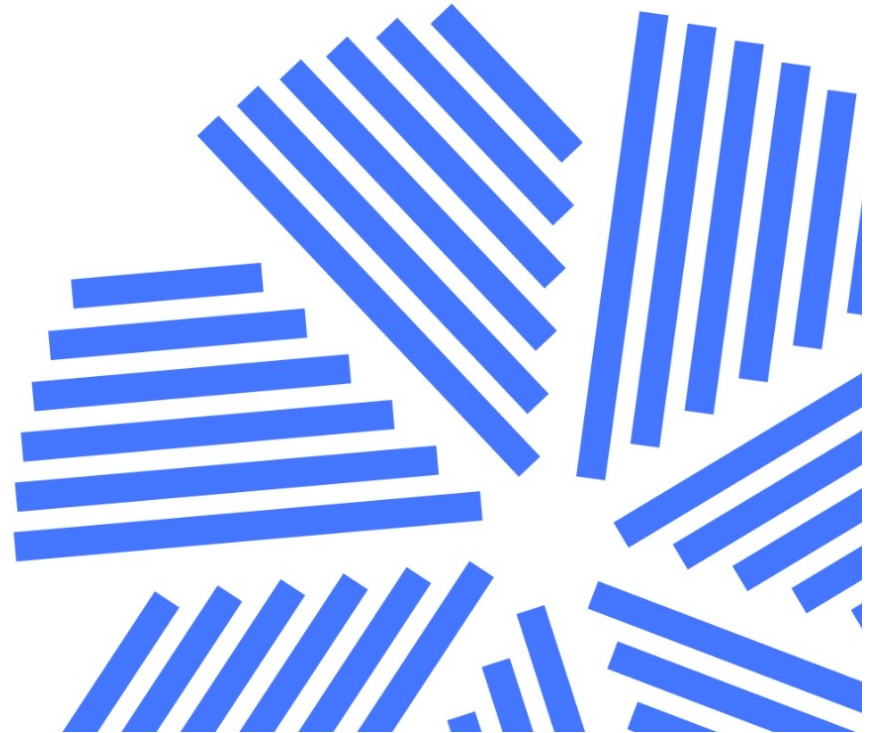
### What CFA Society Boston Commits To

- Provide neutral, expert presenters
- Set up and present topics
- Supply the presentation / activity
- Bring a laptop and materials
- Be experienced in presenting in-person and in a virtual setting

### What Your Organization Commits To

- Provide the audience and venue, either in-person or virtual
- Promote the event onsite, local newspapers and website
- Make a projector or USB connection available
- Briefly introduce presenter(s) Complete a post offering survey

For more information on how CFA Society Boston can partner with you visit [www.cfaboston.org/financialliteracy](http://www.cfaboston.org/financialliteracy) or email [finlit@cfaboston.org](mailto:finlit@cfaboston.org).





## PRESENTATION INFORMATION

Alliance Leader(s):

Date of Offering:

