

Manna in the Morning - Investing Basics

September 23, 2018

Rich Farkas

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- Settling the Ownership Question
 - Haggai 2:8
 - Stewardship
 - Greed
 - I Tim 6:9 - 10
 - Luke 12:16 – 21 "Watch out"
 - Luke 4:5 - 7
 - How does God view Investing?
 - Gen 41: 47 - 49, 46
 - Mt
 - Prov 13:11, 13:22, 21:5, 21:20, 30:24 - 25
 - I Tim 5:8
 - Ecc 5:13 - 16

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- Practicals
 - Stocks, Bonds and Cash
 - Risk/Returns
 - Diversification
 - Ecc 11-2
 - Mutual Funds
 - Rule of 72 (Simplified "doubling" formula)

Asset class returns

A 20-year snapshot

A diversified portfolio may reduce the volatility

Ranked annual total returns of key indices (1998–2017)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Best	Lg cap growth 38.7%	Lg cap growth 33.2%	Fixed income 11.6%	Fixed income 8.4%	Fixed income 10.3%	Sm cap 47.3%	Int'l 20.3%	Int'l 13.5%	Int'l 26.3%	Lg cap growth 11.8%	Fixed income 5.2%	Lg cap growth 37.2%	Sm cap 26.9%	Fixed income 7.8%	Lg cap value 17.5%	Sm cap 38.8%	Lg cap core 13.7%	Lg cap growth 5.7%	Sm cap 21.3%	Lg cap growth 30.2%
	Lg cap core 28.6%	Int'l 27.0%	Lg cap value 7.0%	Cash 4.4%	Cash 1.8%	Int'l 38.6%	Sm cap 18.3%	Lg cap value 7.1%	Lg cap value 22.3%	Int'l 11.2%	Cash 2.1%	Int'l 31.8%	Lg cap growth 16.7%	Lg cap growth 2.6%	Int'l 17.3%	Lg cap growth 33.5%	Lg cap value 13.5%	Lg cap core 1.4%	Lg cap value 17.3%	Int'l 25.0%
	Int'l 20.0%	Sm cap 21.3%	Cash 6.2%	Sm cap 2.5%	Div portfolio -9.8%	Lg cap value 30.0%	Lg cap value 16.5%	Div portfolio 5.4%	Sm cap 18.4%	Fixed income 7.0%	Div portfolio -22.8%	Sm cap 27.2%	Lg cap value 15.5%	Lg cap core 2.1%	Sm cap 16.4%	Lg cap value 32.5%	Lg cap growth 13.1%	Fixed income 0.6%	Lg cap core 12.0%	Lg cap core 21.8%
	Div portfolio 17.0%	Lg cap core 21.0%	Div portfolio -1.1%	Div portfolio -4.8%	Lg cap value -15.5%	Lg cap growth 29.8%	Lg cap core 10.9%	Lg cap growth 5.3%	Lg cap core 15.8%	Div portfolio 6.0%	Sm cap -33.8%	Lg cap core 26.5%	Lg cap core 15.1%	Div portfolio 1.8%	Lg cap core 16.0%	Lg cap core 32.4%	Div portfolio 8.1%	Div portfolio 0.1%	Div portfolio 8.7%	Div portfolio 15.1%
	Lg cap value 15.6%	Div portfolio 13.6%	Sm cap -3.0%	Lg cap value -5.6%	Int'l -15.9%	Lg cap core 28.7%	Div portfolio 10.5%	Lg cap core 4.9%	Div portfolio 13.0%	Lg cap core 5.5%	Lg cap value -36.9%	Div portfolio 20.8%	Div portfolio 13.0%	Lg cap value 0.4%	Lg cap growth 15.3%	Int'l 22.8%	Fixed income 6.0%	Cash 0.0%	Lg cap growth 7.1%	Sm cap 14.7%
	Fixed income 8.7%	Lg cap value 7.4%	Lg cap core -9.1%	Lg cap core -11.9%	Sm cap -20.5%	Div portfolio 23.5%	Lg cap growth 6.3%	Sm cap 4.6%	Lg cap growth 9.1%	Cash 5.0%	Lg cap core -37.0%	Lg cap value 19.7%	Int'l 7.8%	Cash 0.1%	Div portfolio 12.2%	Div portfolio 20.3%	Sm cap 4.9%	Int'l -0.8%	Fixed income 2.7%	Lg cap value 13.7%
	Cash 5.2%	Cash 4.9%	Int'l -14.2%	Lg cap growth -20.4%	Lg cap core -22.1%	Fixed income 4.1%	Fixed income 4.3%	Cash 3.1%	Cash 4.9%	Lg cap value -0.2%	Lg cap growth -38.4%	Fixed income 5.9%	Fixed income 6.5%	Sm cap -4.2%	Fixed income 4.2%	Cash 0.1%	Cash 0.0%	Lg cap value -3.8%	Int'l 1.0%	Fixed income 3.5%
Worst	Sm cap -2.6%	Fixed income -0.8%	Lg cap growth -22.4%	Int'l -21.4%	Lg cap growth -27.9%	Cash 1.2%	Cash 1.3%	Fixed income 2.4%	Fixed income 4.3%	Sm cap -1.6%	Int'l -43.4%	Cash 0.2%	Cash 0.1%	Int'l -12.1%	Cash 0.1%	Fixed income -2.0%	Int'l -4.9%	Sm cap -4.4%	Cash 0.3%	Cash 0.9%

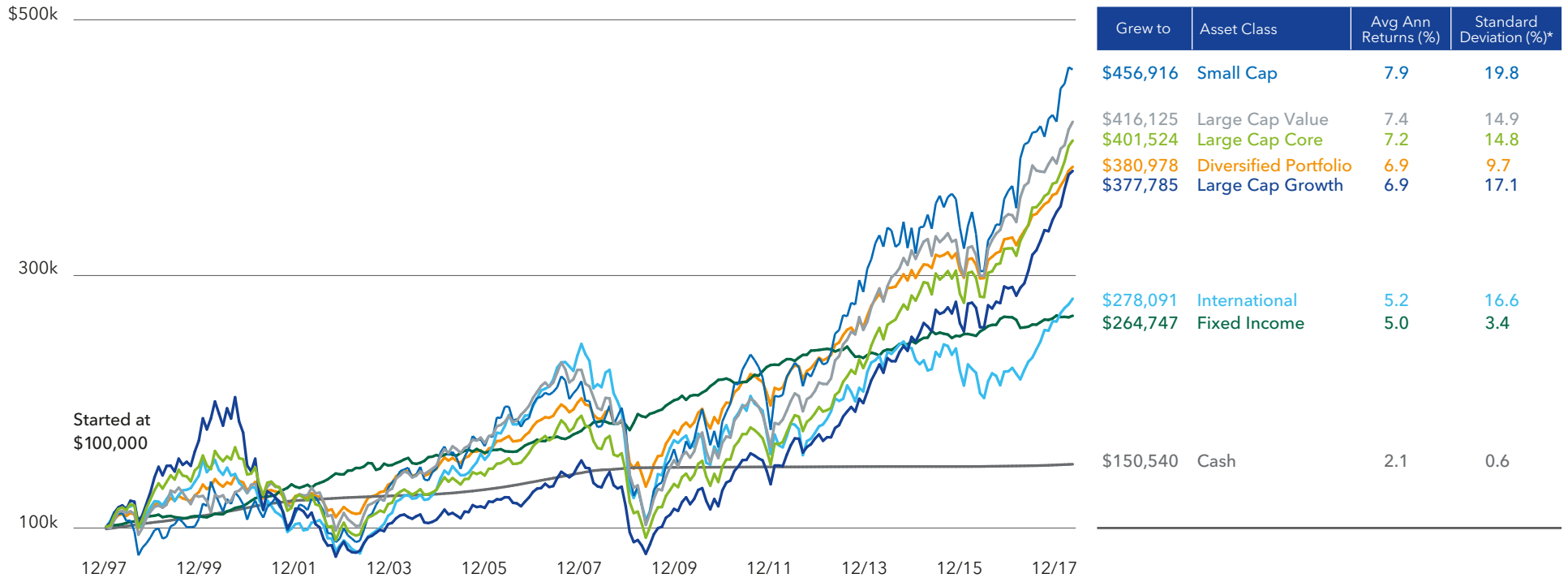
Source: Informa Investment Solutions. Past performance is no guarantee of future results. The information provided is for illustrative purposes and is not meant to represent the performance of any particular investment. Assumes reinvestment of all distributions. It is not possible to directly invest in an index. Diversification does not guarantee a profit or protect against loss.

- Cash** is represented by the ICE BofA ML 3-month Treasury Bill Index, an unmanaged index based on the value of a 3-month Treasury Bill assumed to be purchased at the beginning of the month and rolled into another single issue at the end of the month. U.S. Treasury securities are direct obligations of the U.S. government and are backed by the "full faith and credit" of the U.S. government if held to maturity.
- Diversified portfolio** is composed of 35% of the BBG Barclays U.S. Aggregate Bond Index, 10% of the MSCI EAFE Index, 10% of the Russell 2000 Index, 22.5% of the Russell 1000 Growth Index and 22.5% of the Russell 1000 Value Index.
- Fixed income** is represented by the BBG Barclays U.S. Aggregate Bond Index, an unmanaged market-weighted index that consists of investment grade corporate bonds (rated BBB or better), mortgages and U.S. Treasury and government agency issues with at least one year to maturity.
- International** is represented by the Morgan Stanley Capital International (MSCI) EAFE Index, an unmanaged index that measures the total returns of developed foreign stock markets in Europe, Asia and the Far East.
- Large cap core** is represented by the S&P 500 Index, an unmanaged index that consists of the common stocks of 500 large capitalization companies, within various industrial sectors, most of which are listed on the New York Stock Exchange.
- Large cap growth** is represented by the Russell 1000 Growth Index, which consists of those Russell 1000 Index securities with higher price-to-book ratios and higher forecasted growth rates.
- Large cap value** is represented by the Russell 1000 Value Index, which consists of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth rates.
- Small cap** is represented by the Russell 2000 Index, which is a market-weighted small capitalization index composed of the smaller 2,000 stocks, ranked by market capitalization, of the Russell 3000 Index.

Investing for the long term

Diversification has provided more steady performance

Growth of a hypothetical \$100,000 investment over the last 20 years (1998-2017)



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* Standard deviations are calculated using monthly returns. Standard deviation is the measure of the total volatility, or risk in a portfolio. Standard deviation tells how widely a portfolio's returns have varied around the average over a period of time.

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