

# CalABLE – Understanding Your Investment Options

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**NIX  
WEALTH  
MANAGEMENT**

# Stocks and Bonds

## Stocks (Equity)

- You are the owner of a corporation.
- Board of Directors Fiduciary Responsibility to Shareholders.
- Corporations are worth the amount of cash flow produced over the coming 5-10 years discounted back to today.
- Current market price for a stock reflects market expectations for this future cash flow.

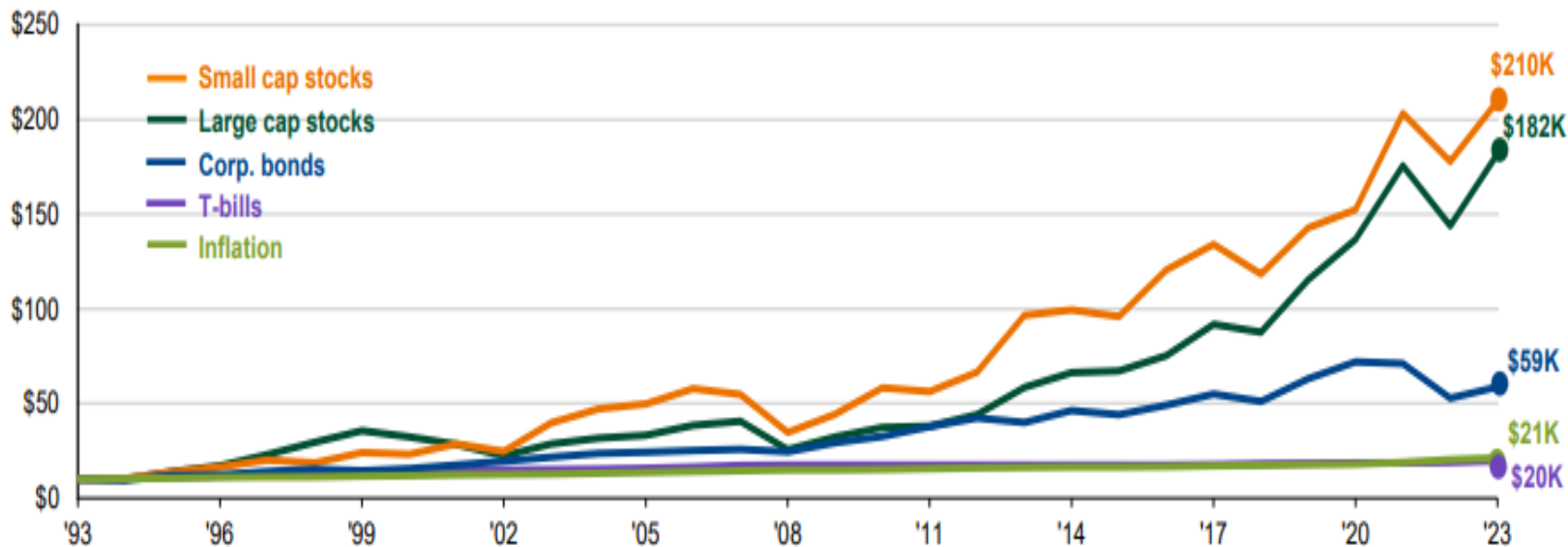
## Bonds (Debt)

- You are the Lender.
- Issued with a Maturity Date and Coupon (Interest Rate).
- Paid Semi-Annually until Maturity Date so long as borrower is solvent.
- Secondary Market - Existing bonds can be bought and sold prior to maturity.

# Risk is Related to Return Potential (1/2)

## Major asset classes versus inflation

Growth of \$10,000 from 1993 – 2023, annual returns, USD thousands



\*Data from JPMorgan Guide to Markets

# Risk is Related to Return Potential (2/2)

## Historical Performance as of 02/28/2025

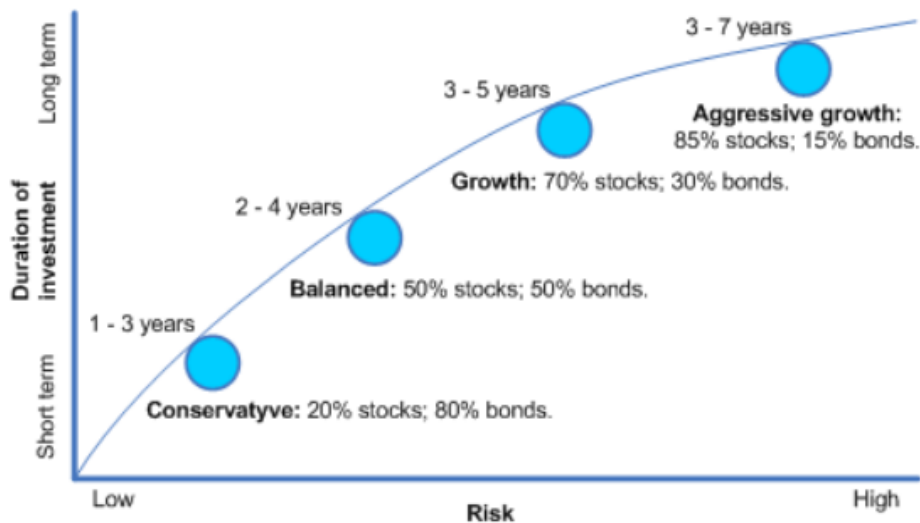
	Portfolio	Last Month	Last 3 Months	Year to Date	1 Year	3 Year	Since Inception	Inception date
100% Bonds	Income Portfolio	1.87%	1.05%	2.43%	5.60%	—	6.13%	08/21/2023
20% Stocks / 80% Bonds	Conservative Portfolio	1.73%	0.89%	2.91%	7.60%	2.69%	4.18%	12/18/2018
40% Stocks / 60% Bonds	Income & Growth Portfolio	1.25%	0.69%	2.95%	9.23%	—	10.97%	08/21/2023
50% Stocks / 50% Bonds	Balanced Portfolio	0.97%	0.52%	2.92%	9.97%	4.44%	7.23%	12/18/2018
60% Stocks / 40% Bonds	Conservative Growth Portfolio	0.76%	0.46%	2.99%	10.76%	—	13.35%	08/21/2023
80% Stocks / 20% Bonds	Moderate Growth Portfolio	0.20%	0.25%	2.99%	12.56%	7.08%	10.57%	12/18/2018
100% Stocks	Growth Portfolio	-0.43%	0.07%	2.94%	14.42%	—	18.42%	08/21/2023



Risk  
Increases  
  
&  
  
Expected Long-Term  
Rate of Return  
Increases

# Time Horizon and Risk Capacity

## Risk Capacity



## Risk Tolerance vs. Risk Capacity

- The further away your needs are for the money you have invested, the more capacity for risk you have.
- If you are not interested in exposing yourself to the volatility of stocks regardless of your capacity -- you must adjust your expectations for returns accordingly.

# Major Risks Associated With Bond Funds

- Interest Rate Risk  
(Duration)
- Credit Risk
- Purchasing Power Risk

# Your Investment Options – Bonds

<b>Fidelity® U.S. Bond Index Fund</b>	<b>FXNAX</b>
<b>Fidelity® Long-Term Treasury Bond Index Fund</b>	<b>FNBGX</b>
<b>Schwab Treasury Inflation Protected Securities Index Fund</b>	<b>SWRSX</b>
<b>Vanguard Emerging Markets Bond Fund Admiral Shares</b>	<b>VEGBX</b>
<b>Vanguard High-Yield Corporate Fund Admiral Shares</b>	<b>VWEAX</b>
<b>Vanguard Cash Reserves Federal Money Market Fund Admiral Shares</b>	<b>VMRXX</b>

## Primary Risk Associated With Investment

Moderate Interest Rate Risk

Significant Interest Rate Risk

Inflation Risk

Credit Risk and Interest Rate Risk

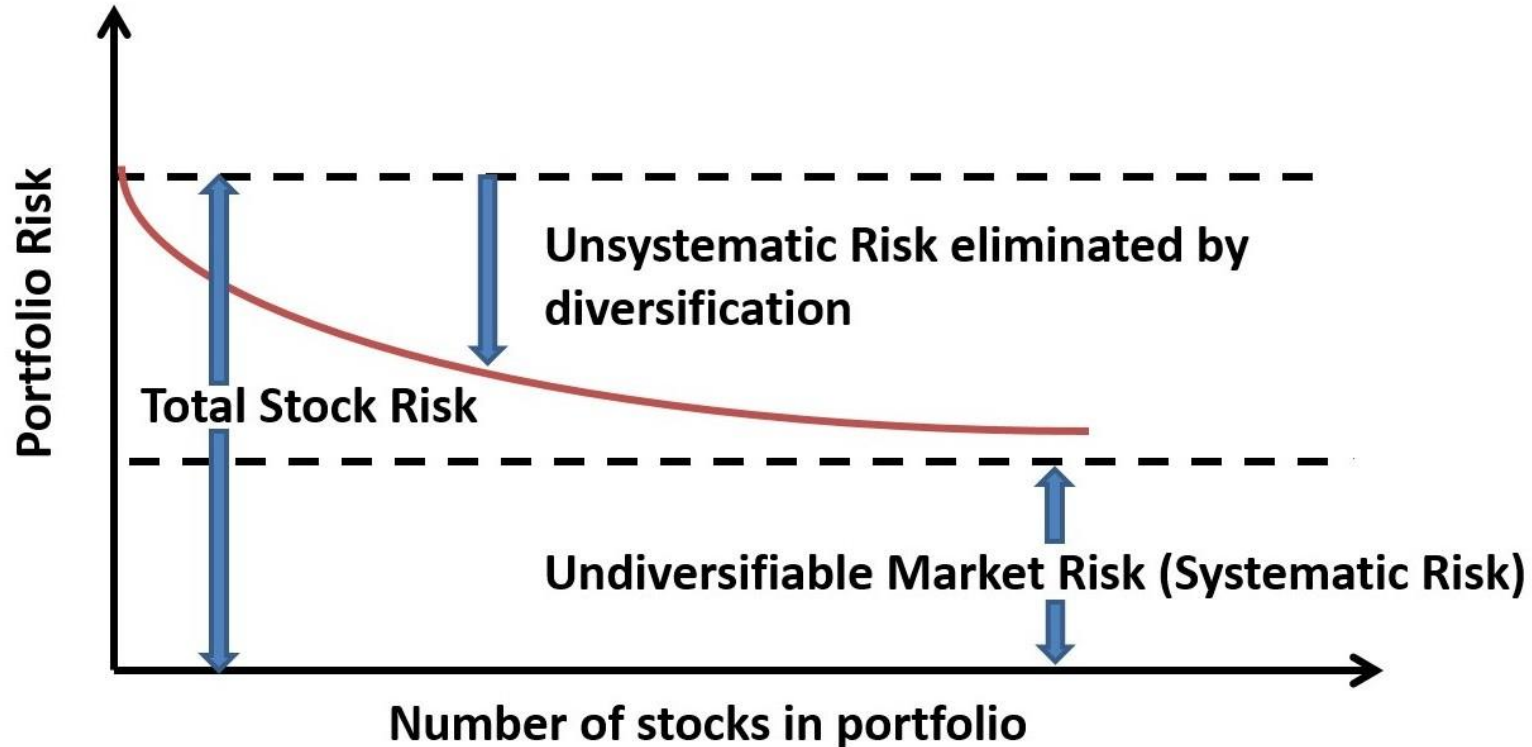
Credit Risk

Purchasing Power/Opportunity Cost Risk

		Percent Allocation of Investment Option						
		Income Portfolio	Conservative Portfolio	Income and Growth Portfolio	Balanced Portfolio	Conservative Growth Portfolio	Moderate Growth Portfolio	Growth Portfolio
Fund Name	Ticker							
Fidelity® Total Market Index Fund	FSKAX	0%	13%	26%	33%	39%	52%	65%
Fidelity® International Index Fund	FSPSX	0%	5%	10%	12%	15%	20%	25%
Fidelity® Emerging Markets Index Fund	FPADX	0%	2%	4%	5%	6%	8%	10%
Fidelity® U.S. Bond Index Fund	FXNAX	60%	60%	50%	42%	34%	17%	0%
Fidelity® Long-Term Treasury Bond Index Fund	FNBGX	5%	5%	4%	4%	4%	3%	0%
Schwab Treasury Inflation Protected Securities Index Fund	SWRSX	3%	3%	2%	2%	2%	0%	0%
Vanguard Emerging Markets Bond Fund Admiral Shares	VEGBX	6%	6%	2%	1%	0%	0%	0%
Vanguard High-Yield Corporate Fund Admiral Shares	VWEAX	6%	6%	2%	1%	0%	0%	0%
Vanguard Cash Reserves Federal Money Market Fund Admiral Shares	VMRXX	20%	0%	0%	0%	0%	0%	0%



# Risks Associated With Stock Funds



# Major Risks Associated With Stocks

- Systematic Risk (Market Risk)
  - Headline Risk
  - Interest Rate Risk
  - Inflation/Commodity Price Risk
  - Geopolitical Risk
  - Legislative Risk
- Unsystematic Risk (Firm-Specific Risk)
  - Obsolescence Risk
  - Legislative Risk
  - Valuation Risk/Model Risk
  - Commodity Price Risk
  - Detection Risk (Fraud)

# Your Investment Options – Stocks

<b>Fidelity® Total Market Index Fund</b>	<b>FSKAX</b>
<b>Fidelity® International Index Fund</b>	<b>FSPSX</b>
<b>Fidelity® Emerging Markets Index Fund</b>	<b>FPADX</b>

All U.S. public companies, market-cap weighted.

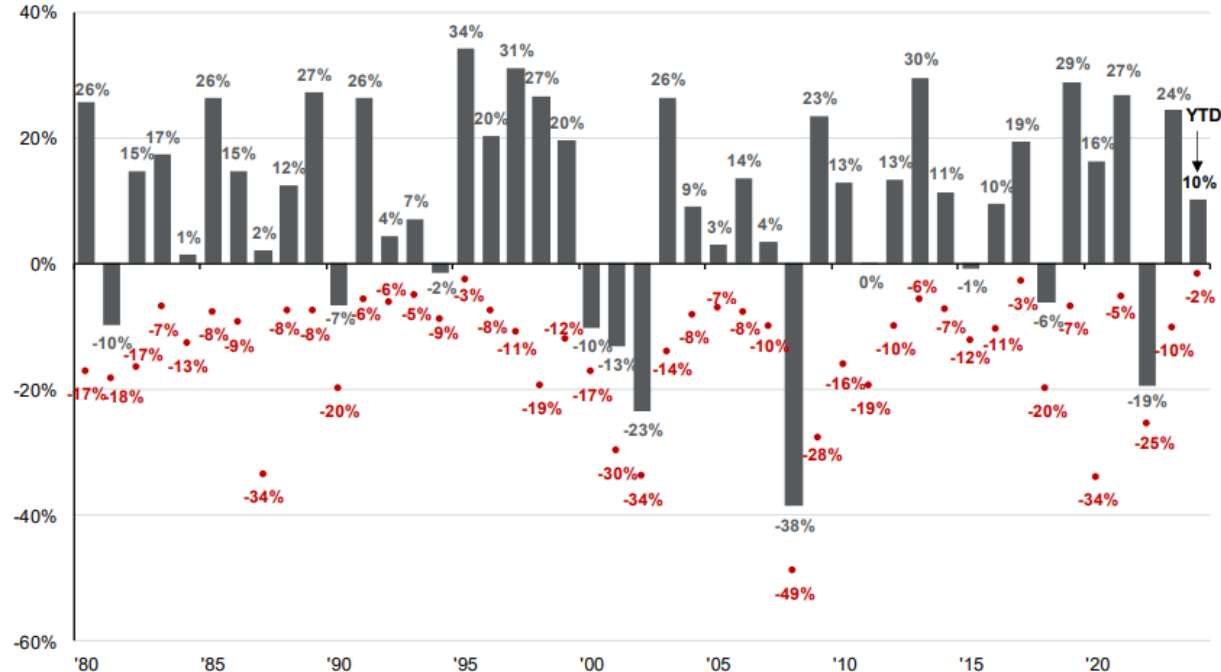
All public companies in foreign developed markets, market-cap weighted (Japan, U.K., France, Germany).

All public companies in foreign emerging markets, market-cap weighted (China, Taiwan, India).

# Volatility is Normal – Do Not Let it Derail Your Long-term Goals, Stay Invested!

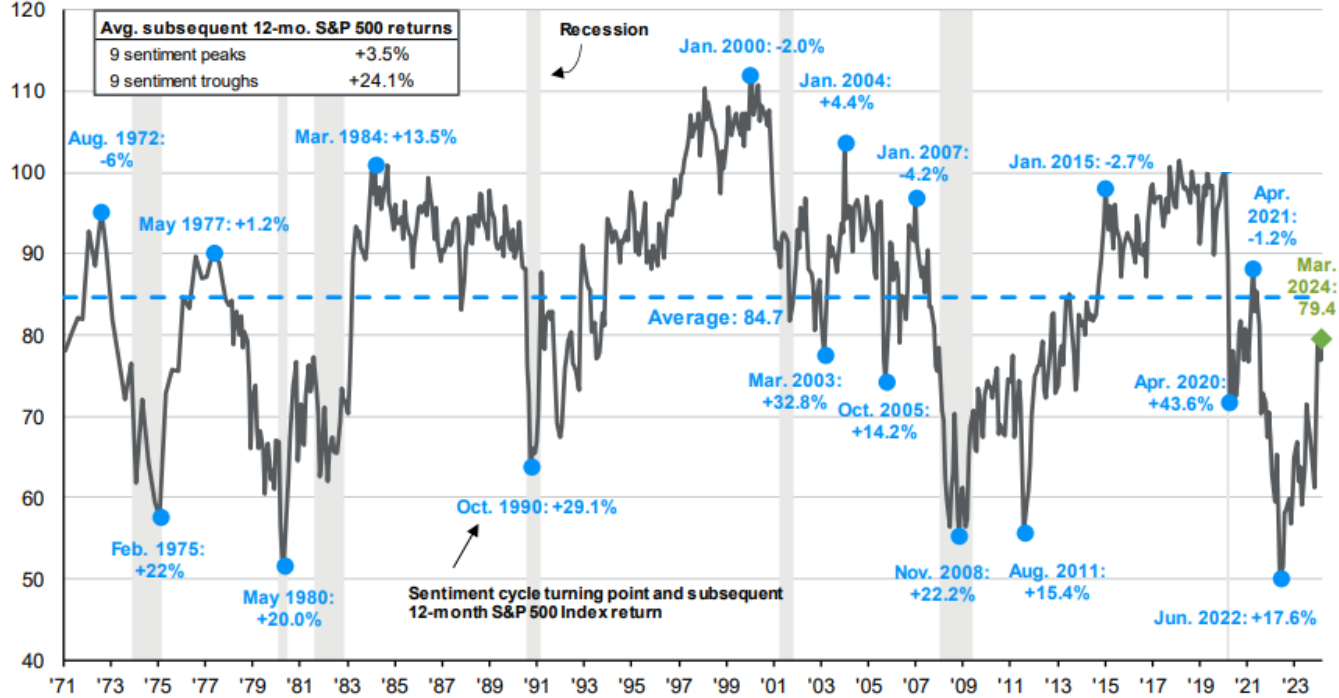
## S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 years



# Investing is Counterintuitive

Consumer Sentiment Index and subsequent 12-month S&P 500 returns





## Time, not timing, is what matters

Louie the Loser never times anything right. Every year, for the past 20 years, he's invested \$10,000 in ICA on the worst possible day to invest – the day the stock market peaked! So why is he smiling? Because Louie's investment would have done well regardless of when he invested.

### Worst-day investments (market highs)

Date of market high	Cumulative investment <sup>2</sup>	Value on 12/31
5/21/01	\$10,000	\$8,689
3/19/02	20,000	15,222
12/31/03	30,000	28,654
12/28/04	40,000	40,951
3/4/05	50,000	53,746
12/27/06	60,000	71,835
10/9/07	70,000	85,134
5/2/08	80,000	62,032
12/30/09	90,000	88,354
12/29/10	100,000	107,493
4/29/11	110,000	114,443
10/5/12	120,000	141,902
12/31/13	130,000	197,641
12/26/14	140,000	230,992
5/19/15	150,000	236,814
12/20/16	160,000	281,150
12/28/17	170,000	346,459
10/3/18	180,000	332,226
12/27/19	190,000	423,504
12/31/20	200,000	494,655

Average annual total return (5/21/01-12/31/20): 8.29%

### Best-day investments (market lows)

Date of market low	Cumulative investment <sup>2</sup>	Value on 12/31
9/21/01	\$10,000	\$10,750
10/9/02	20,000	19,890
3/11/03	30,000	38,100
10/25/04	40,000	52,203
4/20/05	50,000	66,477
1/20/06	60,000	87,982
3/5/07	70,000	103,582
11/20/08	80,000	78,835
3/9/09	90,000	115,474
7/2/10	100,000	139,768
10/3/11	110,000	148,267
6/4/12	120,000	182,369
1/8/13	130,000	254,126
2/3/14	140,000	296,180
8/25/15	150,000	302,430
2/11/16	160,000	358,936
1/19/17	170,000	441,367
12/24/18	180,000	422,735
1/3/19	190,000	538,917
3/23/20	200,000	632,705

Average annual total return (9/21/01-12/31/20): 10.39%