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# Investing During Times of Turbulence

May 14, 2024

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# Learning Points

1. Benefits of Saving Into a Retirement Plan
2. Rebalancing and Risk Exposure
3. Asset Classes and Diversification
4. Investing Through Your Lifecycle
5. Behavioral Investing

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# Benefits of Saving into a Retirement Plan

Taxation and Employer Contributions

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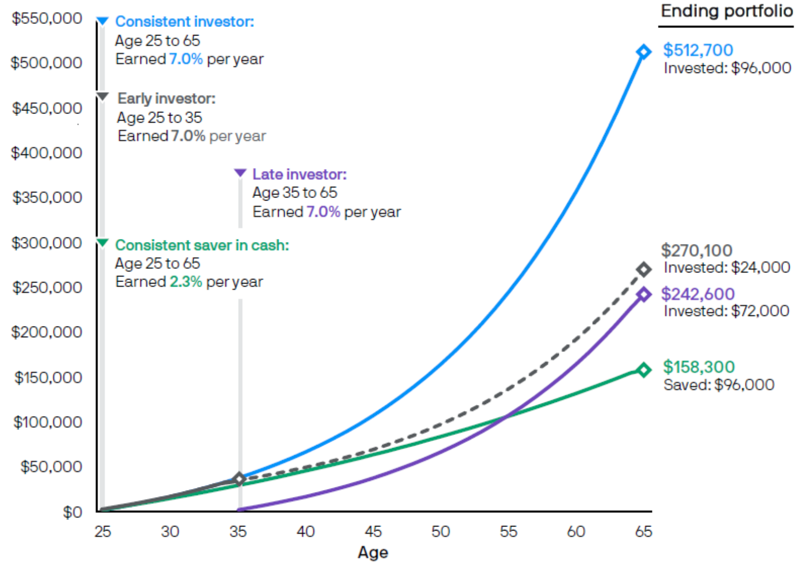
# Benefit of Saving and Investing Early

Saving

Account growth of $200 invested/saved monthly




Starting early and investing are the keys to compound returns

The early and consistent investor has the best results.

The early investor who stops after 10 years does slightly better than the late investor who invests significantly more over a longer time.

And the consistent saver who does not invest loses out on higher returns.

Source: J.P. Morgan Asset Management, Long-Term Capital Market Assumptions. Compounding is the increasing value of assets due to investment return earned on both principal and prior investment gains. The above example is for illustrative purposes only and not indicative of any investment.

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# Employer-Sponsored Retirement Plan

- 401(k)/403(b)
- Need: Financial Freedom

### Contributions

- $23,000/year
  - Traditional, Roth, or combination
- $30,500/year if age 50+
- Automatically deducted as a percentage of paycheck
- "Employer matching contributions" don't count towards annual limit

### Withdrawals

- Taxed on Traditional, not on Roth*
- May affect income tax bracket
- Mandatory at age 72
- If before age 59.5, subject to an extra 10% tax penalty
- Employer contributions subject to vesting schedule

### Purpose

- Long-term, retirement-focused savings due to tax advantaged growth potential
  - Often most accessible retirement option for investors

Source: BlackRock, Internal Revenue Service as of 12/31/23. *Roth contributions are subject to tax if your contributions to a Roth account are 5 years or less. Known as the "5 year rule", an investor must have owned the Roth account for at least 5 years to avoid taxes on withdrawals, regardless of the account holder's age at time of either contribution or withdrawal. Investors should consult a Financial Professional for more information based on their specific circumstances.

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# Tax Implications for Retirement Savings by Account Type

Saving

| | Contributions[1] | Investment growth | Withdrawals |
|---|---|---|---|
| Pre-tax 401(k)/ Traditional IRA | + | + | − (Taxed as ordinary income) |
| Roth 401(k)/ Roth IRA | − | + | + (For qualified withdrawals) |
| After-tax 401(k)/ non-deductible Traditional IRA | − | + | − (Investment returns taxed as ordinary income) |
| Health Savings Account (HSA)[3] | + | + | + (For qualified health care expenses) |

Retirement accounts: Taxes generally apply to contributions or withdrawals. Most withdrawals must be qualified to avoid tax penalties.[2]

If not used for qualified health care expenses, withdrawals after age 65 will be taxed as ordinary income (without penalty).

+ Preferential tax treatment − Subject to taxes

Federal taxes; states may differ. This is not intended to be individual tax advice. Consult your tax professional.
[1]Income and other restrictions may apply to contributions. Tax penalties usually apply for early withdrawals. Qualified withdrawals are generally those taken over age 59½; qualification requirements for amounts converted to a Roth from a traditional account may differ; for some account types, such as Roth accounts, contributions that are withdrawn may be qualified. See IRS Publications 590 and 560 for more information. [2]Withdrawals from after-tax 401(k) and non-deductible IRAs must be taken on a pro-rata basis including contributions and earnings growth. For non-deductible IRAs, all Traditional IRAs must be aggregated when calculating the amount of pro-rata contributions and earnings growth. [3]There are eligibility requirements. Qualified medical expenses include items such as prescriptions, teeth cleaning and eyeglasses and contacts for a medical reason. Cosmetic procedures, such as teeth whitening, and general health improvement, such as gym memberships and vitamins, are not qualified expenses. A 20% tax penalty applies on non-qualified distributions prior to age 65. After age 65, taxes must be paid on non-qualified distributions. See IRS Publication 502 for details.
Source: J.P. Morgan Asset Management.

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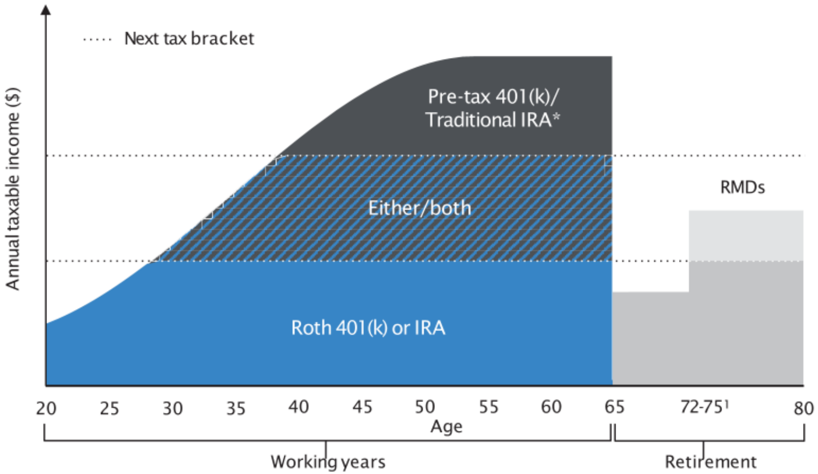
# Evaluate a Roth at Different Life Stages

Saving

Contribute to a Roth account in lower income years; Traditional in higher income years




**Exceptions if wealth is concentrated in tax-deferred accounts:**

1. Roth 401(k) contributions in peak earning years.
2. Proactive Roth conversions in lower income years.

*If eligible to make a deductible contribution (based on your MAGI = Modified Adjusted Gross Income).
[1] SECURE 2.0 increased the starting age for RMD (Required Minimum Distributions) from 72 to 75 over the next 10 years. See slide 49 for more details. The illustration reflects savings options into Traditional and Roth IRA accounts, as well as into pre-tax and Roth 401(k) accounts. RMDs are typically due no later than April 1 following the year the owner turns their distribution age (72-75) and are calculated every year based on the year-end retirement account value and the owner/plan participant's life expectancy using the IRS Uniform or Joint Life Expectancy Table. If the employer contributions are pre-tax, they are subject to tax upon distribution.
The above example is for illustrative purposes only.
Source: J.P. Morgan Asset Management.

## Tax diversification

Managing taxes over a lifetime requires balancing your current and future tax pictures. Make income tax diversification a priority to have more flexibility and control in retirement.

General Rule: Contribute to a Roth early in your career if you expect upward wage trajectory and shift to a Traditional account as your income increases.

Consider the exceptions if wealth is concentrated in tax-deferred accounts.

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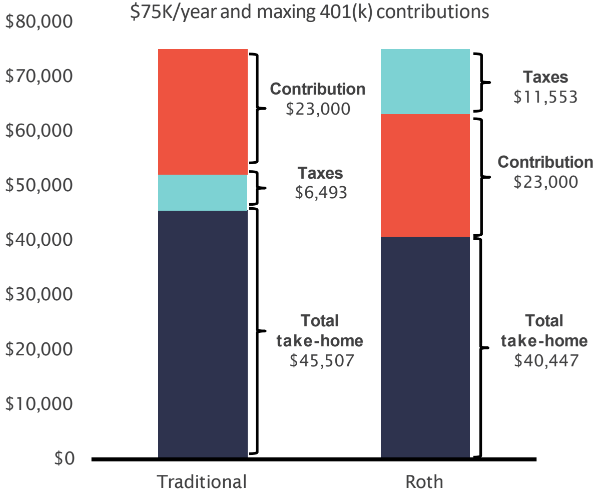
# Tax-Advantage of Retirement Plans

## IRA, 401(k)/403(b)

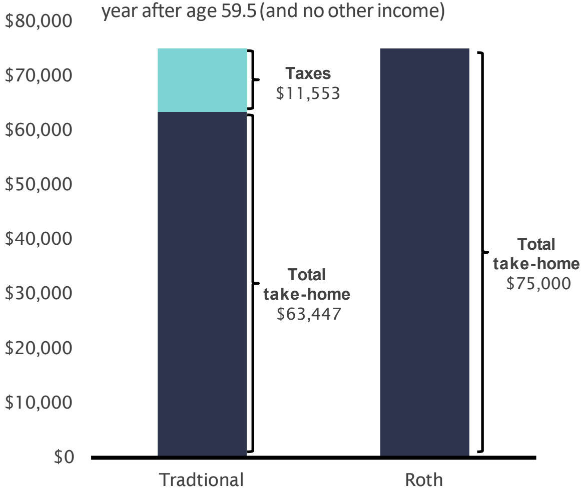
**Contributions**

Hypothetical investor younger than 50 making $75K/year and maxing 401(k) contributions




**Withdrawals**

Hypothetical withdrawal of $75K in a single year after age 59.5 (and no other income)




Source: BlackRock, Internal Revenue Service as of 12/31/23. Hypothetical example for illustration purposes only. "Taxes" are calculated using federal tax brackets only, based on a hypothetical $75,000/year reported income. Total taxes may differ between investors based on income level, state residency, additional benefits, or other individualized factors. The hypothetical example shown is for educational purposes only and does not constitute tax-planning advice for any individual investor's financial circumstances..

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# Get the Most Out of Your Retirement Plan

## Key takeaways

**01**

Contribute to your plan. Don't miss out on tax-advantaged growth

**02**

Meet the full match. Don't leave money on the table

***Example: Employer match of 50% up to 8%, based off annual income of $100K***

| Scenario-employee contribution % | Contribution per year | Employer match | Total contribution after 10 years | After 10 years with 3% growth |
|---|---|---|---|---|
| 0% | $0 | $0 | $0 | $0 |
| 2% | $2,000 | $1,000 | $30,000 | $35,306 |
| 4% | $4,000 | $2,000 | $60,000 | $70,612 |
| 6% | $6,000 | $3,000 | $90,000 | $105,918 |
| **8%** | **$8,000** | **$4,000** | **$120,000** | **$141,224** |
| 10% | $10,000 | $4,000 | $140,000 | $164,761 |

Source: BlackRock. Hypothetical examples for illustration purposes only.

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# Risk Exposure and Market Volatility

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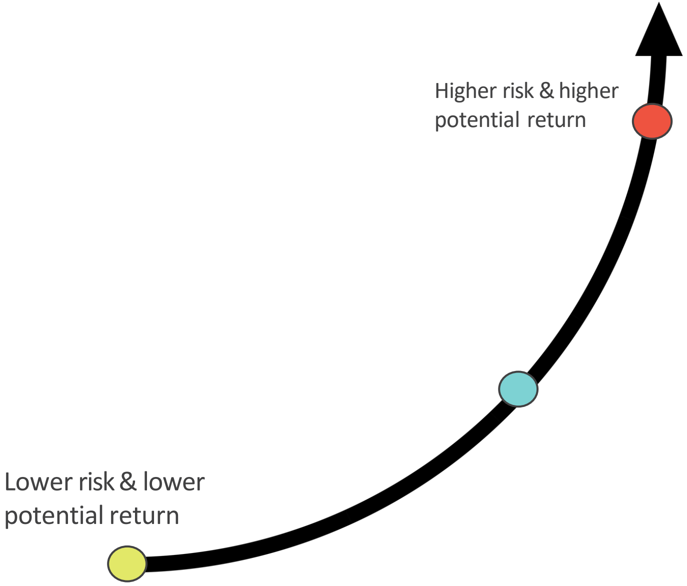
# Examples of Investing and Savings

## Investment Spectrum




**Stocks**

**Bonds**

**Cash**
(Savings account, Bank CDs)

Source: BlackRock. For illustrative purposes only.

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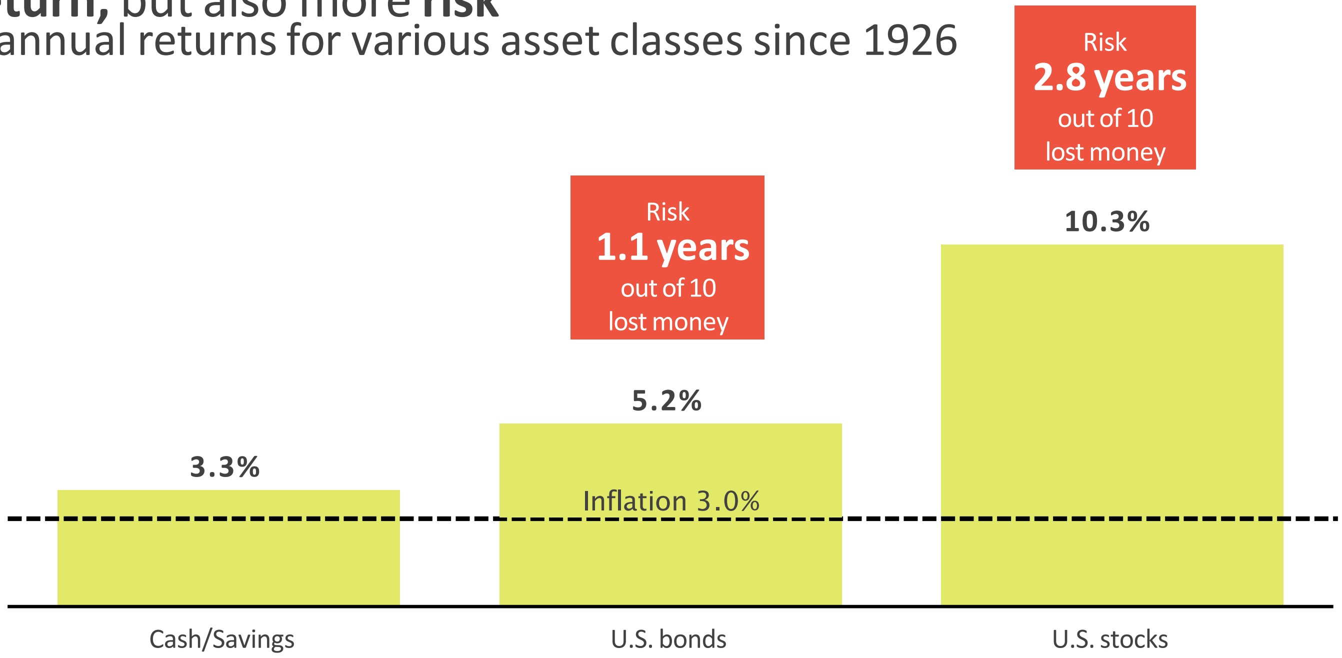
# Balancing Risk and Reward

## More **return,** but also more **risk**
Average annual returns for various asset classes since 1926




Source: Morningstar, BlackRock. Stocks are represented by the S&P 500 index from 3/4/57 to 12/31/23 and the IA SBBI U.S. large stock index from 1/1/26 and 3/4/57. U.S. bonds are represented by the Bloomberg U.S. Agg Bond TR index from 1/3/89 to 12/31/23 and the IA SBBI U.S. Gov IT index from 1/1/26 to 1/3/89. Cash/Savings are represented by the IA SBBI US 30 Day TBill TR Index from 1/1/26 to 12/31/23. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in an index.

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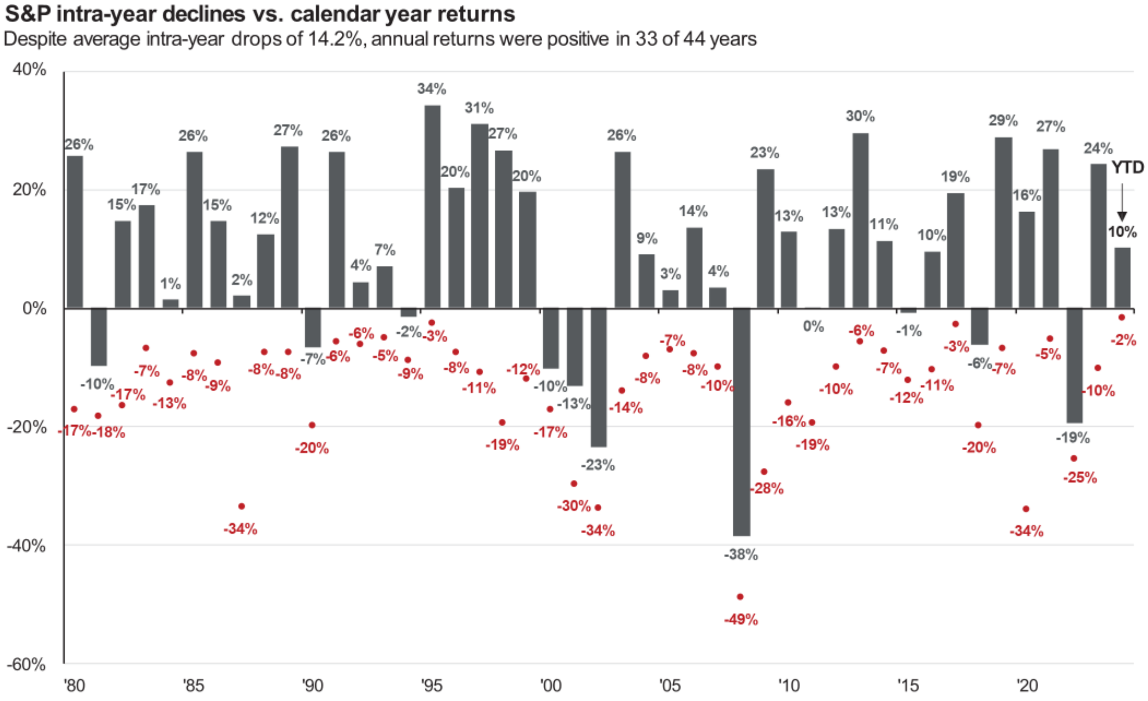
# Annual Returns and Intra-Year Declines

Equities




Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2023, over which time period the average annual return was 10.3%.
*Guide to the Markets – U.S.* Data are as of March 31, 2024.

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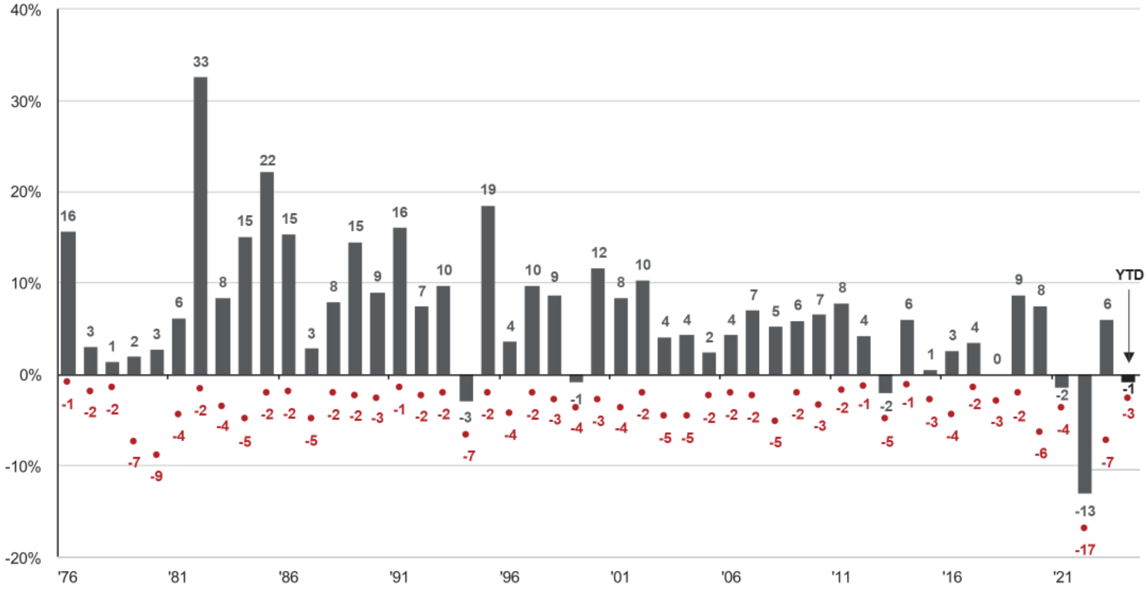
# Bloomberg U.S. Agg. Annual Returns and Intra-Year Declines

Fixed Income

**Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns**

Despite average intra-year drops of 3.5%, annual returns were positive in 43 of 48 years




Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1976 to 2023, over which time period the average annual return was 6.6%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterward.
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# Asset Classes and Diversification

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# Asset Class Returns

| 2009-2023 | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ann. | Vol. | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | YTD |
| Large Cap 14.0% | Small Cap 21.9% | EM Equity 79.0% | REITs 27.9% | REITs 8.3% | REITs 19.7% | Small Cap 38.8% | REITs 28.0% | REITs 2.8% | Small Cap 21.3% | EM Equity 37.8% | Cash 1.8% | Large Cap 31.5% | Small Cap 20.0% | REITs 41.3% | Comdty. 16.1% | Large Cap 26.3% | Large Cap 10.6% |
| Small Cap 11.3% | REITs 21.2% | High Yield 59.4% | Small Cap 26.9% | Fixed Income 7.8% | High Yield 19.6% | Large Cap 32.4% | Large Cap 13.7% | Large Cap 1.4% | High Yield 14.3% | DM Equity 25.6% | Fixed Income 0.0% | REITs 28.7% | EM Equity 18.7% | Large Cap 28.7% | Cash 1.5% | DM Equity 18.9% | DM Equity 5.8% |
| REITs 10.9% | EM Equity 20.3% | DM Equity 32.5% | EM Equity 19.2% | High Yield 3.1% | EM Equity 18.6% | DM Equity 23.3% | Fixed Income 6.0% | Fixed Income 0.5% | Large Cap 12.0% | Large Cap 21.8% | REITs -4.0% | Small Cap 25.5% | Large Cap 18.4% | Comdty. 27.1% | High Yield -12.7% | Small Cap 16.9% | Small Cap 5.2% |
| High Yield 8.6% | DM Equity 18.4% | REITs 28.0% | Comdty. 16.8% | Large Cap 2.1% | DM Equity 17.9% | Asset Alloc. 14.9% | Asset Alloc. 5.2% | Cash 0.0% | Comdty. 11.8% | Small Cap 14.6% | High Yield -4.1% | DM Equity 22.7% | Asset Alloc. 10.6% | Small Cap 14.8% | Fixed Income -13.0% | Asset Alloc. 14.1% | Asset Alloc. 4.2% |
| Asset Alloc. 8.1% | Comdty. 16.6% | Small Cap 27.2% | Large Cap 15.1% | Cash 0.1% | Small Cap 16.3% | High Yield 7.3% | Small Cap 4.9% | DM Equity -0.4% | EM Equity 11.6% | Asset Alloc. 14.6% | Large Cap -4.4% | Asset Alloc. 19.5% | DM Equity 8.3% | Asset Alloc. 13.5% | Asset Alloc. -13.9% | High Yield 14.0% | Comdty. 2.2% |
| DM Equity 7.4% | Large Cap 16.1% | Large Cap 26.5% | High Yield 14.8% | Asset Alloc. -0.7% | Large Cap 16.0% | REITs 2.9% | Cash 0.0% | Asset Alloc. -2.0% | REITs 8.6% | High Yield 10.4% | Asset Alloc. -5.8% | EM Equity 18.9% | Fixed Income 7.5% | DM Equity 11.8% | DM Equity -14.0% | REITs 11.4% | EM Equity 2.2% |
| EM Equity 6.9% | High Yield 11.5% | Asset Alloc. 25.0% | Asset Alloc. 13.3% | Small Cap -4.2% | Asset Alloc. 12.2% | Cash 0.0% | High Yield 0.0% | High Yield -2.7% | Asset Alloc. 8.3% | REITs 8.7% | Small Cap -11.0% | High Yield 12.6% | High Yield 7.0% | High Yield 1.0% | Large Cap -18.1% | EM Equity 10.3% | High Yield 2.1% |
| Fixed Income 2.7% | Asset Alloc. 11.5% | Comdty. 18.9% | DM Equity 8.2% | DM Equity -11.7% | Fixed Income 4.2% | Fixed Income -2.0% | EM Equity -1.8% | Small Cap -4.4% | Fixed Income 2.6% | Fixed Income 3.5% | Comdty. -11.2% | Fixed Income 8.7% | Cash 0.5% | Cash 0.0% | EM Equity -19.7% | Fixed Income 5.5% | Cash 1.3% |
| Cash 0.8% | Fixed Income 4.5% | Fixed Income 5.9% | Fixed Income 6.5% | Comdty. -13.3% | Cash 0.1% | EM Equity -2.3% | DM Equity -4.5% | EM Equity -14.6% | DM Equity 1.5% | Comdty. 1.7% | DM Equity -13.4% | Comdty. 7.7% | Comdty. -3.1% | Fixed Income -1.5% | Small Cap -20.4% | Cash 5.1% | Fixed Income -0.8% |
| Comdty. -0.2% | Cash 0.7% | Cash 0.1% | Cash 0.1% | EM Equity -18.2% | Comdty. -1.1% | Comdty. -9.5% | Comdty. -17.0% | Comdty. -24.7% | Cash 0.3% | Cash 0.8% | EM Equity -14.2% | Cash 2.2% | REITs -5.1% | EM Equity -2.2% | REITs -24.9% | Comdty. -7.9% | REITs -1.3% |

Investing Principles

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2009 to 12/31/2023. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
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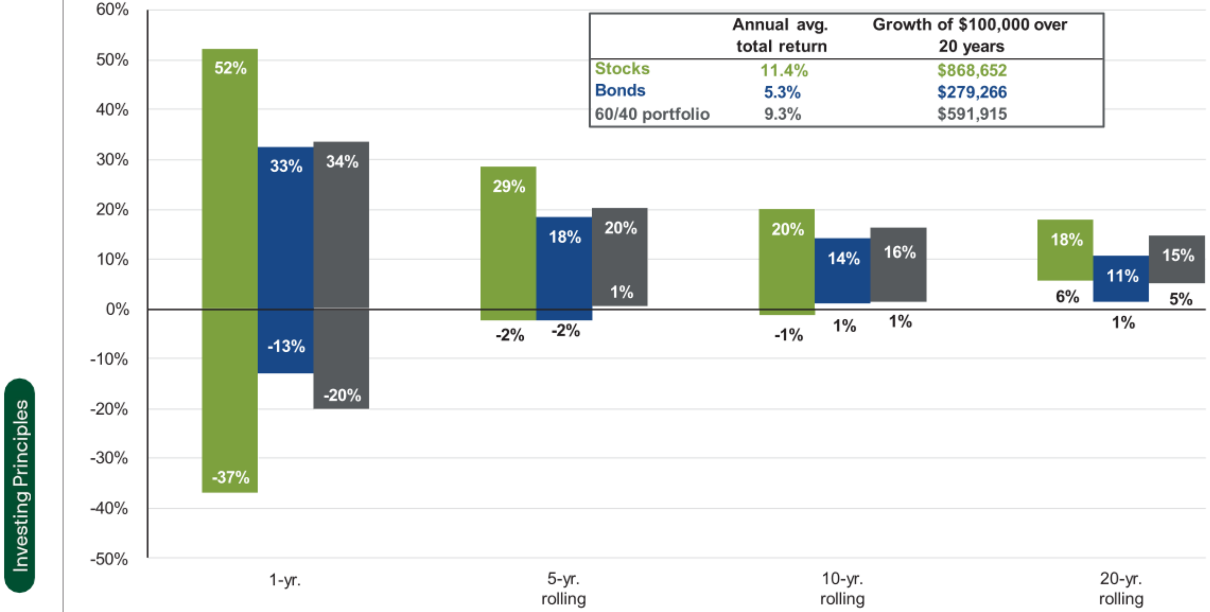
# Time, Diversification and the Volatility of Returns




| | Annual avg. total return | Growth of $100,000 over 20 years |
|---|---|---|
| Stocks | 11.4% | $868,652 |
| Bonds | 5.3% | $279,266 |
| 60/40 portfolio | 9.3% | $591,915 |

Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, Standard and Poor's, Strategas/Ibbotson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2023. Stocks represent the S&P 500 Shiller Composite for periods prior to 1936 and the S&P 500 thereafter. Bonds represent Strategas/Ibbotson for periods prior to 1976 and the Bloomberg Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2023.
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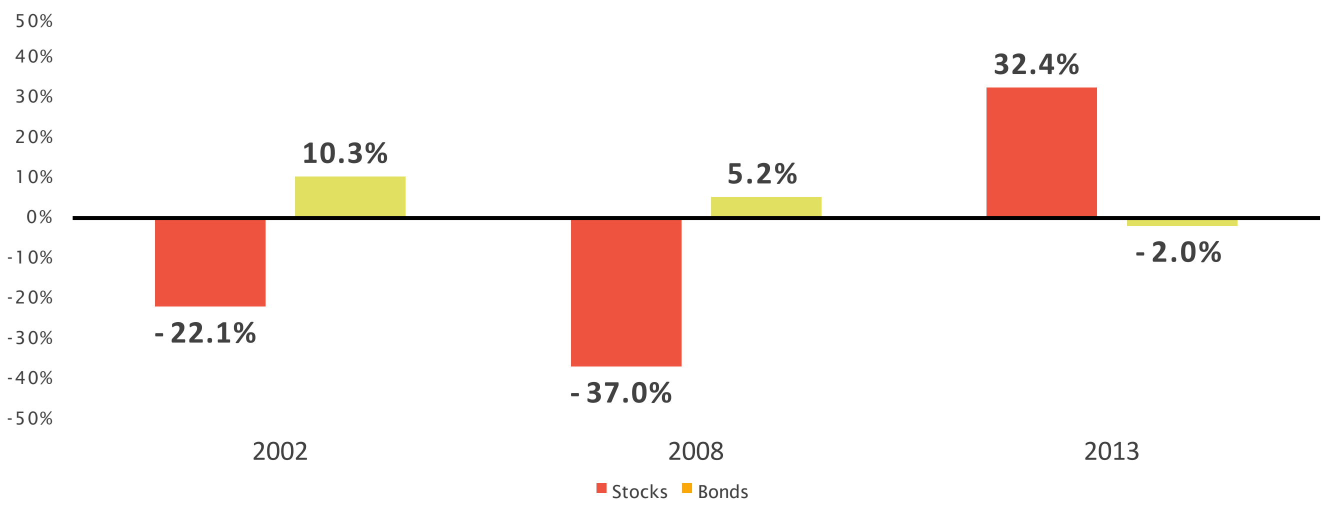
# Benefits of Diversification

## Different asset classes zig while others zag

Performance of stocks and bonds in select years with largest gap in performance between asset classes since 2000




Source: Morningstar, BlackRock. Stocks are represented by the S&P 500 index from 1/1/00 to 12/31/22. U.S. bonds are represented by the Bloomberg U.S. Agg Bond TR index from 1/1/00 to 12/31/22. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in an index.

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# Diversification Can Work – It Might not Taste Good

S&P 500 Index returns compared to a Diversified Portfolio made up of 24% U.S. large stocks, 24% U.S. mid cap stocks, 5% international stocks, 2% U.S. small cap stocks, 5% emerging market stocks, 20% U.S. bonds, 20% high yield bonds

| Years | S&P 500 | Diversified portfolio |
|---|---|---|
| 2000–2002* | -40.1% | -15.7% |
| 2003–2007 | 82.9% | 91.5% |
| 2008 | -37.0% | -28.5% |
| 2009–2019 | 351.0% | 237.2% |
| Q1 2020† | -30.4% | -24.2% |
| Q2 2020-2021‡ | 119.0% | 69.8% |
| 2022 | -18.1% | -15.3% |
| 2023 | 26.3% | 15.9% |
| **Total return** | **390.8%** | **391.4%** |
| **Gr $100K** | **$490,770** | **$491,430** |

- **"I lost money"**
- **"Diversification worked"**
- **"I lost money"**
- **"I didn't make as much"**
- **"I lost money"**
- **"I didn't make as much"**
- **"I lost money"**
- **"I didn't make as much"**
- **"Diversification can work even when it feels like it's losing"**

Source: Morningstar as of 12/31/23. *Performance is from 9/1/00 to 12/31/02. †Performance is from 1/1/20 to 3/23/20. ‡Performance is from 3/24/20 to 12/31/21. Diversified Portfolio is represented by 24% S&P 500 Index, 24% Russell Mid Cap Index, 5% MSCI EAFE Index, 2% Russell 2000 Index, 5% FTSE Emerging Stock Index, 20% Bloomberg US Aggregate Bond Index, 20% Bloomberg US Corporate High Yield Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

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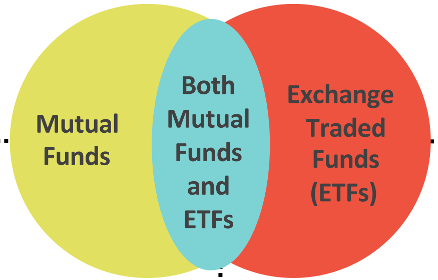
# Funds Are a Great Way to Get Started




**Mutual Funds**

- Trades at the end of the day
- More often features an active manager selecting stocks/bonds

**Both Mutual Funds and ETFs**

- Money pooled together from many investors
- Fund can hold hundreds or thousand of securities
- Can be stock, bond or balanced funds

**Exchange Traded Funds (ETFs)**

- A mutual fund that trades throughout the day like a stock
- More often replicates a market index of stocks/bonds

Source: BlackRock. For illustration purposes only.

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# Initial Portfolio and Targeted Asset Class Weightings

| | Number of shares | Price per share | Value | Weight |
|---|---|---|---|---|
| **U.S. stocks** | 300 | $50 | $15,000 | 30% |
| **International Stocks** | 500 | $20 | $10,000 | 20% |
| **Emerging market stocks** | 200 | $25 | $5,000 | 10% |
| **Bonds** | 400 | $50 | $20,000 | 40% |
| **Total portfolio value** | - | - | $50,000 | 100% |

Source: https://www.schwab.com/learn/story/rebalancing-action

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# Portfolio Weightings After Asset Class Price Movement

| | Number of shares | Price move | New price per share | New value | New weight | Change in weight |
|---|---|---|---|---|---|---|
| **U.S. stocks** | 300 | -5% | $47.50 | $14,250 | 28.9% | -1.1% |
| **International stocks** | 500 | -10% | $18 | $9,000 | 18.3% | -1.7% |
| **Emerging market stocks** | 200 | -20% | $20 | $4,000 | 8.1% | -1.9% |
| **Bonds** | 400 | 10% | $55 | $22,000 | 44.7% | +4.7% |
| **Total portfolio value** | - | - | - | $49,250 | 100% | |

Source: https://www.schwab.com/learn/story/rebalancing-action

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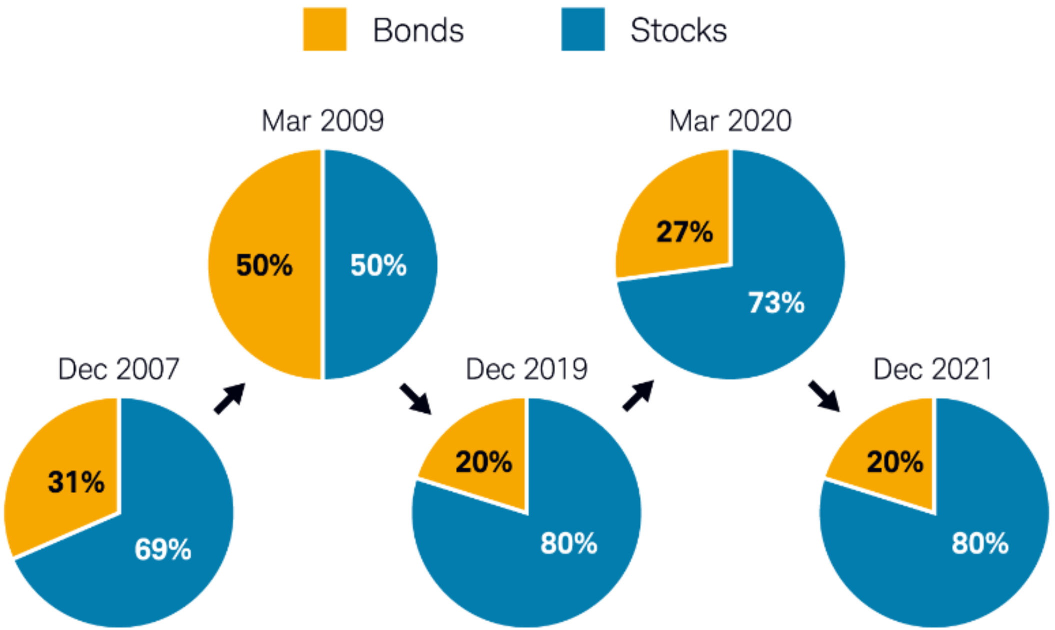
# Not Rebalancing Lets the Market Dictate Risk




Source: Charles Schwab Investment Advisory with data from Morningstar, Inc.

Stocks are represented by the S&P 500 Index. Bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index. The example is hypothetical and provided for illustrative purposes only.

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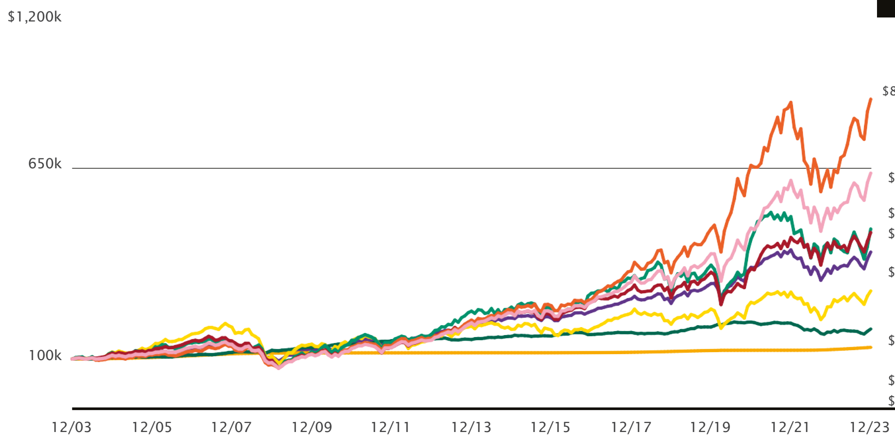
# Diversification Has Provided More Steady Performance

## Growth of a hypothetical $100,000 investment over the last 20 years (2004-2023)




| Grew to | Asset class | Avg Ann returns (%) | Standard deviation (%)* |
|---|---|---|---|
| $849,917 | Large cap growth | 11.3 | 16.0 |
| $636,608 | Large cap core | 9.7 | 14.9 |
| $475,514 | Small cap | 8.1 | 19.9 |
| $464,776 | Large cap value | 8.0 | 15.4 |
| $408,849 | Diversified portfolio | 7.3 | 10.4 |
| $296,588 | International | 5.6 | 16.7 |
| $186,781 | Fixed income | 3.2 | 4.1 |
| $133,624 | Cash | 1.5 | 0.5 |

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. See front for index descriptions.

* 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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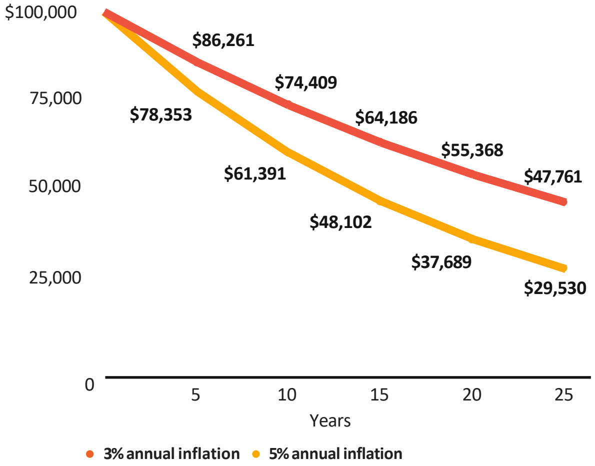
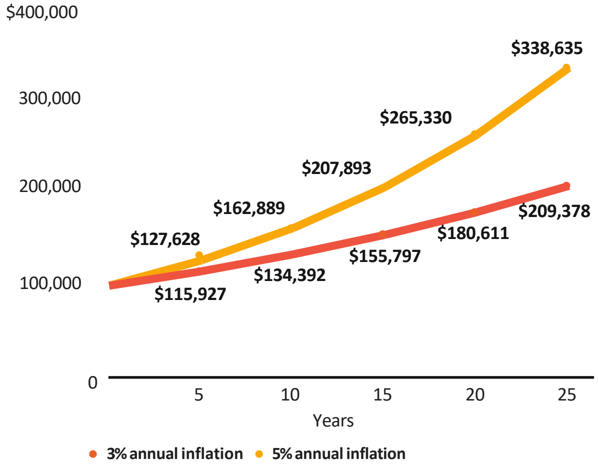
# Feeling Safe May Be Risky

Inflation affects money in two major ways. Over time, the true value of money diminishes, while the price of goods gradually increases. Not taking inflation into account could result in underestimating how much money might be truly needed in the future.

**Erosion of purchasing power**
Having $100,000 today would be worth the same as $47,761 in 25 years assuming 3 % annual inflation, or $29,530 assuming 5 % annual inflation.




**Increase in prices**
The same item that costs $100,000 today will cost $209,378 in 25 years assuming 3 % annual inflation, or $338,635 assuming 5 % annual inflation.




**Investing involves risks, including possible loss of principal.** Source: BlackRock. Hypothetical examples for illustration purposes only. Assumes constant annual inflation rates.

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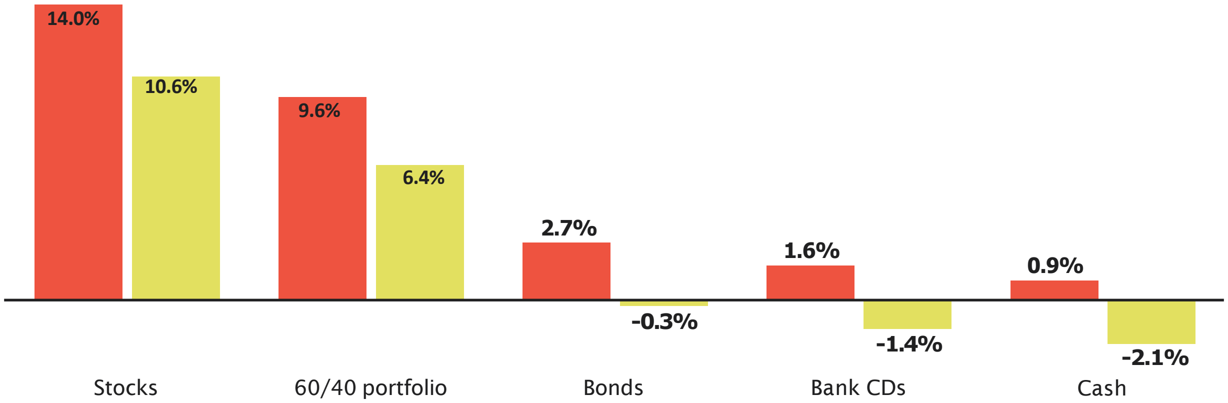
Much like it reduces the value of money in the future, inflation also affects the true return on our investments once we take it into account. If the return of an investment is less than the inflation rate, then a return that appears positive on paper could actually be negative in real value terms.

**Bank CDs in perspective**

Average annual returns, past 15 years (2009-2023), adjusted for 3 % annual inflation.




Sources: Morningstar, Bloomberg, BlackRock. Index performance shown as average annual return from 1/1/09–12/31/23. Inflation is assumed to be a constant 3% per year. **"Stocks"** are represented by the S&P 500 Index, an unmanaged index that consists of all share classes of 500 large-capitalization companies, within various sectors, most of which are listed on the New York Stock Exchange. **"60/40 portfolio"** is represented by a hypothetical portfolio consisting of 60% of its portfolio represented by the S&P 500 Index and 40% of its portfolio represented by the Bloomberg U.S. Aggregate Bond Index. **"Bonds"** are represented by the by the Bloomberg U.S. Aggregate Bond Index, an unmanaged 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. **"Bank CDs"** are represented by the annual yield for the Bloomberg CD 12-Month Index, an unmanaged index representative of banks' certificate of deposit rates over the previous 12 months. **"Cash"** is represented by the ICE BofA 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 is help to maturity. Penalty fees may be incurred if withdrawing from a Bank CD before maturity. Bank CDs are FDIC insured up to $250,000, while stocks and bonds are not. Stock and bond prices fluctuate and the value of your investment may change based on market conditions. Different investments such as CDs, bonds and stocks have different objectives, risk tolerance levels and time horizons. Individuals should consult their financial professional regarding their individual situation when comparing these various instruments. **Past performance does not guarantee or indicate future results.** Index performance is show for illustrative purposes only. You can not invest directly in an index.

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# Investing Through Your Lifecycle

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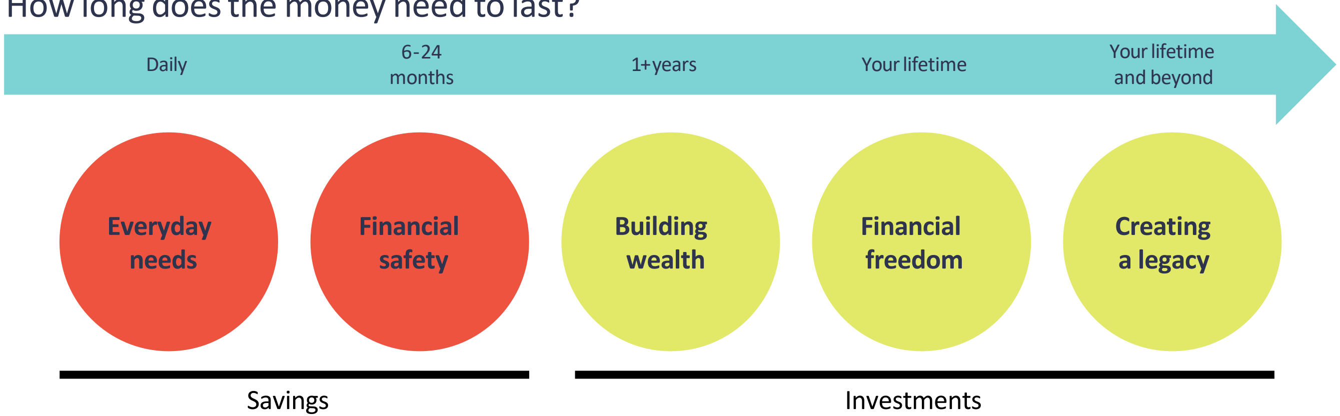
# Know the Roles Saving and Investing Play

How long does the money need to last?




...because savings alone isn't enough to reach every goal in your life's journey

Source: BlackRock. For illustrative purposes only.

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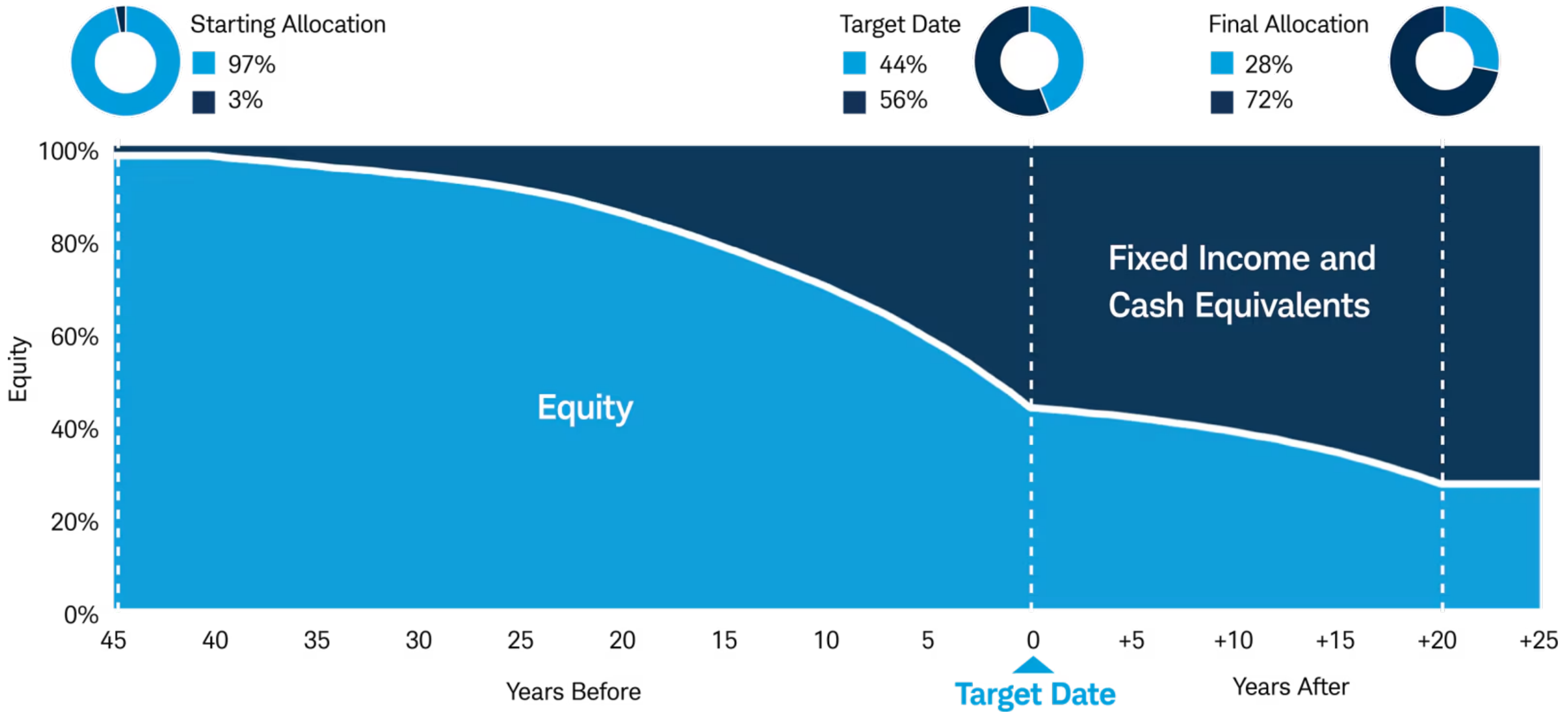
# Target Retirement Date Funds




Source: https://www.schwabassetmanagement.com/products/star

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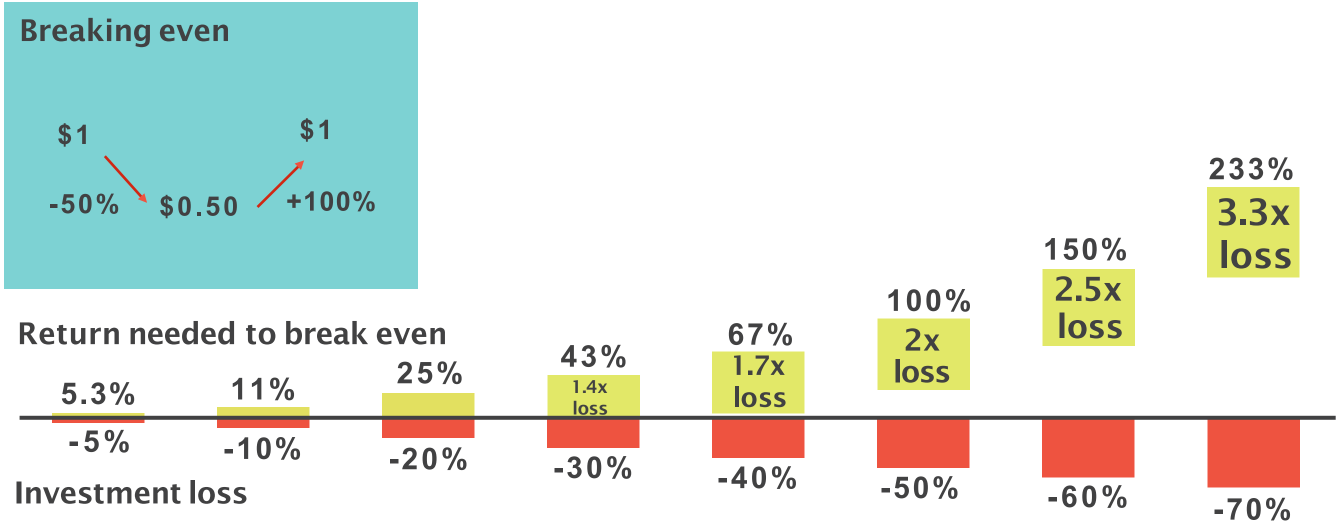
# Understanding the Math of Investment Loss

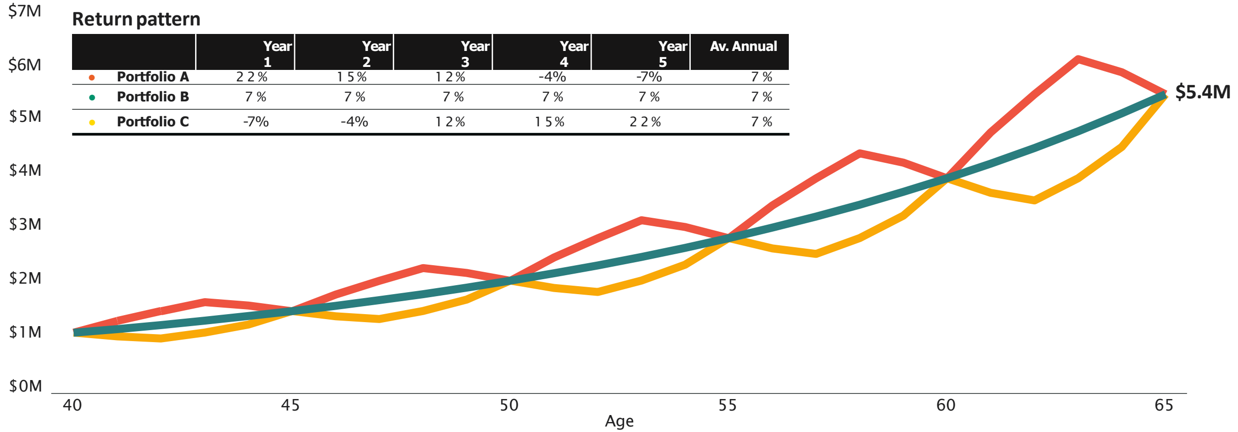



Source: BlackRock. For illustration purposes only.

# Sequence of Returns

When we start investing, we tend to second-guess our timing. We're worried that we may take losses if buying into a down market or pay too much if buying into an up market. However, the order of your gains and losses does not actually impact your portfolio during accumulation, assuming there are no additions or withdrawals. In the end, the average return will still be the same. The examples below illustrate the portfolio value over time of three different hypothetical investments which all had an average annual rate of return of 7%. All three investments ended with the same value, although they experienced different paths to get there.

## Before retirement, average return matters more than sequence




**Return pattern**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Av. Annual |
|---|---|---|---|---|---|---|
| **Portfolio A** | 22% | 15% | 12% | -4% | -7% | 7% |
| **Portfolio B** | 7% | 7% | 7% | 7% | 7% | 7% |
| **Portfolio C** | -7% | -4% | 12% | 15% | 22% | 7% |

Source: BlackRock. This graphic looks at the effect the sequence of returns can have on your portfolio value over a long period of time. Other factors that may affect the longevity of assets include the investment mix, taxes and expenses related to investing. This is a hypothetical illustration. This illustration assumes a hypothetical initial portfolio balance of $1,000,000 with no additions or withdrawals and the hypothetical sequence of returns noted in the table. These figures are for illustrative purposes only and do not represent any particular investment, nor do they reflect any investment fees, expenses or taxes.

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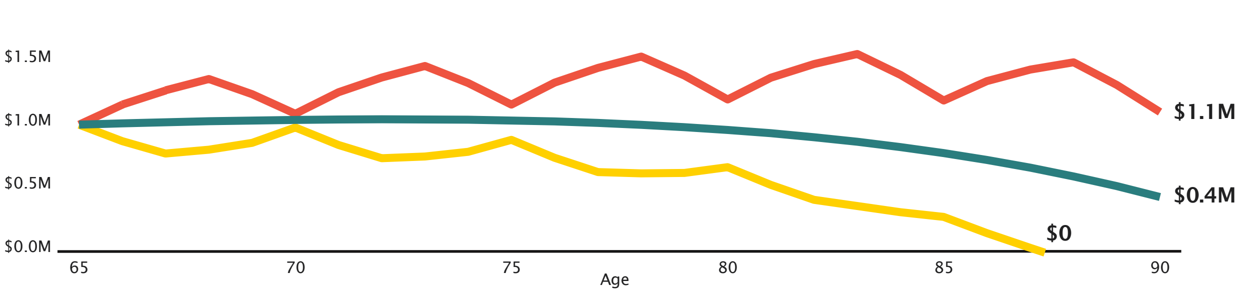
# Sequence Can Matter More Than Average Return When Withdrawing

This story changes as soon as you begin retirement. Portfolio withdrawals compound losses, making it harder and taking longer to recover from a portfolio decline, especially one that comes early in the sequence. The examples below illustrate the portfolio value over time of the same three portfolios from page one, but we've now added $60,000 inflation-adjusted annual withdrawals. Once withdrawals are added to the mix, even similar portfolios can have wildly different results.

**Return pattern**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Av. Annual |
|---|---|---|---|---|---|---|
| Portfolio A | 22% | 15% | 12% | -4% | -7% | 7% |
| Portfolio B | 7% | 7% | 7% | 7% | 7% | 7% |
| Portfolio C | -7% | -4% | 12% | 15% | 22% | 7% |




Source: BlackRock. This graphic looks at the effect the sequence of returns can have on your portfolio value over a long period of time. Other factors that may affect the longevity of assets include the investment mix, taxes, expenses related to investing and the number of years of retirement funding (life expectancy). This is a hypothetical illustration. This illustration assumes a hypothetical initial portfolio balance of $1,000,000, annual withdrawals of $60,000 adjusted annually by 3% for inflation and the hypothetical sequence of returns noted in the table. These figures are for illustrative purposes only and do not represent any particular investment, nor do they reflect any investment fees, expenses or taxes. When you are withdrawing money from a portfolio, your results can be affected by the sequence of returns even when average return remains the same, due to the compounding effect on the annual account balances and annual withdrawals.

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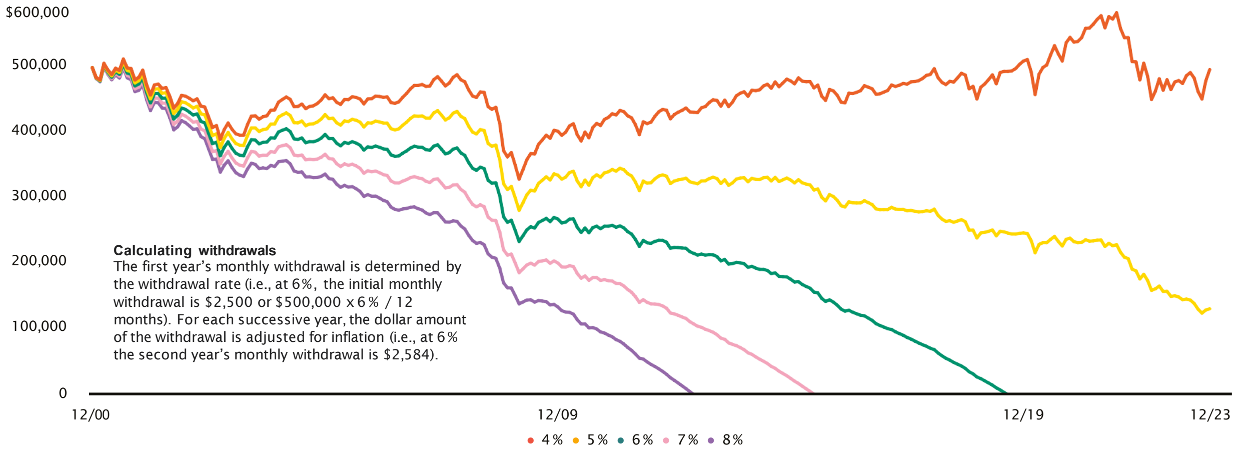
# Withdrawal Rates

## A modest withdrawal rate can increase the longevity of your portfolio

Portfolio value starting withdrawals in 2000




Sources: BlackRock; Informa Investment Solutions. This graphic looks at the effect that the amount withdrawn from a portfolio has on how long that portfolio may last. A prudent withdrawal rate (3% to 5%, adjusted and revisited annually) can increase the probability of success. Other factors that may affect the longevity of assets include the investment mix, taxes, expenses related to investing and the number of years of retirement funding (life expectancy). This is a hypothetical illustration starting at the beginning of a severe stock market downturn in 2000 to 2002. Beginning withdrawals in a rising market could improve the longevity of your portfolio. The portfolio is made up of 50% stocks and 50% bonds. Stocks are represented by the S&P 500 Index. Bonds are represented by the Bloomberg Aggregate Bond Index. Inflation is represented by the Consumer Price Index. This illustration assumes a hypothetical initial portfolio balance of $500,000 as of December 31, 1999, and monthly withdrawals beginning in 2000. Each monthly withdrawal is adjusted annually for inflation. Each portfolio is rebalanced monthly. All dividends and interest are reinvested. Results will vary based on selection of other time frames and over time as assumptions change. These figures are for illustrative purposes only and do not represent any particular investment, nor do they reflect any investment fees or expenses, or taxes. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

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# Psychology of Investing:
# Staying Disciplined Long-Term

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1720, Sir Isaac Newton lost a fortune in the South Sea Company, the hottest stock in England.

Newton concluded…

*[That he] 'can calculate the motions of the heavenly bodies, but not the madness of people.'*



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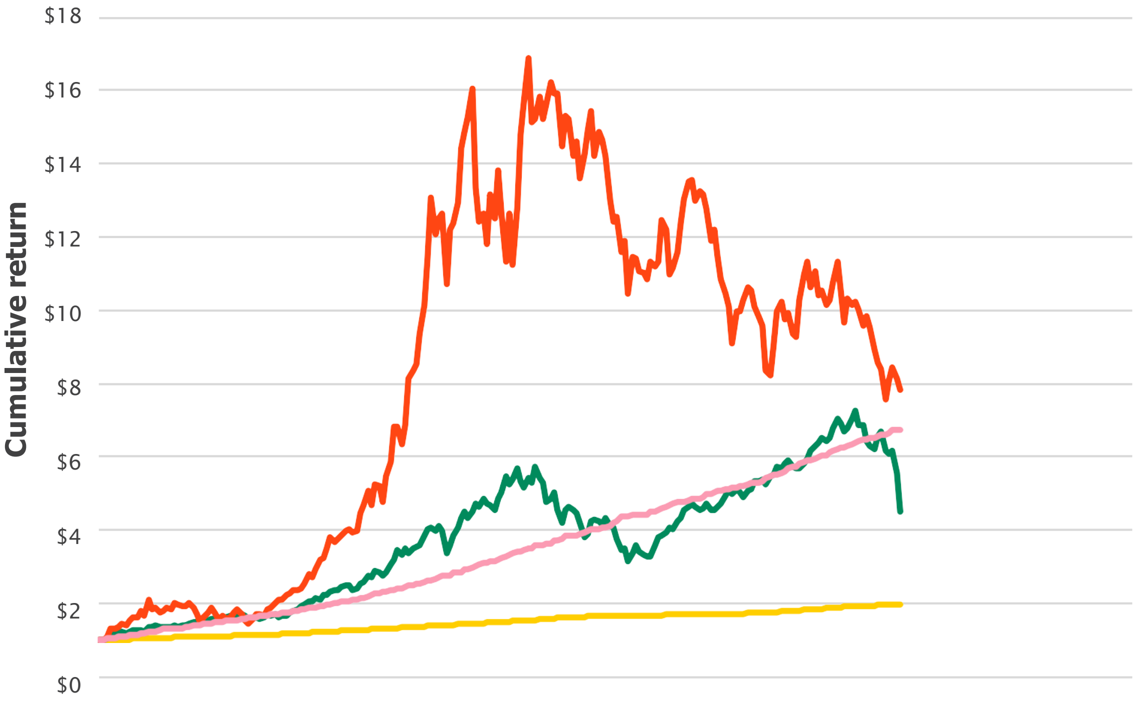
# Which Would You Pick?




Source: BlackRock. Lo, Andrew, 2017, *Adaptive Markets: Financial Evolution at the Speed of Thought* (Figure 10.3). Princeton University Press. For illustrative purposes only. Not meant to represent a specific recommendation for any security listed. Past performance is no guarantee of future results.

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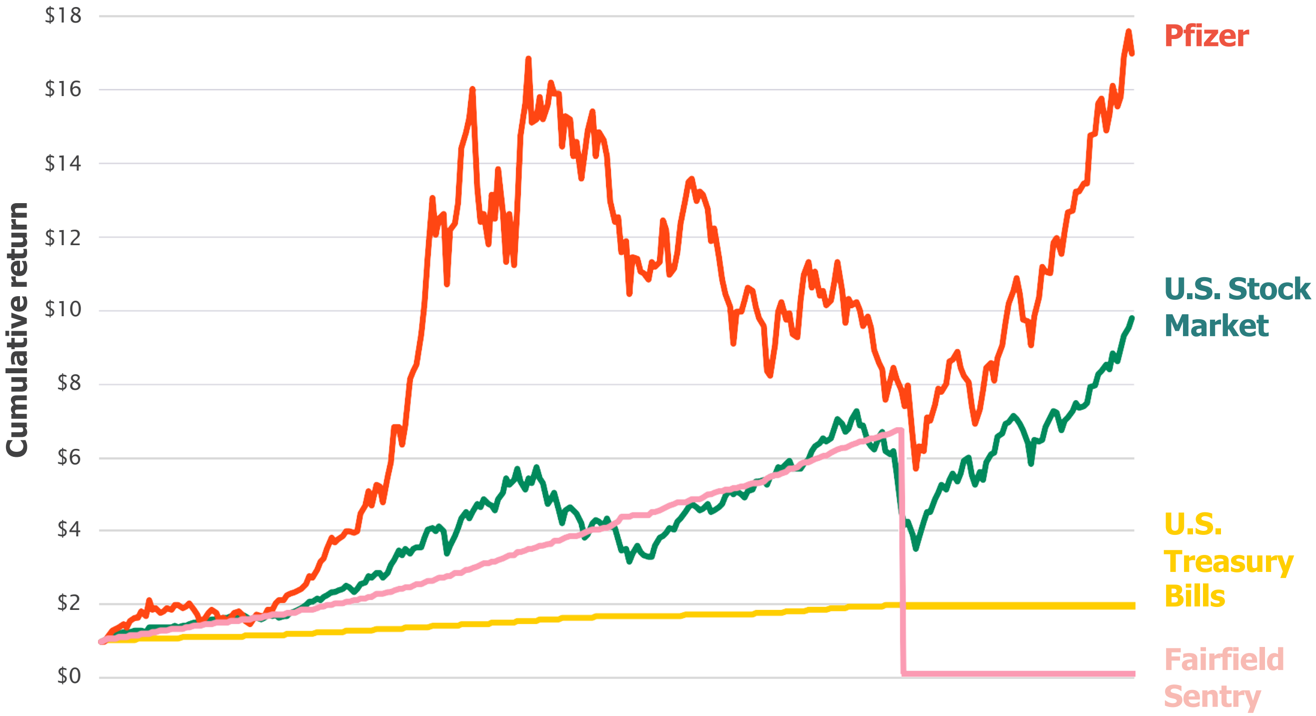
# Which Would You Pick?




Source: BlackRock. Lo, Andrew, 2017, *Adaptive Markets: Financial Evolution at the Speed of Thought* (Figure 10.3). Princeton University Press. For illustrative purposes only. Not meant to represent a specific recommendation for any security listed. Past performance is no guarantee of future results.

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“We don’t have to be smarter than the rest.
We have to be more disciplined than the rest.”

-Warren Buffet



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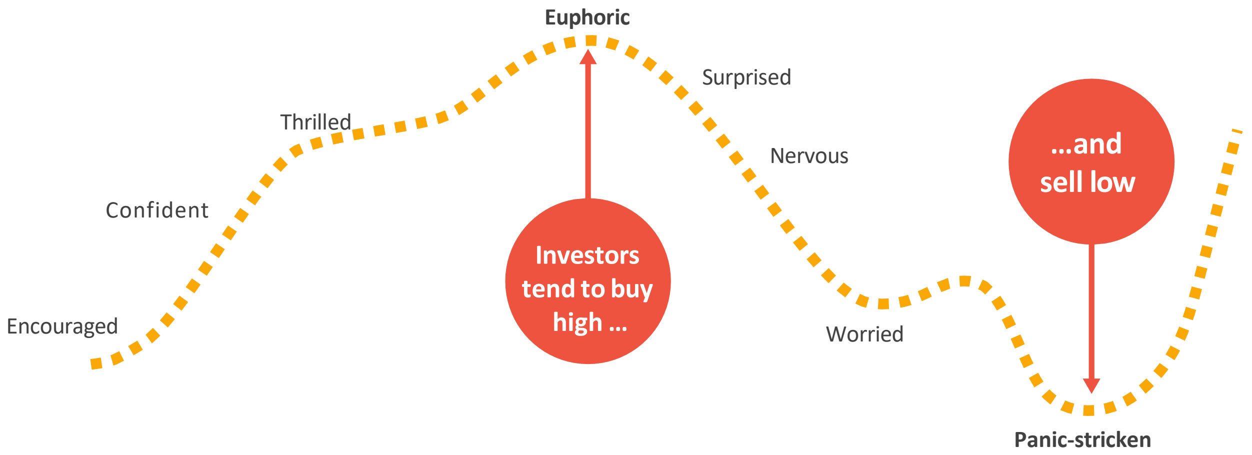
# Investing With Emotions Can Be Costly

When times are tough, we want to limit our losses. When things are going well, we wish we had invested more.
We all fear missing out. But when you're investing, giving in to fear is often a losing strategy.
More often than not, investors with this mindset tend to buy high and sell low as they invest more in a rising market and pull money out in a falling market.

**Riding the ups and downs of the market**




Source: BlackRock. For illustrative purposes only.

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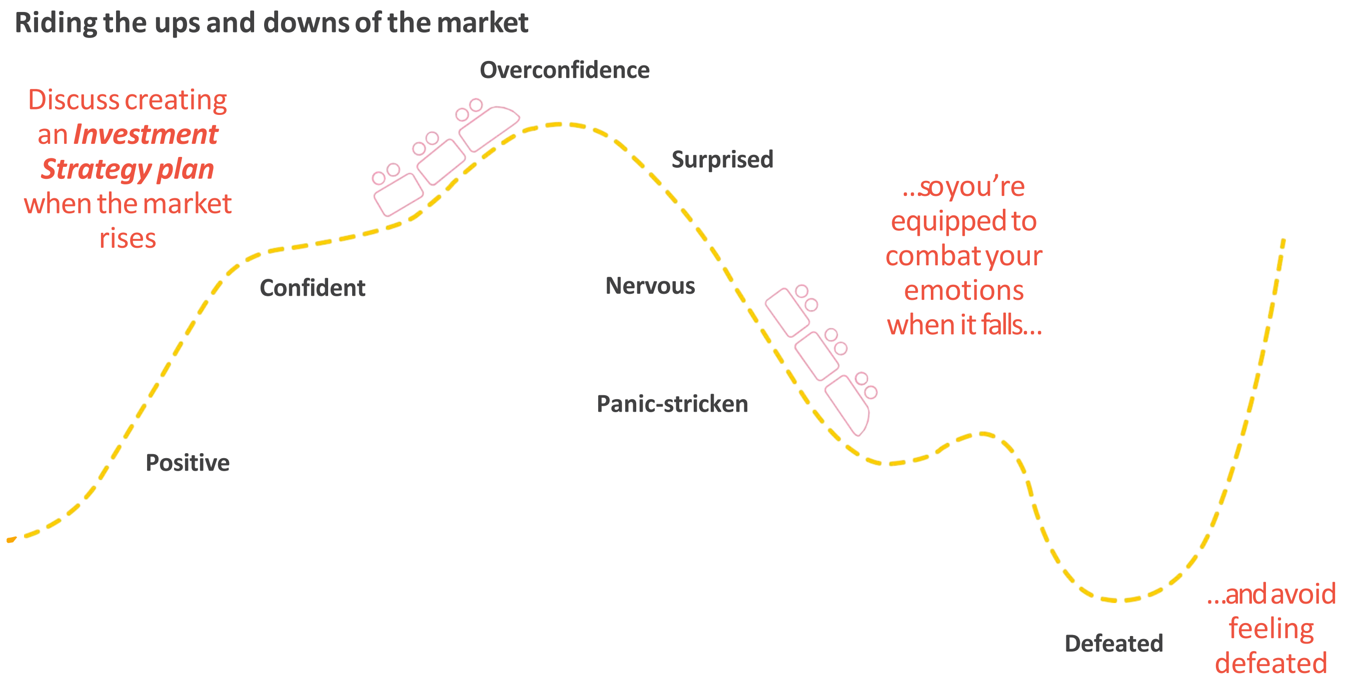
# Prepare for the Worst Before It Happens




Source: BlackRock. For illustrative purposes only.

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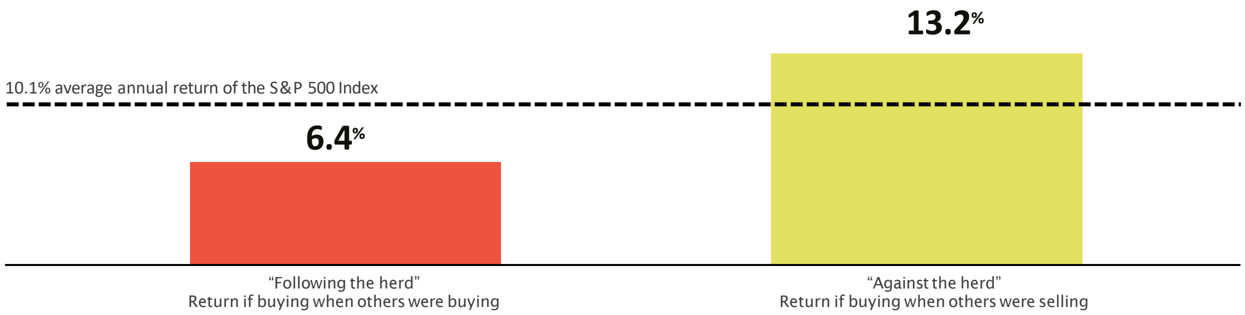
# Keep Your Emotions In Check

Investors who have followed their emotions, joining the crowd of other emotional investors, have historically regretted it. Periods that followed investors cashing out of the market have provided above-average returns, while periods that followed investors adding to the market have provided below-average returns.

**The average investor gets the timing wrong**

3-year returns based on direction of quarterly stock flows (1993*-2023)




Source: Morningstar as of 12/31/23. *Start date is as of April 1993. "Following the Herd" represents the average of the following 3-year returns of the S&P 500 Index for each of the largest 20 quarters of inflows for all equity mutual funds and ETFs, as defined by Morningstar. "Against the Herd" represents the average of the following 3-year returns of the S&P 500 Index for each of the largest 20 quarters of outflows for all equity mutual funds and ETFs, as defined by Morningstar. **Past performance does not guarantee or indicate future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

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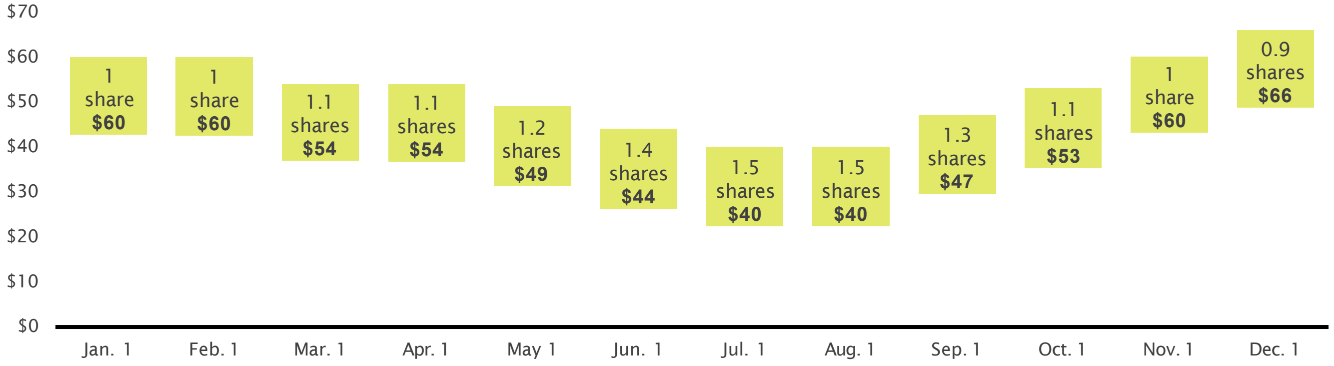
# Invest Through Market Ups and Downs

## Hypothetical example of investing $60/month for 1 year into an asset with starting value of $60/share




**14.1**
total shares purchased

**$51.06**
average price/share

**+$210.60**
gain over the period

Source: BlackRock. Hypothetical example for illustration purposes only and is not meant to represent the performance of any particular investment. Number of shares purchased each hypothetical month is rounded up or down to the nearest tenth of a decimal point for simplicity. Systematic investing does not guarantee a profit and does not protect against loss in declining markets. Systematic investing involves continuous investing, so investors should consider their ability to make periodic payments in all market environments. Investing involves risks. Including the possible loss of all your principal.

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# Our Tendency to Take Action

Statistics show that the best penalty kick strategy for goalkeepers is to stay in the middle. But they jump left or right 94% of the time.

Source: The New York Times Magazine, "Goalkeeper Science", 2008.



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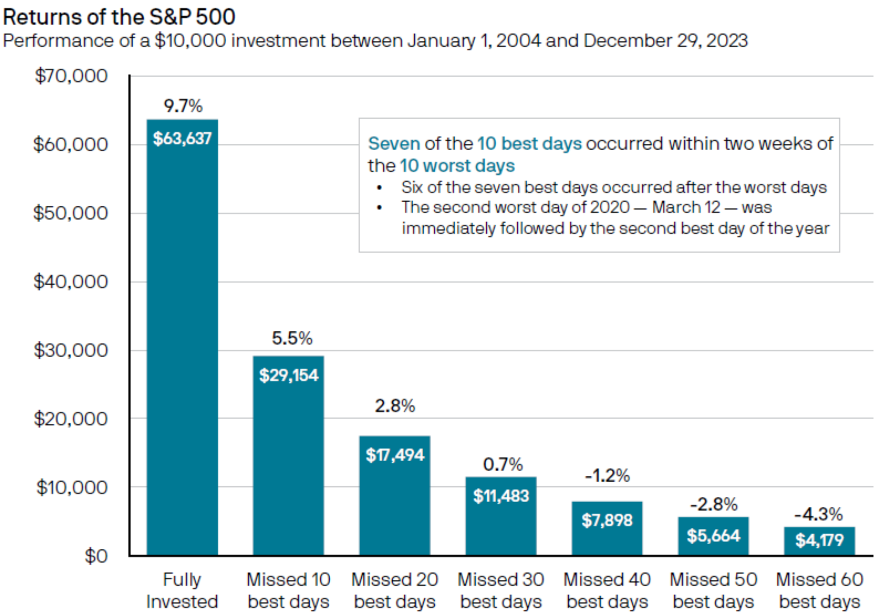
# Impact of Being Out of the Market

Investing




Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations are shown gross of fees. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2023.

### Plan to stay invested

Losses hurt more than gains feel good. Market lows can result in emotional decision making.

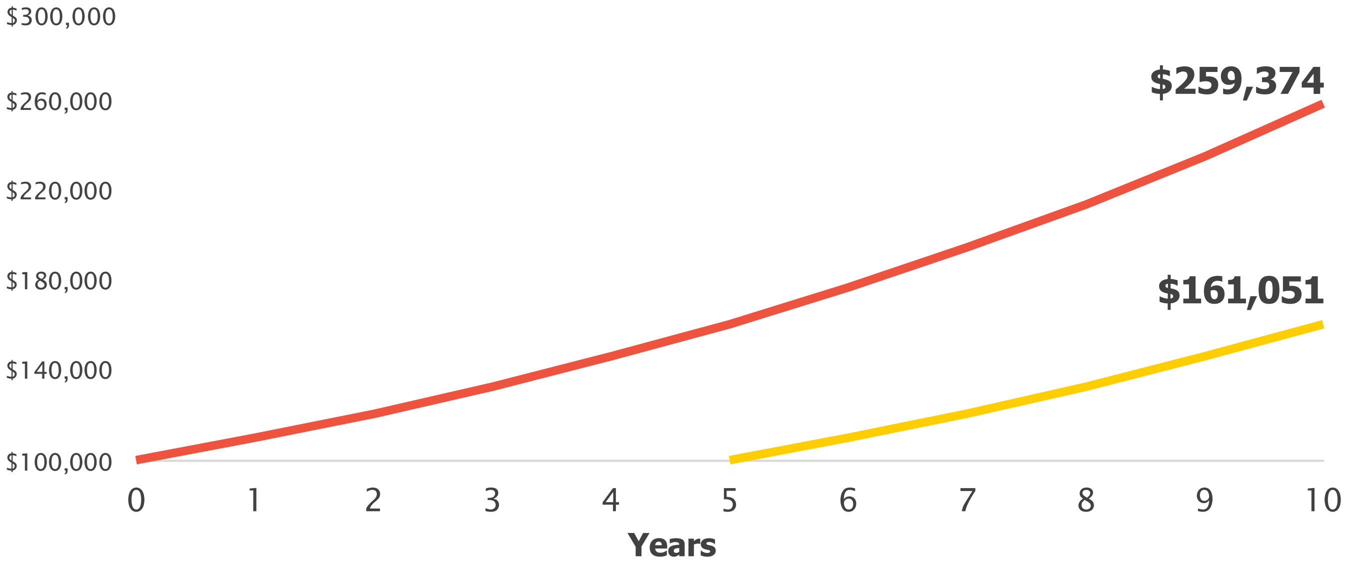
Taking "control" by selling out of the market after the worst days is likely to result in missing the best days that follow. Investing for the long term in a well-diversified portfolio can result in a better retirement outcome.

J.P.Morgan
ASSET MANAGEMENT

# Waiting for the “Right Time to Invest” Can Leave You Behind

**Compound interest…** ***“The eighth wonder of the world”*** **– Albert Einstein**

Hypothetical growth of $100,000 assuming 10% annual yield




Source: BlackRock as of 12/31/20. For illustrative purposes only.

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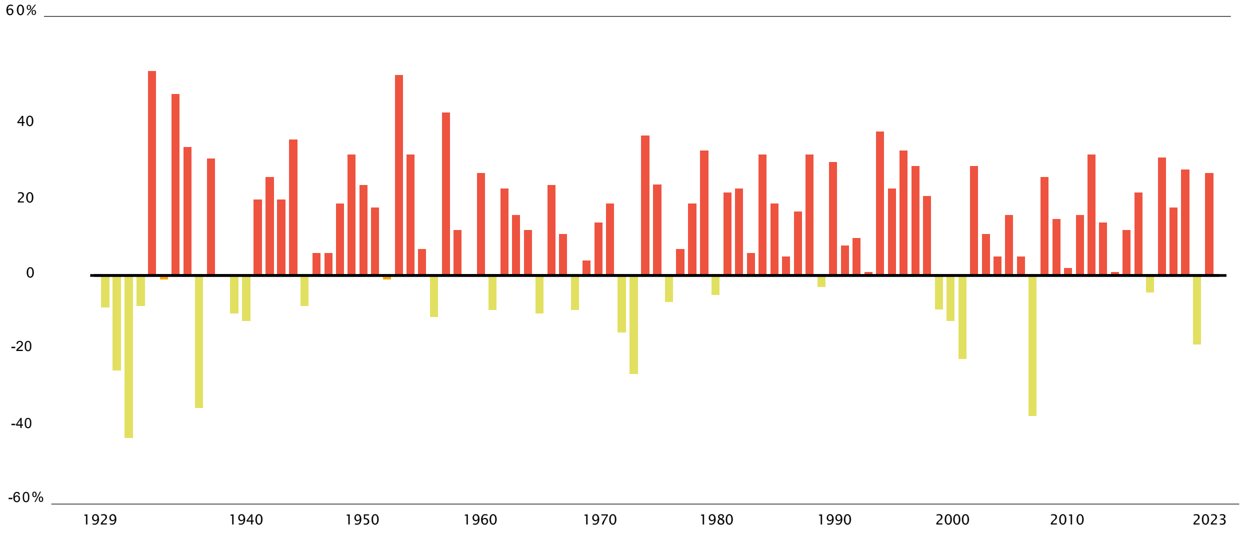
# Staying Invested for the Long-Term

Investors know that it's logical to think long-term when it comes to investing. But when headlines about the market turn worrisome, many feel the need to act. Acting impulsively in the short-term could have significant consequences when it comes to trying to achieve your long-term financial goals.

**Over shorter time periods, investing may feel turbulent**

1 year returns of stocks (1929-2023)




Sources: Bloomberg; Lipper. Stocks are represented by the S&P 500 Index from 2/1970 to 12/2023 and the IA SBBI U.S. Large Cap Index from 1/1929 to 2/1970. The S&P 500 Index is 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. **Past performance does not guarantee or indicate future results.** The information provided is for illustrative purposes and is not meant to represent the performance of any particular investment. It is not possible to invest directly in an index.

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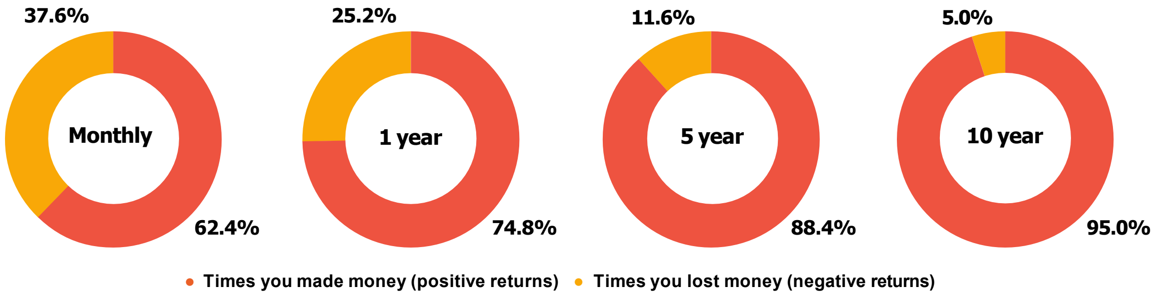
The stock market can be volatile in the short term. It can decline substantially in a single day, creating fear amongst investors. But if you stay calm, you'll find that the likelihood of a positive return grows higher the longer you stay invested.

## The longer you stay invested, the greater your likelihood of positive returns

Rolling returns of stocks (1929-2023)




Sources: BlackRock; Bloomberg; Lipper. Stocks are represented by the S&P 500 Index from 2/1970 to 12/2023 and the IA SBBI U.S. Large Cap Index from 1/1929 to 2/1970. See front for a description of the S&P 500 Index. **Past performance does not guarantee or indicate future results.** This is for illustrative purposes only and not indicative of any investment. It is not possible to invest directly in an index.

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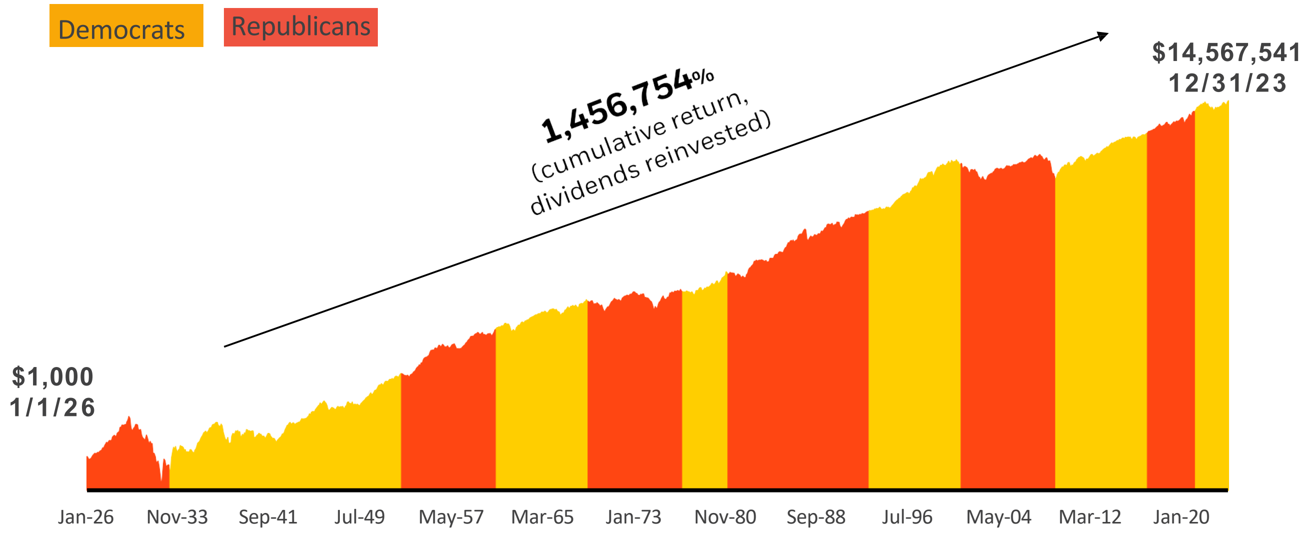
USWAM0124U/S-3362244-2/2

# Long-Term U.S. Stock Returns and Elections

## Stocks have continued higher regardless of party holding the presidency

**Growth of $1k since 1926**

Cumulative returns, 1/1/26 – 12/31/23




Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 9/30/23 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

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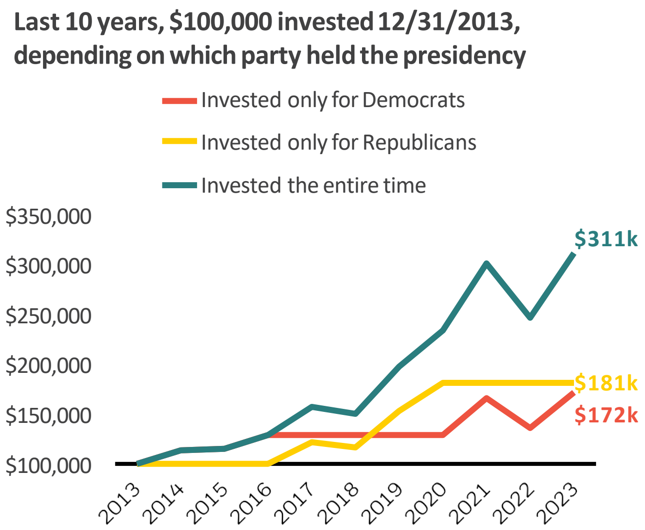
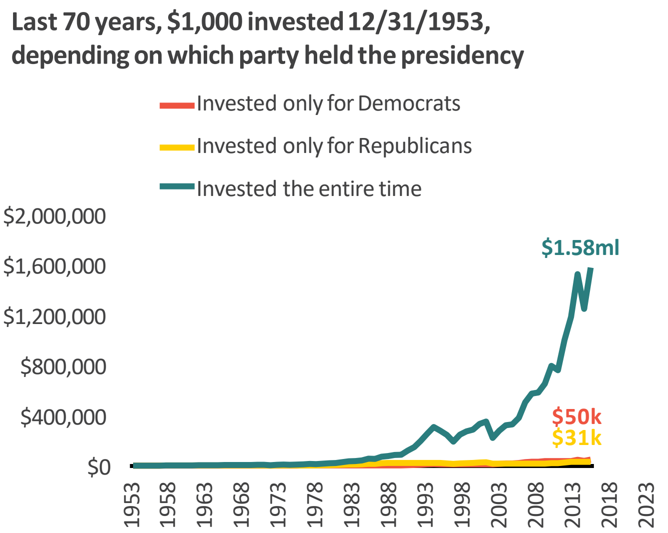
# Time In The Market, Not Political Party

## It's time in the market that matters, not the President's political party




Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/23 and IA SBBI U.S. large cap stocks index from 1/1/54 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

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# *Thank you!*


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