



WOMEN INFLUENCING
LOUISVILLE

2020 Fall Conference



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Sensible Finances - for Insensible Times

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Agenda

- Welcome & Introductions
- Financial Planning and Investing
- Types of Investments
- Portfolio Construction
- Investing Tips and Resources
- Closing & Questions





Welcome!
Thanks for joining us

Some interesting statistics

Women...

40%	Report being <u>better at managing finances</u> than their parents
Only 16%	Worry about <u>making ends meet</u> , versus 22% of men
Just 12%	Struggle <u>to pay bills</u> compared to 19% of men

However...



47% of women associate financial planning with negative words like **fear, inadequacy and stress**



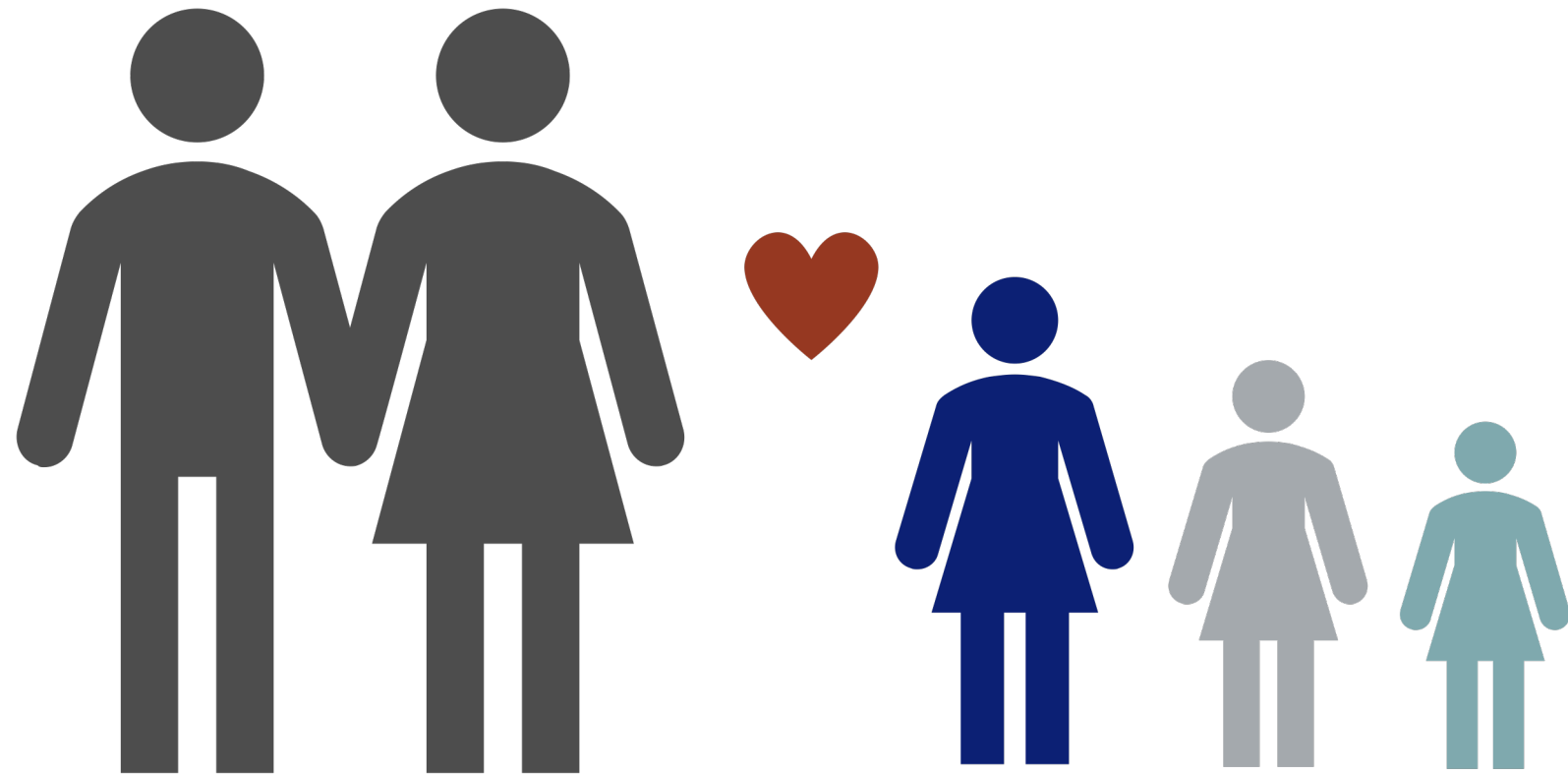
51% of women report **talking about money with friends**, while 61% of men do



47% of women (under 35) say they **are confident in managing finances**, versus 61% of men

*U.S. Bank Women and Wealth Insights Study, March 2020

A Personal Story



Key Takeaway



Investing can be
straightforward,
even enjoyable –
Just get started!

"The most important quality for an investor is temperament, not intellect. You need a temperament that neither derives great pleasure from being with the crowd or against the crowd."

-Warren Buffet



Financial Planning and Investing

Plans and Goals

Ask yourself these questions:

- What do I want?
- Why do I want it?
- Why can't I have it?
- What do I need?

Determine:

- Financial (and personal) goals
- Investment time horizon
- Risk tolerance
- Asset allocation strategy



What is financial planning?

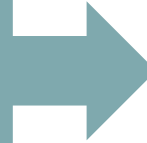
A cohesive approach to managing your finances.

- Evaluates your current financial situation
- Maps your desired future state
- Plans routes you can take to reach your financial and personal goals
- A solid plan lays out budgeting, retirement, tax, estate, insurance and investment plans (and considers short and long term goals and possible shifts in priorities over time)
- Takes into consideration an individual's assets, debts, family needs, goals, and anything else that might affect financial decisions that are unique to each person



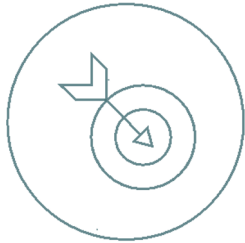
What is investing?

An asset or item that is purchased with the hope that it will generate income or will appreciate in the future.



Example

Putting money into the stock market with hopes that the initial investment will grow.



May help grow wealth and/or pursue short and long term goals



Investing always carries risk, so evaluate your individual risk tolerance



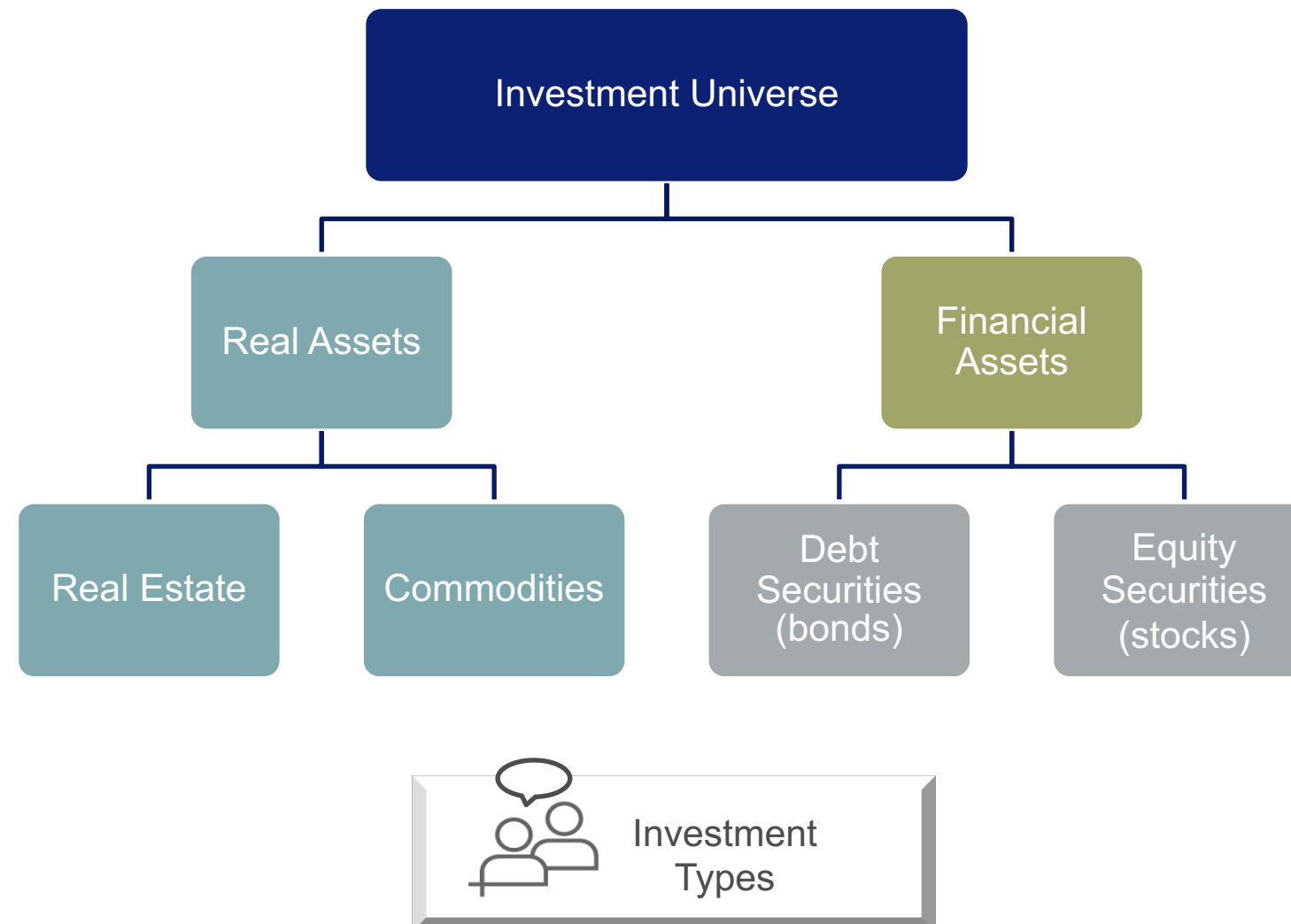
Through investing, money compounds, allowing for potential to build your wealth



Types of investments

The Building Blocks of Investing

Investors can invest in a wide range of assets. **Real assets** are physical assets such as land, buildings, cattle, gold. **Financial assets** are claims on real assets, such as stocks and bonds.



Real Assets

Real Estate

- Rental Properties
- Real Estate Investment Trust (REIT)

Commodities

- Raw materials such as gold, wheat, and oil
- Currencies

Return

- Real assets are tangible things, typically less liquid than financial assets. Real assets can appreciate in value (though to realize your returns, you may need to sell the asset). Investment properties can also provide substantial income, and because rents often increase with the cost of living, this can help investors combat inflation.
- Commodities earn return based on supply and demand (versus profitability).

Risk

- Investments in real estate can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risk related to renting properties (such as rental defaults).
- Special risks associated with an investment in commodities include market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Financial Assets

Debt/Fixed Income Securities (bonds)

- U.S. Government Debt
- Municipal Bonds
- Money Market Funds
- Corporate Bonds



Fixed income investments are **loans** to businesses or other entities. They make fixed payments (income) on a principal investment.

Return

- The yield on fixed income assets is fixed. You can generally determine your expected return when you first invest, but typically won't make more than that.

Risk

- Investments in fixed income securities are subject to various risks (including changes in interest rates, credit quality, market valuations, liquidity, and more).

Equity Securities (stocks)

- Preferred Stock
- Common Stock
- Foreign Stock



Commonly known as stocks, equities represent **ownership** in a business. There are a wide variety of ways to own a portion of a company from publicly traded shares to investments in privately held companies.

Return

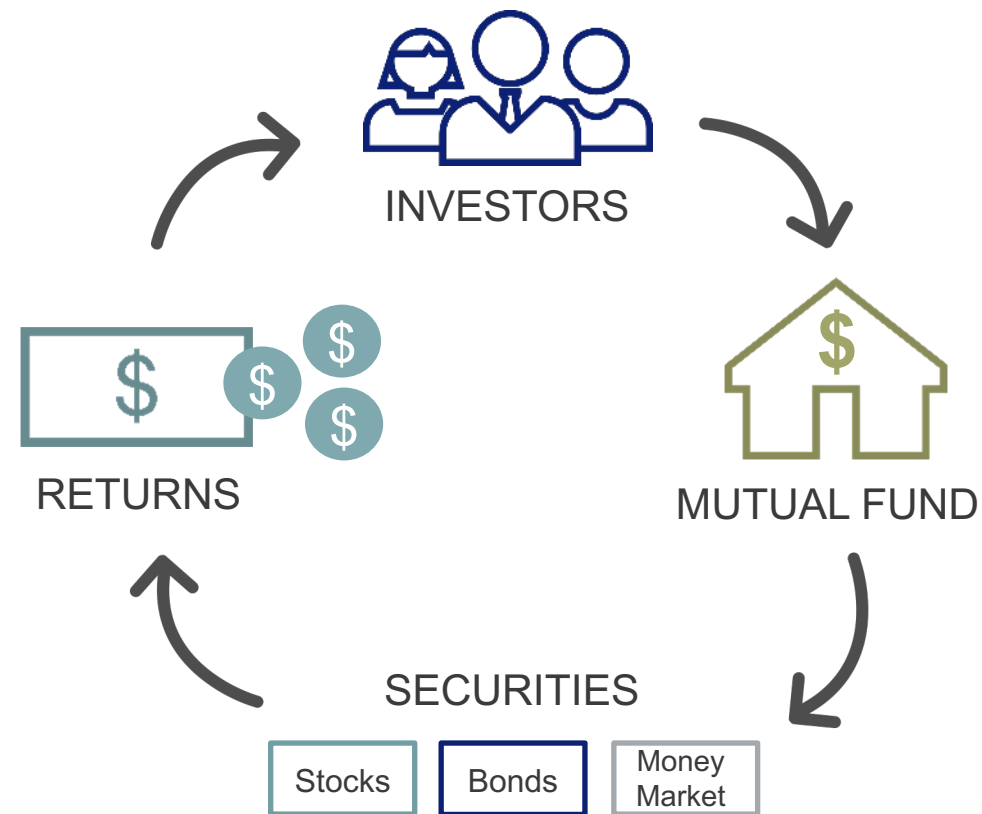
- There are many types of stocks and ways to generate returns. Investors might buy growth stocks hoping they'll appreciate in value and dividend stocks for the potential dividend payment.

Risk

- Equity securities are subject to stock market fluctuations that occur in response to economic and business development (including changes in interest rates, growth projections, inflation expectations, market valuations, liquidity, and more).

Financial Assets: Pooled Vehicles explained

Investors may purchase pooled vehicles such as mutual funds, hedge funds, or private capital funds, to gain exposure to real or financial assets.



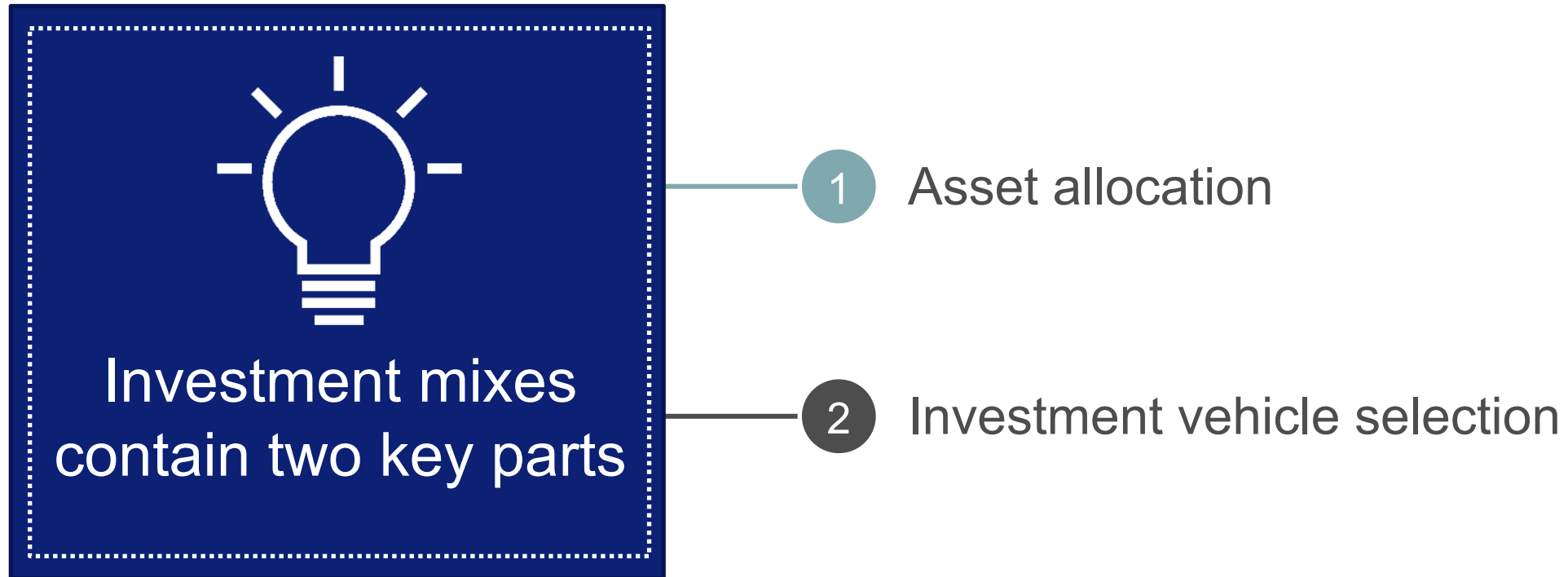
Potential benefits:

- ☐ Affordability
- ☐ Diversification
- ☐ Liquidity
- ☐ Professional Management



Portfolio Construction

Investing can be straightforward



Asset Allocation

What works best for **YOU**?



Asset Allocation

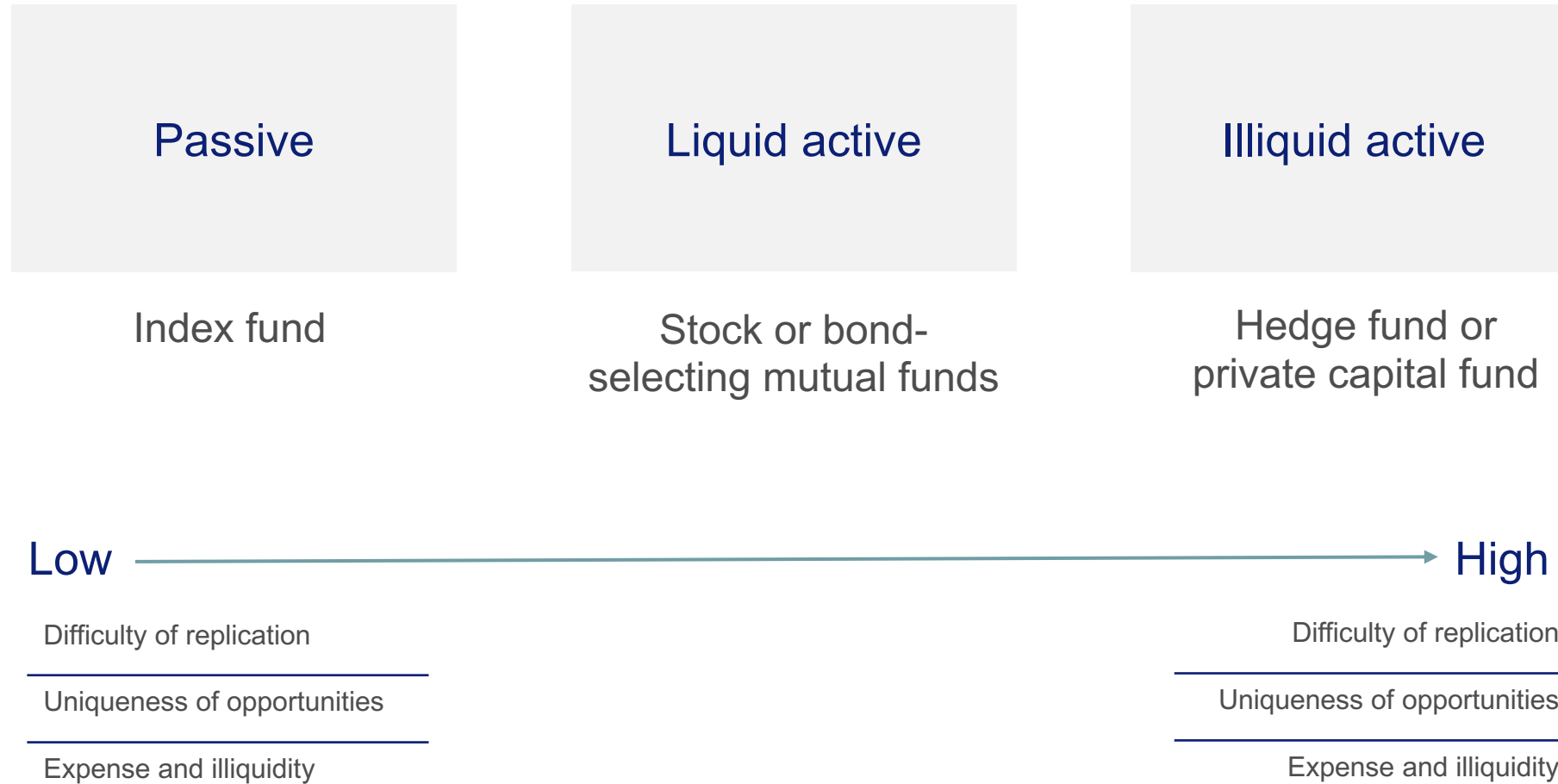
Dividing investments into different assets, such as stocks, bonds, and cash.

Factors to consider:

- ✓ **Time Horizon:** time (months, years) needed to achieve financial goal; with a longer time horizon, may be more willing to take on riskier investments
- ✓ **Risk Tolerance:** ability/willingness to lose some or all of investments for potentially greater returns

Diversification	Rebalancing
Allocating investments among different types of assets <i>Why?</i> Allow for the possibility that if one type loses money, others may make up for the losses	Bringing portfolio back to original asset allocation mix <i>Why?</i> Over time, holdings may get out of alignment with investment goals

Investment Vehicle Selection





Investing Tips and Resources

Common Mistakes Investors Make

- 1 Investing too conservatively
- 2 Not using debt advantageously
- 3 Failing to capitalize on tax breaks
- 4 Overpaying for mutual fund fees
- 5 Forgetting to rebalance an investment portfolio
- 6 Owning too much of your employer's stock
- 7 Not getting started!

How does compounding work and why is it important?

Compound interest:

Interest calculated on the principal amount invested. Essentially “interest on interest” or adding interest onto amounts already invested.

Consider this scenario:

Person A and Person B both have \$1,000,000 to invest at an annualized rate of return of 7.2%. Person A starts investing at the beginning of year 1. Person B starts investing at the beginning of year 5. How much money does each person have at the end of year 10?

“My wealth has come from a combination of living in America, some lucky genes, and compound interest.” Warren Buffet

The Power of Compounding



At the end of year 10, person A has \$486,592 more than person B!

	Person A	Person B
Principal	\$1,000,000	\$1,000,000
7.2% return on principal each year	\$72,000 × 10 years = \$720,000	\$72,000 × 5 years = \$360,000
Interest on interest	\$284,231	\$157,640
Total at end of year 10	\$2,004,231	\$1,517,640

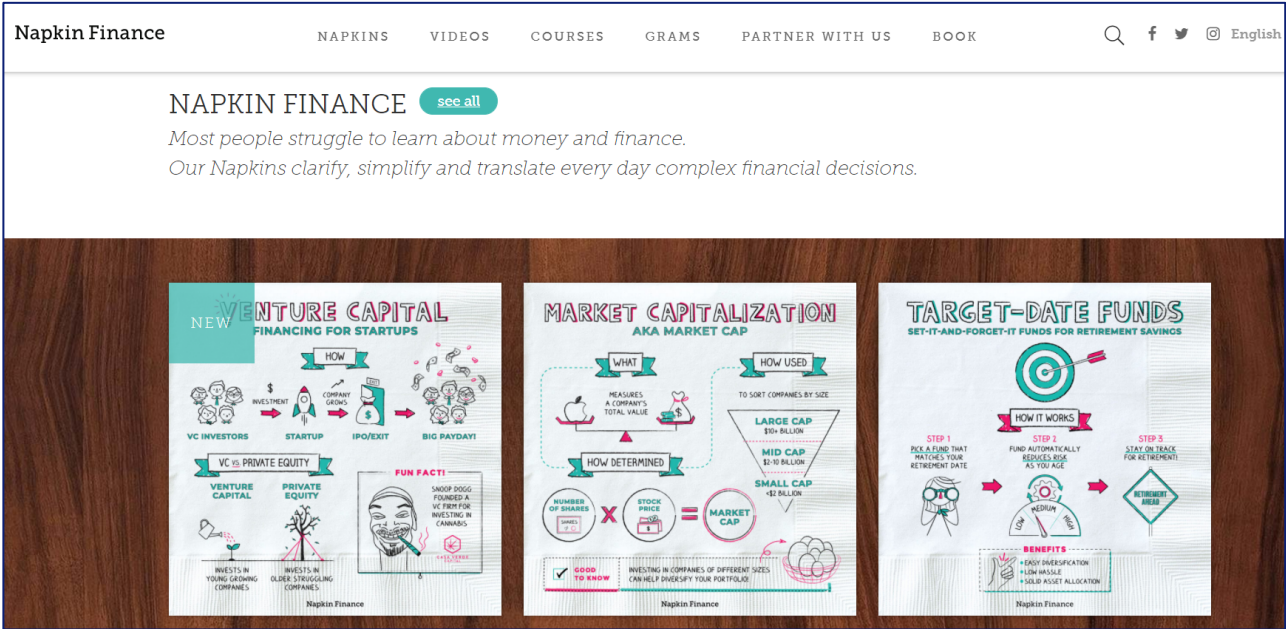
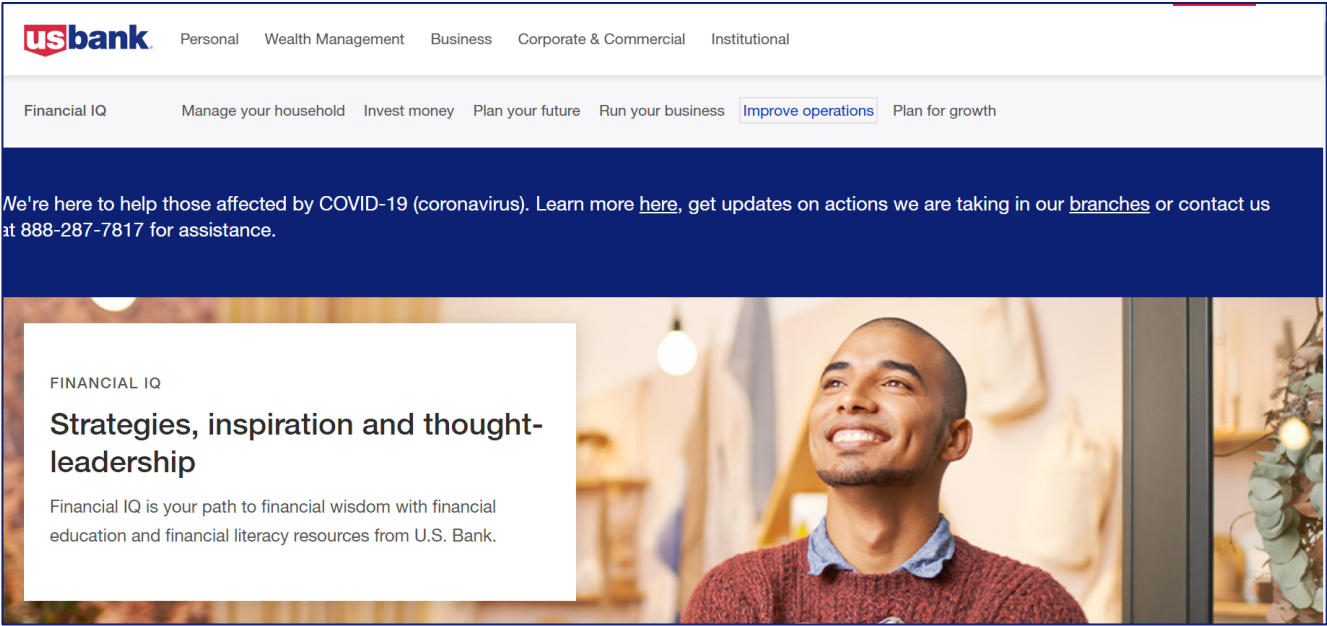
Choosing an Advisor

Consider a number of factors in locating a good fit:

- Is the advisor licensed? What is the advisor's experience and credentials?
- Does the advisor meets your needs/goals (are the products and services right for you)?
- What is the fee structure and what does that mean from a practical perspective?
- What are the account minimums?
- What types of services are offered and included in the fee?
- Are there any current promotions that may fit well with my situation?

Resources

usbank.com
Financial IQ



napkinfinance.
com



Closing & Questions



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