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left to right: Brenda C. Bolander, Joe Bowie, Randy Thurman, Carol Ringrose Alexander, Chad Rudy, and Andrew Flinton

Financial Briefs

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Objectives Help Focus Investing

On a broad basis, there are a few main investment objectives to help you accomplish your goals. Understanding these objectives is important because certain investment strategies and products are appropriate for one type of goal but perhaps not for others.

The following will provide an overview of the main investment objectives as well as how you can set your own.

Goal: Capital Appreciation

Capital appreciation is an objective for achieving long-term growth. If saving for retirement is one of your objectives, the strategy to meet it would most likely be to invest in a qualified retirement plan where the investments work for many years.

This objective is not only limited to a qualified retirement plan; it can also be about wealth building over many years. With a capital appreciation objective, you need to be confident that your portfolio is going to grow over time and not concern yourself with the day-to-day fluctuations of the market. You will want to watch for any changes with the companies you are investing in that could affect your long-term growth. And you should rebalance your portfolio if it strays from your asset allocation strategy.

Goal: Current Income

If your objective is to generate current income, you would most likely invest in stocks that pay a high dividend on a consistent basis as well as highly rated bonds. People who pursue a current income stream may be retired and use the income for living expenses. Others may use this strategy to pay for certain needs, such as a college educa-

tion, where they use the interest without touching the principal.

Goal: Capital Preservation

The objective is typically for those who don't want their account to fluctuate with the market, such as retired individuals concerned they don't have enough time to recoup losses from a bad investment or who are not concerned with

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Take Time to Reassess

Periodically, you should reassess your portfolio, finding ways to increase your comfort level with your stock investments. Consider the following tips:

- **Develop a stock investment philosophy.** Approach investing with a formal plan so you can make informed decisions with confidence, knowing you have carefully considered your options before investing.
- **Remind yourself why you are investing in stocks.** Write down your reasons for investing in each individual stock, indicating the long-term returns and short-term losses you expect. When market volatility makes you nervous, review your written reasons for investing as you did. That reminder should help keep you

focused on the long term.

- **Monitor your stock investments so you understand the fundamentals of those stocks.** If you believe you have invested in a company with good long-term prospects, you are more likely to hold the stock during volatile periods.
- **Review your current asset allocation.** Revisit your asset allocation strategy, comparing your current allocation to your desired allocation. Now may be a good time to rebalance your portfolio, reallocating some of those stock investments to alternatives.
- **Determine how risky your stocks are compared to the overall market.** You can do this by reviewing betas for your

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Objectives Help

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maintaining purchasing power. To meet a capital preservation goal, the strategy would be to invest in bank certificates of deposit, U.S. Treasury issues, savings accounts, and fixed income bonds, such as municipal bonds, other government bonds, and corporate bonds.

How to Set Your Own Goals

Most experts agree that goals-based investing is the best approach to reach investment goals. With this method, you set investment goals based on reaching specific life goals, such as buying a home, saving for a child's education, or saving for retirement. You consider each goal individually to set a time horizon and a risk level, so that you can develop an effective investment strategy.

To help you determine your comfort with risk and time horizon, ask yourself these questions:

- What is your intent for investing this money?
- When would you like to withdraw your money?
- Do you want your money to achieve substantial capital growth by the time you withdraw it or are you more interested in maintaining the principal value?
- What is the maximum decrease in the value of your portfolio that you are comfortable with?

Setting Your Goals

Once you have a better understanding of why you want to invest and what you are hoping to achieve, you want to be very specific when developing your goals. Your investment objectives are the foundation of your investment plan, so don't take them lightly.

There are various methods for setting goals, but one of the best to consider is the SMART goals format, which will help guide you through the process of setting your investment objectives. Following are the elements of the SMART format:

- **Specific** — make each goal spe-

No matter how often you prefer to monitor your stocks' performance, there are certain items you should consider. Here are five things to review as you monitor your stocks' performance:

- **Earnings** — Pay attention to the company's quarterly and annual earnings statements, which include comparisons with the recent past and often reviews of what management expects for the next quarter and year. Review the stock's earnings trend and how the company performs compared to analysts' estimates. Watch out for earnings surprises, which can cause rapid price changes up or down, and may indicate the start of a new stock price trend.
- **Price and dividends** — Follow the stock's price compared to its 52-week highs and lows. Examine its trailing total returns year to date and over the last one-, three-, five-, and 10-year periods. Look for changes in the absolute dollar amount of dividends and the current yield (the annual dividend divided by the current price).

Watching Your Stocks

- **P/E and PEG ratios** — Price to earnings (P/E) and price/earnings growth (PEG) ratios are often better indicators than the stock price as to how relatively expensive or cheap a stock is. The P/E ratio is useful for comparison to other stocks and the market, while the PEG ratio is a strong indicator of whether the stock is overpriced or underpriced compared to its projected earnings growth rate over the next five years.
- **Insider transactions and stock buybacks** — A company buying back its own stock or whose senior executives and directors are accumulating more shares is a bullish sign. On the other hand, when insiders are selling off major holdings of their own stock, it's quite often an indication that the stock price has peaked.
- **Sudden and large price changes on high volume** — When a stock makes a sudden, high-volume move — particularly when it opens much higher or lower than the previous day's high or low — it can be the start of a new, long-term trend. ■■■

cific and clear

- **Measurable** — make sure you define goals that can be measured
- **Achievable** — make sure it is realistic
- **Relevant** — make sure the goals relate to your life
- **Time-based** — assign a timeframe so that you can track your progress and know when the goal is achieved

After you have defined your goals, you will then want to determine a timeframe for each goal. You are not going to achieve all of your goals at once, so break them down by goal categories such as short, medium, and long term. You will then want to set a specific number of

months/years in which you want to achieve each goal.

Once that is complete, the final step is to determine a dollar figure for each goal. Some goals will be easier than others to define a dollar amount. For longer-term goals, such as retirement, education, or starting a business, spend the time to research what each of these could cost.

Once you have your goals clearly defined in some type of format, it will make it much easier to develop an investment plan, as well as a budget that includes your savings goals. Please call if you'd like to discuss this in more detail. ■■■

Reassess

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individual stocks and calculating a beta for your entire stock portfolio. Beta, which can be found in a number of published services, is a statistical measure of how stock market movements have historically impacted a stock's price. By comparing the movements of the Standard & Poor's 500 (S&P 500) to the movements of a particular stock, a pattern develops that gauges the stock's exposure to stock market risk. Calculating a beta for your entire portfolio will give you a rough idea of how your stocks are likely to perform in a market decline or rally. If your stock portfolio is riskier than you realized, you can take steps to reduce that risk by reallocating.

- **Keep the tax aspects of selling in mind.** While you may be tempted to lock in some of your gains, you may have to pay taxes on them if the stocks aren't held in tax-advantaged accounts. You'll have to pay at least 15% capital gains taxes (0% if your income falls below certain limits) on any stocks held over one year. If your gains are substantial, it may take longer to overcome the tax bill than to overcome a downturn in the market.
- **Consider selling stocks if you have short-term cash needs.** If you are counting on your stock investments for short-term cash needs, look for an appropriate time to sell some stock. With short-term needs, you may not have time to wait for your stocks to rebound from a market decline.
- **Don't time the market.** During periods of market volatility, investors can get nervous and consider timing the market, which typically translates into exiting the market in fear of losses. Remember that most people, including professionals, have difficulty timing the market with any degree of accuracy. Signifi-

NASDAQ Basics

The National Association of Securities Dealers Automated Quotations System, known as the NASDAQ, is the second-largest stock exchange in the world based on market capitalization. It trades both listed stocks and over-the-counter (OTC) stocks, and it is where most technology stocks are traded. Major stocks that trade on this exchange include Apple, Amazon, Microsoft, Facebook, and Oracle.

NASDAQ Is an Automated Trading Network

Unlike the New York Stock Exchange (NYSE), which has a trading floor, the NASDAQ trades stocks through an automated network of computers. It is open for trading between 9:30 a.m. and 4:00 p.m. just like the NYSE, but it offers pre-market and post-market hours as well.

The NASDAQ was established on February 8, 1971, by the National Association of Security Dealers in their quest to build the world's first electronic stock market. In the beginning, it couldn't execute trades, but provided automated quotations.

After several years, the exchange facilitated OTC trading. An OTC market is considered an informal market for trading securities. Unlike the NYSE, NASDAQ companies have less stringent reporting requirements, giving opportunities to new and unproven companies.

Eventually, the NASDAQ was able to offer online trading through

an automated trading system. In 2008, the NASDAQ merged with AMX ABO, which is a Stockholm-based operator of regional exchanges. Now, the NASDAQ lists more than 3,500 companies worth \$10 trillion and has the highest trade volume in the U.S. (Source: *The Balance*, December 8, 2019).

Accomplishments

The NASDAQ boasts many accomplishments over its history, including being the first exchange to trade electronically, introduce a website, store records in the cloud, and sell its technology to other exchanges.

NASDAQ Requirements

To be listed on the exchange, a company has to meet requirements based on their finances, liquidity, and corporate governance. They must also be registered with the Securities Exchange Commission (SEC) and have at least three market makers.

A company's stock will be listed on one of three market tiers based on its listing requirements:

- The Global Select Market is weighted based on market capitalization and has stocks of 1,200 U.S. and international companies.
- The Global Market is a mid-cap market made up of stocks of 1,450 companies in the U.S. and internationally.
- The Capital Market has a large list of companies with smaller market capitalizations. ■■■

cant market gains can occur in a matter of days, making it risky to be out of the market for any length of time.

- **Remember you are investing for the long term.** Even though short-term setbacks can give even the most experienced investors anxiety, remember that staying in

the market for the long term, through different market cycles, can help manage the effects of market fluctuations.

Please call if you'd like help implementing strategies to keep you comfortable with your stock holdings. ■■■

News and Announcements

From the Flinton Household

As the months of the Coronavirus outbreak lingers on, our family is settling into the reality of what our communities may look like for the foreseeable future. Although we continue to do our part and follow expert led guidelines, I have become acutely aware of just how wired we are for human connection and contact. This summer was filled with many days at the lake, outside at the pool, and various other activities, but to say it felt normal would be a lie. We've made the best of some unfortunate circumstances and occurrences, and look forward to more normal days to come.

Our daughters, Samantha and Emerson, have greatly missed their friends and are eager to get back to school, however we all have doubts that the year will have any semblance of normalcy. I have found myself studying the grade level curriculum guidelines for the girls, and planning our own course of action if schools shut down and go virtual for an extended period of time. Thankfully they are in 2nd and 4th grade respectively, so I can still appear to be rather smart in their eyes! While this outbreak has infiltrated almost every aspect of our lives, I have found solace in my morning coffee at sunrise, while reading outside with the surround sound of flowing water and singing birds. Hopefully you and your family have stayed healthy and are finding your own therapeutic release as well.

Wishing you a wonderful month,

Andrew Flinton, CFP®

From the Rudy Household

In May I celebrated ten years as a member of the Frisco Sunrise Rotary Club. It is hard to believe that I walked into that room not knowing anyone and now I could not imagine my life without the experiences Rotary has provided.

Some of my favorite moments include two trips to Honduras to help deliver on one of Rotary International's major initiatives of clean water. Closer to home, our fundraisers include an annual 5K run called Paddy Dash and a Flag Program where we partner with the Boy Scouts to deliver American flags to yards across the city six times a year. I also had the opportunity to serve two terms as our club President

and participate in the three-day Rotary Leadership training program.

When initially joining, I really had no idea of the impact Rotary would have on my family. We were able to host an exchange student from Italy which was a unique experience for the whole family. The girls have been active in many of our service activities and enjoy walking in the community parade. One of my daughters was even selected to the Rotary Youth Leadership Camp last summer.

Our weekly breakfast meeting and regular social events foster a great opportunity to develop many long-term friendships. I am looking forward to another ten years of Rotary experiences.

Chad Rudy, CFP®

From the Bolander Household

Our household is pretty boring these days. The hummingbirds don't even mind any more when we sit on the deck and watch them at the feeder. For entertainment, John and I work the crossword and Sudoku puzzles in the newspaper and anxiously await the next edition.

One thing about being home more, I have had more time to fully enjoy the musical wall clock I received as a birthday present a few years ago. The beautiful clock is made by the Rhythm Clock Company and called "Joyful Anthology". On each hour, the face of the clock separates into panels that rotate to reveal hidden Swarovski crystals and features that create interesting patterns as the clock plays a brief section from one of 30 familiar tunes. I can choose whether the melodies are from favorite hymns, well-known classical pieces, or for certain months of the year Christmas carols. While technically not a box, I consider this clock a wonderful addition to my music box collection, but the best thing about it is the way my grandson reacts each time it plays. Wherever he might be when the clock activates, he runs into the living room to watch it and dance around to the music. That is my definition of joyful!

Have a great month.

*Brenda C. Bolander,
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