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BETTERINVESTING

October 2023 | Vol. 73, No. 2

A person wearing a bright red jacket and a tan wide-brimmed hat stands with their back to the camera, looking out over a vast mountain range. The mountains are rugged and partially covered in snow, with a clear blue sky above. The foreground shows a rocky, brownish slope. The overall scene is one of a high-altitude mountain landscape.

AT THE PEAK

Tips for Investors in Their
Prime Earning Years

TECH'S SEA CHANGE
How AI Will Transform
The Investor's World

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The Never-Ending Search For 'Super Stocks'

Can ordinary investors pick the next Apple?

Nearly 40 years ago, Ken Fisher, an investment analyst and author, published his first book, a best-seller entitled “Super Stocks.” Fisher’s intriguing title offered some new tricks for identifying public companies whose stocks contained hidden potential to produce returns far in excess of the broad market and for long periods of time.

Like most methodologies, Fisher’s have had their ups and downs, adherents and critics, over the decades. The man himself has achieved billionaire status as the head of his fee-based, ubiquitously advertised investment advisory business. Fisher is credited with a system that relied heavily on a firm’s “price-to-sales” ratio for judging its valuation in relation to growth potential — an analytic tool that has fallen short of mainstream acceptance.

Yet the quest to spot the next Apple or Amazon — companies that begin selling for pennies and grow spectacularly into empires — remains very much alive in the minds and hearts of investors. The two main approaches to unearthing such gems are quantitative (numerical analysis) and qualitative (aspects of a business that stimulate outsize growth and profitability) — or some blend of the two.

As a matter of fact, the stocks that have earned “super” status for spectacular performance do play an outsize role not just for the lucky few who have owned and held them for long periods of time. The top 20 performing stocks in the S&P 500 — mainly names in the tech sector — were credited for the entire gain of the index as of late May.

One might fairly ask: Can a non-professional investor reasonably expect to find and own fairly-priced stocks with outsized potential, names that one day will drive the major indices?

Such an outcome isn’t certain and the search for candidates isn’t a waste of time. Applying tried-and-true fundamental methods of analyzing companies to new industries and unfamiliar names does produce satisfying results.

The relatively new biotech sector, for example, continues to spawn companies with promising therapies for treating disease. Artificial intelligence is another industry poised for growth. Which companies in these fields are the best capitalized? Which have medicines already approved for public use? Do any new AI programs already produce positive cash flow or profit? Are revenues growing? Does a low price-earnings ratio suggest that the shares of an out-of-favor company might be ripe for purchase?

Add a handful of such companies to a portfolio filled with familiar names, monitor their progress and increase or decrease positions based on growth and management’s fulfillment of projections.

Following the principles and using the online tools that have yielded successful investments always is a good idea and — who knows? — may yield an unexpected super stock.

The top 20 performing stocks in the S&P 500 — mainly names in the tech sector — were credited for the entire gain of the index as of late May.

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PERFORMANCE PARAMETER	AT 7/31/2023	5-YR CHANGE ANNUALIZED
BetterInvesting 100 Index (BIXX)	568.79	9.95%
BetterInvesting 100 Index (BIXR – Total Return)	812.47	11.44%
S&P 500 Equal-Weight Index (Total Return)	12,170.92	10.27%
Vanguard Total Stock Market (CRSP U.S. Total Market)	113.13	11.15%
Dow Jones Industrial Average (DJIA)	35,559.53	9.30%
S&P MidCap 400 Index	2,728.44	8.28%
Russell 2000 (Small-Cap Index)	2,003.18	5.31%
Nasdaq Composite	14,346.02	14.35%
MSCI EAFE (Europe, Australasia, Far East) Index	2,090.63	1.05%
MSCI Emerging Markets Index	1,046.91	(0.76%)
Value Line Arithmetic Composite	9,721.94	8.66%
Consumer Price Index (July)	305.69	3.94%

Sources: Yahoo Finance, Value Line, Bureau of Labor Statistics, MSCI, Standard & Poor's, Solactive, Google, FTSE Russell

MOST ACTIVE LIST: BUBBLING UNDER

Disney, a favorite among users of myICLUB accounting software, lately is among the very few stocks experiencing a preponderance of sellers over buyers. The company's leadership turmoil, reflected by the return of former CEO Bob Iger, may be a factor. Additionally, Disney is locked in a very competitive struggle with other streaming companies for a share of viewers' attention. Most recently, the company announced a price increase and has vowed to stamp out password sharing. Theme park crowds are observably thinner. On the plus side, the cruise business is gaining strength.

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MOST ACTIVE LIST

Here are the companies attracting the interest of the BetterInvesting community, according to about 1,867 transactions by users of myICLUB club accounting for the trailing eight weeks ended Aug. 8.

Our thanks to ICLUBcentral for this information.

We maintain a Most Active List at BetterInvesting website's homepage, and a monthly list is published at:
www.myiclub.com

COMPANY (TICKER)	BUYS-SELLS
1. Apple (AAPL)	80-90
2. Nvidia (NVDA)	108-55
3. Alphabet (GOOG)	91-42
4. Amazon (AMZN)	96-34
5. Microsoft (MSFT)	90-29
6. Tesla (TSLA)	77-21
7. Adv. Micro Devices (AMD)	49-30
8. Visa (V)	60-18
9. Disney (DIS)	31-47
10. Pfizer (PFE)	35-29
11. Verizon (VZ)	46-15
12. United Health Grp. (UNH)	43-10

NOS. 13-40 WITH BUY-SELL RATIO OVER 2:1

Transactions for trailing 8 weeks ended Aug. 8.

COMPANY	TICKER	BUYS	SELLS	TOTAL
NextEra Energy	NEE	32	15	47
Charles Schwab	SCHW	36	4	40
Taiwan Semi. Manu.	TSM	29	6	35
Eli Lilly	LLY	28	6	34
McDonald's	MCD	24	10	34
Schwab Treasury Oblig.	SNOXX	20	8	28
Palantir Technologies	PLTR	22	4	26
Delta Air Lines	DAL	20	4	24
Devon Energy	DVN	16	8	24
Palo Alto Networks	PANW	20	3	23
PepsiCo	PEP	18	3	21
Fortinet	FTNT	17	4	21
Procter & Gamble	PG	14	7	21
CrowdStrike Holdings	CRWD	16	4	20
Shopify	SHOP	15	5	20
Chevron	CVX	14	6	20
Enphase Energy	ENPH	17	2	19
Tractor Supply Co.	TSCO	14	4	18
Adobe	ADBE	12	6	18
Fidelity Gov. Money Mkt.	SPAXX	14	3	17
Cisco Systems	CSCO	13	4	17
Rivian Automotive	RIVN	13	4	17
CSX	CSX	12	5	17
Deere & Co.	DE	12	5	17
Invesco QQQ Trust	QQQ	12	5	17
InMode	INMD	14	2	16
Ulta Beauty	ULTA	12	3	15
Vertex Pharmaceuticals	VRTX	12	3	15

The list is presented as a source of stock study ideas. No investment recommendation is intended.

Source: myICLUB



Cash in on Your Childhood Hobbies

Clean out your closet and clean up financially with your collectibles.

by Alfred Lawler

I vividly remember receiving my first complete set of baseball cards. I was 8 years old and my grandparents were visiting. They walked through the front door carrying two rectangular boxes whose contents changed my life.

That set of Topps 1990 baseball cards remains in my possession to this day, along with its numerous mint condition rookie cards, including Frank Thomas, Sammy Sosa, Curt Schilling and Ken Griffey, Jr. However enthused I was to begin my card-collecting hobby, I failed to realize the enormous store of value they can provide.

Some of them, from my 1990 set and others, are now valued in the thousands. (The decades-old sticks of gum in some of the packs didn't age as well.) But what if your mother committed the heinous crime of selling your cards at a yard sale when you went off to college? Or if, despite your love of the game, you never developed a robust collection?

CROWDFUNDING AND REGULATION

In April 2012, President Obama signed the Jumpstart Our Businesses Startup (JOBS) Act. In 2015, the Securities and Exchange Commission adopted Regulation Crowdfunding, and the rest — as they say — is history. Previously, these opportunities were reserved for accredited investors; those who:

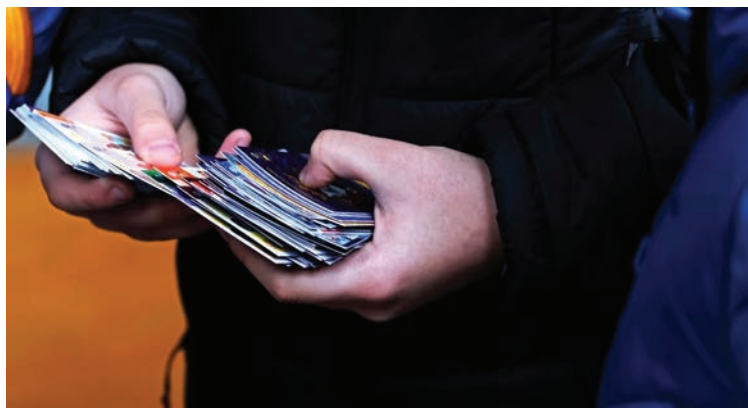
- Have \$200,000+.
- A net worth of \$1 million+.
- Or are in good standing with a Series 7, 65 or 82 license (for brokers and investment advisers).

Not anymore. Because of the JOBS Act, investors no longer have to be accredited to take advantage of these alternative assets. And thanks to a little-known provision of the act, Title III established crowdfunding, which allows early-stage businesses to sell securities to retail investors. Importantly, this doesn't just apply to startups whose ultimate goal is to go public.

Companies can now use Regulation A to securitize anything from cigars to classic video games similarly to how a company would register an initial public offering (IPO) with the SEC. Therefore, shares of alternative assets can be sold to investors interested in things like Sandy Koufax's 1955 Topps card, which is currently valued at \$100,000 and provided investors with a 177% profit from its IPO on the platform Collectable.

INVESTING ON COLLECTIBLE PLATFORMS

In the past year, this magazine has discussed fractional investing in trophy assets once reserved for the wealthy,



including luxury vehicles, designer handbags, watches and jewelry, fine art and wine collections. But platforms that securitize collectibles have branched out beyond luxury goods, with some now specializing in niches — like memorabilia and sports cards. Not everyone can own Mickey Mantle's 1952 Topps card, but now you can purchase fractional ownership in it thanks to these platforms.

From the aforementioned site Collectable to another called Rally, investors now have numerous options to invest in specific categories of collectibles. And the returns produced from these securitized assets have trounced the average returns of major indices like the S&P 500.

According to Collectable, which has processed more than \$50 million in transactions, the average return on investment (ROI) for exited assets over the past five years is an astounding 60%. For comparison, the average return of the S&P 500 over the past 20 years was 10.05%. Recently, Collectable had an exit that saw a three-card set — Larry Bird, Magic Johnson and Julius Erving — net \$720,000 and provide investors with a 104.5% ROI.

There are conditions. Collectable charges a sourcing fee between 1%-10%, a 1% trade fee and takes a percentage of each sale. Liquidity can be an issue, too. If you want to unload your shares before the exit, you'll have to list them on Collectable's secondary market. Rally doesn't charge fees and has a broader range of collectibles. But its assets can be sold without a vote and the platform provides limited analytics.

Making money from collectibles no longer requires you to dust off old cards, get them authenticated and go through the hassle of listing and selling on eBay. Thanks to SEC-regulated platforms, investors now have the chance to turn their passions into profits with a veritable portfolio of collectibles.



What AI Means for the Economy and the Market

Pervasive new technology will transform how we work, invest.

by Thomas D. Saler

For the better part of the 21st century, U.S. technology companies largely built upon existing product lines to expand their reach into the daily lives of Americans. Yet for all their successes, there were relatively few recent innovations that quite compared to the promise (and peril) of the tech industry's long-awaited Next Big Thing — artificial intelligence (AI). AI's recent roll-out after decades of development is being compared to the internet's "Netscape moment" in 1994, and even more profoundly, to the deeply transformative effects of electricity and the wheel.

A study by the consulting firm McKinsey & Company asserted that AI could boost U.S. GDP by \$10 trillion by 2030, mostly by raising the economy's paltry productivity growth rate, which has languished at just 1.4% since 2005 (see *Websites of Interest*). A report from Goldman Sachs Research is only slightly less optimistic, projecting generative AI to give a \$7 trillion jolt to the global economy over the next decade while boosting productivity by 15%. A separate Goldman report cautioned, however, that AI will "expose the equivalent of 300 million full-time jobs to automation" worldwide, though many jobs could still exist alongside AI.

Displaced workers might take some comfort in the likelihood that AI will create jobs in fields that can only now be imagined. A working paper published by the National Bureau of Economic Research found that over half of current occupations didn't exist in 1940. According to Northwestern University professor Benjamin F. Jones, "One way to think about AI is as continuing the process of automation but targeting mental or cognitive tasks that humans do as opposed to physical tasks."

From an investment standpoint, AI depends upon unimaginably small and enormously powerful computer chips, thus making the semiconductor industry prime territory for investor capital seeking a profitable piece of the action. Over the eight months through June, the iShares Semiconductor Exchange-Traded Fund (ticker: SOXX) soared a whopping 65%, or four-times that of the equal weighted S&P 500.

Quick gains of that magnitude rightfully raise the specter of the dot-com bubble of the late 1990s, though many of the darlings from the irrational exuberance era had little or no earnings, and no reasonable prospects for such. Current valuations notwithstanding, many of the AI favorites are well-known and already profitable — and quite likely to stay profitable for the foreseeable future.

One way or another, the vast majority of global businesses eventually will buy AI products and services, or be the direct beneficiaries of demand for those products and services. Shortly after AI began making daily headlines in the spring, the cutting-edge graphic chips company Nvidia was widely perceived to be the best-positioned company to benefit. Not surprisingly, Nvidia stock skyrocketed, causing portfolio managers and retail investors to look elsewhere, while letting their Nvidia shares run — and run. The expanded search turned up the usual suspects, including IBM, Microsoft, Alphabet and Meta Platforms, as well as a handful of lesser-known names.

Tech's latest Big Thing is a very big deal. It is not remotely like the misbegotten crypto craze, and has important differences from the dot-com frenzy. For better or worse — and probably both — AI will matter to how we live and how we invest for decades to come.

Websites of Interest

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Opening Doors for Everyone

Immigrants' daughter cites impact of generational trauma on finances.

by Angele McQuade

Young and in debt, “financial hype woman” Berna Anat used Google to learn about money, documenting everything on social media. In time, she saved enough to quit her job, then traveled the world as she built her own business. I was already a fan thanks to her lively, thought-provoking financial videos online (where she has more than 100,000 followers), and her new book, “Money Out Loud: All the Financial Stuff No One Taught Us,” delivers in the same delightfully conversational way.

“As a Filipina-American first-generation child of immigrants from a low-income family with zero financial background,” Anat writes, “I was confused, embarrassed, and dehydrated. (From the crying.)” This snappy, engaging voice and the vibrant illustrations throughout by Monique Sterling made this one of my favorite financial reads in years.

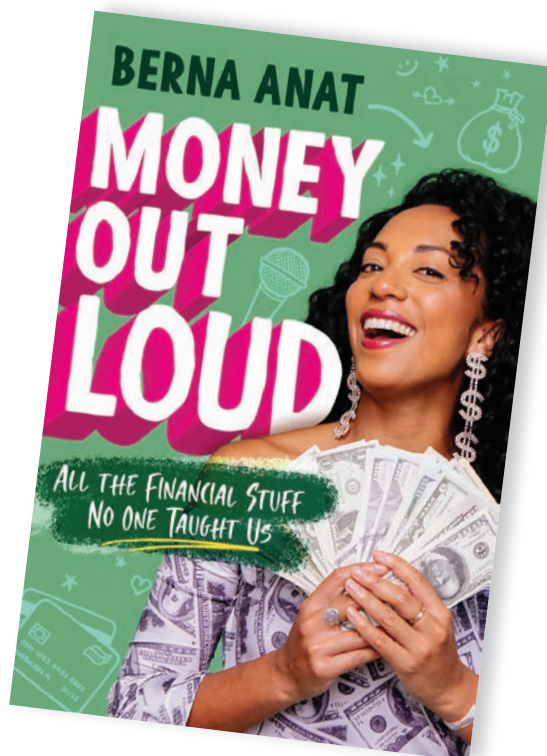
At its heart, this is a book for people who can't turn to their parents for money advice because they're trying to figure it all out, too. It's especially relevant for readers of color, those (like me) from immigrant families and anyone who's ever felt left out or unseen by other financial books. And though it's technically written for teens, “Money Out Loud” will appeal to almost any reader looking for financial education.

WHAT I LIKED: How deliciously irreverent Anat's writing is, starting with chapter titles like Hella Feeling (aka Your Money Story), Hella Control (aka Budgeting), and Hella Prepared (aka Credit Cards & Student Loans) and ending with this very specific prescription: “One last rule: You gotta have fun. I demand it. I require it. The whole point of this book is for you to enjoy your money and the things it unlocks for you.”

WHAT I LOVED: The discussion of the effect generational financial trauma can have on our money habits. I'm the daughter of parents who learned English as a second language and moved to the U.S. from economically depressed hometowns to give their future children a better life, sacrificing close relationships with their own families. Their decision — and their first financially unstable decades as immigrants — ingrained permanent tread marks on their money beliefs they then unconsciously passed on to us kids. This is the first book I've read that truly addresses this generational effect I've lived in my own immigrant family (an effect far more intense for families that aren't white like mine), as well as ways to break those toxic, unrecognized patterns and replace them with new, healthier ones.

WHAT MAKES MONEY OUT LOUD WORTH

BUYING: The inspiration and mood boosters on almost



“Money Out Loud,” Berna Anat, Quill Tree Books/HarperCollins (2023), paperback (\$15.99) and ebook, 258 pages.

every page. Anat puts a huge focus on celebrating all our milestones, and also using the money we accumulate not only to fund our big dreams, but also make the world a little better (or, as she puts it, “suck less”).

READ “MONEY OUT LOUD” IF: You've been yearning to see your own money experiences reflected in a book, or you know someone else who deserves to feel seen. Berna Anat's way of teaching is welcoming, illuminating, and above all, hella fun.

Websites of Interest

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Angele McQuade has been the Book Value columnist for 23 years. Angele's the author of three books, including BI's upcoming new youth investing handbook. She lives in Maryland. Have a book to recommend? Email: angelemcquadeauthor@gmail.com.



The Benefits of Health Savings Accounts

Conserve tax-free cash for medical expenses now and in the future.

by Matt Mondoux, CFA®, CFP®, CMT®



When it comes to saving for retirement, Health Savings Accounts (HSAs) are not usually top of mind. HSA accounts are often lauded for the near-term tax benefits provided for qualified medical expenses; however, their longer-term benefits should not be overlooked. Given that health care-related costs are expected to continue

rising, HSA features provide investors a way to plan, not only for health care today but also for retirement.

Taking a step back, HSAs are available to individuals and their families whose health insurance is covered by a high-deductible health plan (HDHP). The Internal Revenue Service defines, based on either self-only or family coverage, the minimum and maximum annual deductible for a health plan to be considered eligible for an HSA. Distributions taken from an HSA to pay for qualifying medical expenses are generally tax-exempt.

In 2023, the HSA contribution limits are as follows: \$3,850 for self-only coverage and \$7,750 for family coverage. Individuals over the age of 55 are entitled to a catch-up contribution of an additional \$1,000. These tax-deferred contributions can be made in addition to tax-deferred retirement savings in individual retirement accounts (IRAs) and 401(k)s. Note: These contribution limits are for employee and employer contributions combined.

There are three primary similarities that HSA accounts share with more traditional retirement accounts such as 401(k)s and IRAs:

- 1. HSA account contributions are tax-deferred.
- 2. Market (appreciation), dividends and interest income from investments are tax-exempt.
- 3. The account balance can be rolled over year-to-year. This feature distinguishes HSA accounts from flexible spending accounts (FSAs).

Saving in your HSA can be invested similarly to other retirement savings vehicles. Most HSAs, like 401(k), offer a menu of investment choices that provide the opportunity for appreciation of the original contributions. Paying for medical expenses out of pocket (i.e., not taking qualified distributions from your HSA) is another way of maximizing the funds available for health care expenses later in retirement.

It's important, however, to save the receipts of unreimbursed medical expenses. You can make a qualified distribution from your HSA at a future date if you meet three conditions. First, you were covered by an HSA in the year the expense was incurred. Second, you didn't take the expense as an itemized deduction in that year. Lastly, the expense wasn't previously paid or reimbursed from another source.

The real power comes from having a large source of funds for health care related-expenses when cash flow from employment has stopped and health care is a larger part of the budget. Unlike distributions from IRAs, which are taxed at ordinary income rates after age 59½, distributions from an HSA account for qualified medical expenses are tax-exempt. Funds in HSAs are eligible to be used to make Medicare premium payments. The potential tax savings can be significant, as fewer withdrawals from IRAs are needed to fund medical expenses.

Additional flexibility in distribution options exists once the account holder turns 65, if the funds are deemed to not be needed for medical expenses. At that point distributions are eligible to be taken without penalty; however, if distributions are not for a qualified medical expense, ordinary income tax will be owed.

Please refer to the [IRS.gov](https://www.irs.gov) website for IRS guidelines related to HSAs. The IRS updates and publishes the most recent guidelines for HSAs as they relate to HDHP deductibles, maximum annual HSA contributions, withdrawal rules and much more.

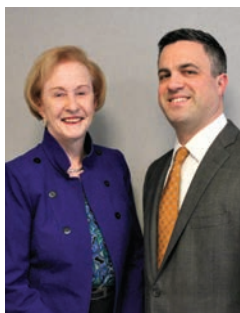
Matt Mondoux, CFA®, CFP®, CMT®, sits on the investment committee and is an adviser at Blue Chip Partners, Inc., a privately owned, registered investment advisory firm based in Farmington Hills, Michigan. Visit: www.bluechippartners.com



Social Security Basics

When to sign up and maximize payout hinges on your own situation.

by Alexandra Armstrong, CFP®, CRPC® & Christopher Rivers, CFP®, CRPC®



One of the most frequent questions our clients ask is when to claim Social Security retirement benefits. We wish we could tell you there's one ideal age at which to start receiving Social Security, but it really depends on your circumstances.

But to help you make the decision that is right for you, we will review the rules for taking Social Security, discuss how the timing can make a big difference and cover a few special situations for those who have divorced or lost a spouse.

WHEN CAN I START RECEIVING SOCIAL SECURITY?

Your full retirement age (FRA) is the age at which you can receive unreduced benefits. For those born after 1943 but before 1955, your FRA is age 66. For those born between 1955 and 1960, the FRA starts at 66 years and two months, and increases by two months each birth year to 1960. For those born in 1960 or later, full retirement age is 67 (see chart at right).

You have the option of claiming retirement benefits as early as age 62, but your benefits will be reduced for each month under full retirement age and the reduction can be as high as 30%. For example, a person eligible to receive \$1,000 per month at age 67, would receive only \$700 per month if benefits began at age 62.

If you're married, your spouse is eligible for a spousal benefit of 50% of your benefit. If your spouse's own benefit would be higher, then your spouse will automatically receive his/her own benefit instead (with one exception, which we cover at the end of this article). Here again, you can receive spousal benefits as early as age 62, but the payment will be reduced from the full spousal benefit available at full retirement age.

To review your estimated benefits, full retirement age and earnings each year, you must set up an account with the Social Security Administration and access the report online at www.ssa.gov/myaccount.

WHAT FACTORS SHOULD I CONSIDER IN DECIDING WHEN TO RECEIVE SOCIAL SECURITY?

Based on average life expectancies, a lower benefit paid for a longer time will add up to the same as a higher amount paid over a shorter period. So why not take benefits as soon as possible?

Social Security: Full retirement age by birth year

Birth year	Full retirement age
1943-1954	66
1955	66 and two months
1956	66 and four months
1957	66 and six months
1958	66 and eight months
1959	66 and 10 months
1960 and later	67

Most people don't die at the average life expectancy, so you have to consider your expected longevity based on your family history and your own health. You may end up receiving Social Security income for a lot longer than you think.

Once you know the amounts that would be paid to you at 62, your full retirement age and age 70, you can compute your break-even point to determine how long you'd have to live for delaying benefits to make sense.

This is the point at which the cumulative amount of benefits you receive if you delay benefits equals the cumulative amount paid to you if you started receiving them earlier.

It's important to know that when you claim early benefits, they're permanently reduced. There's no increase when you reach your full retirement age. But if you need the income at 62, you may not have the luxury of opting to wait for the higher benefits.

If you took benefits early, but then want to change your mind, you can do so within the first 12 months. This would then allow you to avoid the reduction to your benefit from claiming early and claim your full benefit at FRA. In order to make the change, you must submit a form (SSA-521) and repay any benefits you have received to date.

IS THERE A REDUCTION IN SOCIAL SECURITY INCOME IF YOU'RE STILL WORKING?

If you're still working at age 62, your benefits will be further reduced if you earn over a certain amount each year. If you continue to work between the ages of 62 and your full retirement age, you forfeit \$1 of Social Security benefits for each \$2 your earnings exceed \$21,240 in 2023.



This figure is indexed annually for inflation and is different in the year you reach FRA.

For example, let's say Anna retires from her full-time job at age 65 and is eligible for \$1,200 per month from Social Security. She then picks up a part-time consulting gig and expects to earn \$23,640 in 2023. If she were to claim Social Security benefits, they'd be reduced by \$156 per month:

$$\begin{aligned} \$25,000 - \$21,240 &= \$3,760 \text{ in excess earnings} \\ \text{divided by } 2 &= \$1,880, \text{ or } \$156.67 \text{ per month} \end{aligned}$$

Note that once you reach your FRA, there's no reduction in benefits if you continue working.

WHAT'S THE BENEFIT TO ME IF I WAIT PAST FRA TO COLLECT SOCIAL SECURITY INCOME?

Another piece of the Social Security puzzle is the delayed-retirement credit. If you wait until after your full retirement age to apply for benefits, you'll receive a credit that boosts your income. The credit is applied for every month you delay past FRA at the non-compounded rate of two-thirds of 1% per month, or 8% per year.

There's no incentive to delay benefits past age 70, since the delayed-retirement credit won't apply after you've reached that date. So we've narrowed down the Social Security decision to somewhere between ages 62 and 70. That's still a wide range, but based on how long you expect

Your full Social Security retirement age is the age at which you can receive unreduced benefits.

to live, your need for additional income or your plans to continue working after age 62, you may already be starting to get an idea of what makes sense for you.

Spousal benefits are not eligible for delayed credits in the same manner. Spousal benefits are limited to 50% of the other spouse's income at full retirement age.

DELAYED CREDITS – AN EXAMPLE

Let's assume we have a married couple named Ted and Lisa, who are set to retire at age 67, when they have reached full retirement age. Ted is eligible for a Social Security benefit of \$2,000 per month, or \$24,000 per year, based on his career earnings. Lisa is also eligible for a benefit of \$24,000 per year, based on her career earnings.

If both began their benefits this year, they would receive a total of \$48,000 per year. If both wait until age 70, they would each be eligible for an increased benefit of at least \$29,760 per year, or \$59,520 total. However, they would have given up the \$48,000 per year between age 67½ and 70, a total of \$144,000.

In order to make up for the nearly four years of income they skipped between age 67 and 70, they would each need to live past age 82½. This is their break-even



READY TO FILE? You may claim Social Security benefits as young as age 62, but your checks will be smaller.

point beyond which they will receive more total dollars from Social Security by waiting and earning delayed credits. If one or both should die before age 82½, they would have been better off taking benefits at age 67. In addition to the 8% each year increase, the benefits may also increase due to inflation.

As you can see, there is some guesswork involved in choosing the best strategy, as none of us know how long we'll live!

DIVORCE AND DEATH

If you have experienced divorce or the death of a spouse, there are special provisions in place that allow you to draw on your former spouse's record.

If you and your spouse are divorced, you may still be eligible for the 50% spousal benefit on your ex's earnings record, subject to several requirements.

The marriage must have lasted at least 10 years and you must not be currently remarried. In addition, you and your ex-spouse must each be at least 62 years old.

If you meet those conditions, you are eligible to receive 50% of your ex-spouse's benefit at full retirement age. Filing for this benefit has no direct effect on your ex — it does not affect his benefit in any way, he does not need to claim his own benefit at the time you file and he is not notified that you've filed based on his record.

In the case of a deceased spouse, survivors are eligible for a survivor's benefit beginning at age 60, provided you were married for at least nine months. If the survivor files at full retirement age, they are eligible for 100% of the deceased spouse's benefit. If you file before FRA, your benefit may be reduced by up to 30%, similar to the early filing reductions mentioned above.

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Personal Finance and Risk Management

Controlling your exposure to life's mishaps is another tool for investors.

by Malik Lee, CFP®, CAP®, APMA®



Risk is one of the most pervasive themes we encounter in our lives. Whether we're looking to avoid the risk of legal action in business, reduce the exposure of loss from a transaction or protect an asset, IBM Vice Chairman Gary Cohn's quote still rings true:

"If you don't invest in risk management, it doesn't matter what business you're in; it's a risky business."

Corporate giants, regulatory bodies, the public sector and international conglomerates are all taking a seat at the risk management table as well, as the global risk management industry is expected to reach \$28.87 billion by 2027. Perhaps these stakeholders are hoping that \$29 billion worth of prevention equates to a little bit more than a pound of cure.

WHAT IS RISK MANAGEMENT?

Risk management is the process of identifying, assessing, and controlling risks to your personal or professional well-being (or the well-being of an organization). These risks include legal, strategic, financial and security threats and can originate from a wide variety of sources, such as legal liabilities, poor strategic decision-making, accidents, natural disasters and financial uncertainty.

Fortunately, there are tried and true techniques that individuals and businesses can employ to mitigate these risks. Those strategies are avoidance, retention, sharing, transferring and loss prevention.

- **Avoidance is when you don't participate** in a risky activity in its entirety. For example, risk-averse investors may not participate in the stock market during high periods of market volatility.

- **Retention and acceptance means acknowledging** that a certain risk is unavoidable — and accepting the consequences. For instance, someone who lives next door to a baseball field buys all the necessary insurance on their home, but baseballs are constantly breaking their windows. Because the average cost to fix the window is much lower than the deductible, they are comfortable accepting this risk.

- **Sharing is when you partner** with a company or individual to share in mitigating the risk. In theory, the more people who share in the risk, the more the cost to hedge against the risk should shrink. A great example of

this is how employers and employees share in the cost of employee benefits.

- **Transferring is when an individual shifts** the burden of risk to an insurance company. This strategy is the foundation of life insurance, as the insured transfers the risk of passing away prematurely to an insurance company.

- **Loss prevention and reduction** is when you attempt to minimize the risk through education or preventive measures versus completely eliminating the risk. For instance, you might take defensive driving courses to become a safer, less accident-prone driver (and keep premiums low) or get an annual mammogram to safeguard against cancer.

When individuals are trying to figure out which risk management strategy works best for them, cost is often the driving factor. But you should also consider risk appetite and risk tolerance as they play a foundational role in proper risk management.

APPLICATIONS OF RISK MANAGEMENT

While there are a myriad of ways to safeguard against unwanted risks, let's focus on a few different real-world strategies that will help you protect your financial assets and income.

■ Investment-Related Risk Management

In times of high inflation, like what we're experiencing now, inflation-adjusted market investments such as Treasury Inflation-Protected Securities (TIPS), floating-rate bonds or a high-yield savings account can help protect your cash on hand from depreciating. Likewise, inflation-protected assets, such as income-producing property or inelastic commodities like gold or crude oil, can help protect your dollars from losing value greater than the inflation rate during a moderate- to high-inflationary environment.

Other forms of investment-related risk management are hedging and building a diversified portfolio. Hedging can be enacted through the writing of covered calls or puts to protect gains or minimize losses. Building a diversified portfolio that is uncorrelated through asset allocation will aid in minimizing volatility, which in return can minimize losses, too.

■ Health-Related Risk Management

According to a study from the Department of Health and Human Services, about 70% of Americans who reach age 65 will need some long-term care during their



remaining years and almost half receive some type of paid care in their lifetimes.

Long-term care insurance can fill in the gaps and provide a risk transfer opportunity in case you are ever unable to perform two of the six basic daily living activities. (See *Websites of Interest*.) Some life insurance and annuity riders (policy-add ons) may also provide similar benefits to a long-term care policy.

■ Income-Related Risk Management

While most people may not consider themselves an asset, our ability to earn income is our greatest asset. Maintaining disability income insurance can act as a hedge against lost income in the case of a short- or long-term period in which you aren't able to work. Insurance policies can replace up to 60% of your income in most cases, while premiums will cost you around 1% to 3% of your annual salary. You can use proceeds from the policy to maintain your family's standard of living until you are able to work again.

Despite the perceived benefit of disability income insurance, a LIMRA study found that only a mere 14% of the population holds coverage. Half said they would face financial hardship within six months of a disability.

In closing, understanding risk management is a key aspect of building a strong investment portfolio that works for you.



Websites of Interest

"Activities of daily living: What are they and how are they used?," Robyn Correll, Care.com; Feb. 16, 2023
www.care.com/c/activities-of-daily-living/

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FINANCIAL PLANNER

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For surviving spouses, there is an exception that provides a key planning opportunity. Unlike other situations, in the case of a deceased spouse you may file what is called a "restricted claim" for spousal benefits.

In this instance, you receive your deceased spouse's benefits, while deferring your own. Deferring your benefit past FRA allows you to earn the 8% annual increase on your benefit, while receiving your spouse's for delaying each year past full retirement age. Then at age 70, if your benefit is higher, you switch over to your benefit.

THE FUTURE OF SOCIAL SECURITY

A report released in 2021 stated that the Social Security trust fund is expected to be depleted in 2034. We expect changes will be made so that the funds won't run out, although they may not happen soon. The proposed solutions include increasing the FICA (Federal Insurance Contributions Act) taxes workers' pay, increasing the amount of benefits subject to taxation, reducing the cost-of-living increases and increasing the retirement age.

Similar changes were made when we faced this predicament in 1983. Congress and President Reagan reached a bipartisan agreement to increase the retirement age and amount that was taxed.

We think that Social Security will continue to play a significant role in your retirement planning. As we mentioned at the beginning of this article, everyone's circumstances are unique, and once you have made a choice it is difficult if not impossible to reverse, so it is crucial that you work with a financial planner to figure out what is best for your situation.

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Direct Registered Shares: Know the Facts

Securities will be issued in your name, rather than that of a broker.

by Gerri Walsh, president, FINRA Foundation and senior vice president, Investor Education



As an individual investor, there are several ways in which you can hold securities. Many investors hold them in “street name.” This means that the shares are registered with the issuer under the name of an intermediary, typically your brokerage firm, that maintains electronic, “book-entry” records showing you as the real or

“beneficial” owner.

Alternatively, you might be able to choose to have the actual physical stock or bond certificate sent to you for the shares you’ve purchased. In this case, the securities are registered in your name on the issuer’s books, but you’re responsible for safeguarding the physical certificate. However, not all securities are available in physical form.

A third way to hold securities is through direct registration. This means that the securities are registered

Always ask your broker-dealer and the issuer about potential costs if you’re considering transferring securities.

directly in your name on the issuer’s books and are held for you in book-entry form by either the issuer or its transfer agent.

The transfer agent — hired by the issuer to maintain shareowner records — must be eligible and admitted to the Direct Registration System (DRS) by the Depository Trust Company (DTC).

UNDERSTANDING DIRECT REGISTRATION

If an issuer offers direct registration for its securities, you can choose to be registered directly on the books of the issuer (maintained by its transfer agent) even if you bought your securities through a broker-dealer.

Direct registration allows you to have your securities registered in your name — rather than in the name of a brokerage firm — without the need for a physical certificate, which could be lost or stolen, to serve as evidence of your ownership. While you won’t receive a certificate, you will receive transaction advice detailing any transactions, as well as periodic account statements, dividends, annual reports, proxies and other communications

directly from the issuer or its transfer agent.

Issuers or transfer agents typically don’t charge fees for direct registration. However, you might be charged for transferring securities from one form of ownership to another. Always ask your broker-dealer and the issuer about potential costs if you’re considering transferring securities to a different form of ownership, such as from street name to direct registration.

Here are some factors to keep in mind if you’re considering buying or selling direct registered securities:

PURCHASES

- **Purchases made through the issuer** (or its transfer agent) of securities you intend to hold in direct registration are usually executed under the guidelines of the issuer’s stock purchase plan. You’ll need to instruct the transfer agent to move the securities to the DRS.
- **Issuers’ transfer agents typically don’t maintain cash accounts for investors.** When you make a purchase, you’ll need to send the transfer agent the necessary funds.
- **Purchases through issuer plans are typically processed on a “batch processing” basis**, so there may be a time lag before the order is executed. In rapidly changing markets, this could result in receiving a different price than you intended.

SALES

- **You might be able to place sales orders through the issuer** (or its transfer agent) if it has a sales facility that accommodates those orders. The issuer (or its transfer agent) will then use a broker-dealer to execute those orders. Contact the issuer or its transfer agent to determine the order types available.
- **To sell direct registered securities through your broker-dealer**, ask your firm to electronically “pull” your securities from DRS to the book-entry records of the broker-dealer and then sell the securities.

It’s important to note that, depending on the type of securities and where you purchase them, you might or might not have all these choices for holding your securities.

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Haucksville Club Seeks to Update Approach

Pennsylvania group has survived many market cycles since 1967 launch.

by Scott D. Horsburgh, CFA®



Founded in 1967, the Haucksville Investment Club of Lebanon, Pennsylvania, has certainly seen a lot of change over its 56 years. It has been through many market cycles and seen more than its share of investing fads. Somewhere along the way it paid less attention to BetterInvesting orthodoxy than to the club's founder and the

founder's son. This drift appears to have left the club rudderless, with a portfolio in need of an overhaul and improved processes to get them back on track.

The club's stock studies are all prepared by one person. The club stopped assigning stocks because members weren't doing their homework. If something is everyone's responsibility, then it is no one's responsibility because there is no accountability. "Accountability" simply means that stock watchers are accountable for honestly reporting the facts. The club should be making final buy-sell decisions as a team and stock watchers shouldn't be singled out for blame when a stock doesn't work out, if they were honestly reporting the facts.

One clear issue in the portfolio is the lack of consistency among holdings. Two-thirds of the portfolio is in just five stocks out of 21 holdings. Nine stocks have a weighting of 1.5% or less; the club barely owns these. Part of the reason for the imbalance is that the club tries to invest regularly, but members' monthly combined dues of \$2,000 is a small part of a mature, \$700,000 portfolio. Making small investments in new stocks is great, but these positions either must be built up or sold off. They can't be allowed to proliferate. My portfolio evaluation will treat these small holdings as a group later in the article.

APPLE, IBM, MICROSOFT

The broad sector of technology makes up 35% of the Haucksville portfolio, almost exclusively **Apple** (ticker **AAPL**), **IBM** (**IBM**) and **Microsoft** (**MSFT**). Apple makes sense even if the valuation has become a bit lofty at a trailing price-earnings ratio of 32, but the position takes up almost 14% of the club's portfolio. At 36x, Microsoft's P/E ratio is even higher than Apple's, but its growth appears to be higher as well. Both companies can be categorized as "expensive, but worth it."

IBM is the head-scratcher, especially since it is one of those five large holdings clogging up the portfolio. Cur-



HAUCKSVILLE INVESTMENT CLUB. Bottom row (right to left in all rows): Andrea Bomgardner, Linda Progin, Ronald Bell, Josh Edwards and Jace Edwards. Next row from bottom: Joanne Garis, Janice Paskowski and David Paskowski. Second row from top: Derek Progin, Ronald Progin, Richard Progin and Terrance Breidenstine. Top row: Ned Bomgardner and Robert G. Progin. Members not pictured: Craig Miller, Janessa and Matthew Pribilla, Rachel Bomgardner, Steve Bomgardner, Mary Breidenstine, Matthew Breidenstine, Anna Dice, Karisa Edwards, Keith Edwards, Evann Gilman, Jennifer Gilman, Aiden Minetola, Elizabeth Minetola, Gavin Minetola, Alex Progin, Brady Progin, Isabella Progin, Jeffrey Progin, Keith Progin, Landon Progin, Lindsay Progin, Nathan Progin, Oskar Progin, Robert Henry Progin, Ryan Progin, Sandy Progin, Zachery Progin, Todd Saylor, Lynn Smith and Dawson Summers.

rently, 2023 is set to become only IBM's third year of revenue growth in the past decade. From 2013-2022, IBM's revenue has fallen by almost 40% or 5% per year. Earnings per share dropped by more than half, or 8% per year. IBM is the opposite of what we look for — companies with a consistent upward pattern of sales and EPS growth. IBM is not a growth stock and should be sold.



ABBOTT LABORATORIES, ABBVIE, PFIZER

Medical stocks make up 27% of the portfolio led by **Abbott Laboratories (ABT)** and its spin-off, **AbbVie (ABBV)**. About a decade ago, the former, Abbott, spun off its branded pharmaceuticals business into a separate company, AbbVie. The final loss of patent exclusivity for Humira, which once made up more than half of AbbVie's sales, has been a blow. Humira is now down to 37% of sales and dropping. However, innovations such as Rinvoq and Skyrizi have softened the decline. The Haucksville club prizes dividends and the 4% yield on AbbVie helps buy the stock some time to see if it can return to growth.

For a decade, Abbott Labs has focused on diagnostic equipment, medical devices, nutritionals and generic drugs. It has struggled in recent quarters due to the decline in diagnostic equipment sales tied to COVID-19. Benefiting from COVID, EPS zoomed 43% in 2021 before flattening in 2022 and declining in 2023. Using consensus estimates for 2023, which excludes the temporary growth related to the pandemic, sales and EPS growth have averaged 6% and 8%, respectively, over the past decade. The PEG ratio (P/E divided by growth rate) of 4 is high, even for a consistent grower that tends to have elevated PEG ratios.

Although my own stock study suggests it isn't far from a buy, that conclusion depends on Abbott maintaining its lofty PEG ratio. I would be inclined to "challenge" the Abbott holding with other medical companies and consider selling some when a worthy challenger comes along.

The club also counts Pfizer (PFE) among its medical holdings. Similar to Abbott, Pfizer benefited from the pandemic due to the development of its COVID-19 vaccine and Paxlovid, a medicine used for COVID. Pfizer's sales more than doubled from 2020-2022 but are plummeting this year. Using 2023 estimates, sales and EPS have risen 6% and 7%, respectively, on an annual basis over the past decade. Pfizer is trading for a puny 7x trailing EPS, although this slightly understates its P/E since earnings are likely to continue falling for two to three more quarters. Especially for the dividend investor, Pfizer's 4.5% yield and cheap valuation suggest a good value even though it isn't particularly growthy.

AFLAC

Financial stocks comprise 14% of the Haucksville portfolio, consisting of just one holding, **Aflac (AFL)**. Like IBM, Aflac is no longer a growth stock. Revenue has been flat to down over the past decade. EPS has risen but peeling back the onion the underlying growth is nil. EPS grew 8% per year from 2013-2022. But all of this growth and then some is due to a falling tax rate and share buybacks. Its pretax profits have actually declined over the decade. The tax rate fell from 34.4% a decade

ago to 10%-12% recently. This source of profit growth must peter out. Share buybacks can continue as long as Aflac generates excess capital, leading to potential EPS growth of 4%.

The P/E seems very low at just 10, but financial stocks trade at low multiples and this seemingly cheap valuation reflects investors' belief that there isn't much potential left in Aflac. I soured on the company well over a decade ago, during the global financial crisis when Aflac took a big write-off on Algerian bonds. I concluded that the company's business had matured to the point where all it could do to generate growth was take bigger risks. The club has owned the stock for more than half its existence, but it's your past time to let go.

RAYTHEON TECHNOLOGIES, BOEING, OSHKOSH

The Haucksville club counts five manufacturing companies in its portfolio, totaling just 11% of its assets. The largest, **Raytheon Technologies (RTX)**, is an aerospace and defense company after the 2020 merger of the old Raytheon and United Technologies minus its former Otis and Carrier divisions. The stock study on the company is a mess, not surprising given the complexities of the merger.

Amortization from the merger also holds down earnings and elevates the P/E. On a GAAP (generally accepted accounting principles) basis, the P/E is 26; excluding amortization, it would be 20. Analysts estimate its growth to be 14%, higher than in the past due to increased demand for defense equipment in a more volatile global environment. Depending on the assumptions used, Raytheon could be modeled as a buy on a stock study. It seems like a reasonable holding.

The club also owns **Boeing (BA)**, a company which needs no introduction. Boeing has experienced multiple problems in recent years, leaving revenue more than a third lower than its 2018 peak and approximately the same as it was in 2007 before the global financial crisis. The company lost money again in the first quarter of 2023 even though demand for aircraft has grown substantially.

Even with an improved outlook, it's hard to call Boeing a growth stock. There is nothing to learn from holding a money-losing company for years waiting for a comeback and the club should look to do better than this.

Vehicle manufacturer **Oshkosh (OSK)** shares cyclical characteristics with Boeing. Oshkosh makes trucks for commercial, fire and government/military customers. Results are up and down with little long-term growth. While it might be tempting to stick with Oshkosh out of hope that an upturn might be around the corner due to its significant order backlog and cheap valuation, hope always springs eternal for this type of company. I'd rather see investors spend their time and energy focusing on steady growth stocks.

Securities mentioned are illustrations or for study and presented for educational purposes only. They are not to be considered as endorsed or recommended for purchase by NAIC/BetterInvesting. Investors should conduct their own review and analysis of any company of interest using the Stock Selection Guide before making an investment decision. Securities discussed may be held by the writer in his personal portfolio or those of his clients.



GENERAL MILLS

Consumer stocks comprise 4.5% of the Haucksville portfolio, of which only **General Mills (GIS)** is a consequential holding. Value Line data shows annual sales growth of 1.5% and EPS growth of 4.5% per year. Results have been impacted by acquisitions and divestitures, but this is not particularly impressive growth. Much of the EPS growth has come from lower U.S. corporate tax rates, a pattern that isn't likely to repeat. The P/E of 18 doesn't seem particularly high, but my stock study shows it at the top of the typical range of 14x-18x. I'd continue challenging General Mills until I find a better combination of growth and valuation.

EXXON MOBIL

The club also has a 4% exposure to energy stocks consisting of **Exxon Mobil (XOM)**. It isn't a particularly inspiring stock, but it's a blue chip that rises and falls with the price of oil and natural gas. After a decade of flat to declining results, sales and profits skyrocketed when Russia's invasion of Ukraine caused oil and natural gas prices to rise.

Prices have moderated lately, especially for natural gas. Its P/E of 7 likely overstates its value as earnings are set to decline. Over the long term, Exxon's revenue has been flat to down while earnings have been volatile. I'd continue challenging the stock to find better opportunities.

ALPHABET, AMAZON, FEDEX

Not mentioned so far are nine stocks that each hold a weight of 1.5% or less in the club portfolio. The club barely owns these at all. Collectively, they make up 8% of the portfolio despite comprising 40% of the number of stocks held by the club. The club should prepare quick stock studies on these and make a decision on whether the positions will be built up or sold off. Out of those nine, **Alphabet (GOOG)** is the most interesting with **Amazon (AMZN)** and **FedEx (FDX)** being of mild interest.

FINAL ADVICE

Haucksville Investment Club is going to need to up its game in addition to updating the portfolio. Certain

Haucksville Investment Club

COMPANY	TICKER	NO. SHARES	COST	June 29, 2023 PRICE	June 29, 2023 VALUE	\$GAIN/ (LOSS)	%GAIN/ (LOSS)	QUALITY RATING*	% GROWTH ESTIMATE**	% OF PORTFOLIO	TRAILING P/E	TRAILING EPS
Abbott Laboratories	ABT	724.7	\$33,650	\$107.65	\$78,014	\$44,364	131.8	1	12	11.2	33	\$ 3.29
AbbVie	ABBV	710.5	20,957	133.23	94,660	73,704	351.7	2	8	13.5	20	6.61
Aflac	AFL	1421.6	35,362	69.13	98,278	62,916	177.9	2	4	14.0	10	6.94
Alphabet	GOOG	76.2	7,979	120.01	9,139	1,160	14.5	1	15	1.3	26	4.55
Amazon	AMAZ	84.7	9,228	127.90	10,836	1,609	17.4	2	25	1.5	142	0.90
Apple	AAPL	507.5	15,905	189.59	96,213	80,308	504.9	1	12	13.8	32	5.89
Boeing	BA	61.4	18,648	211.83	12,996	(5,652)	(30.3)	3	8	1.9	(31)	(6.92)
Caterpillar	CAT	23.0	3,763	244.20	5,690	1,846	49.1	2	8	0.8	18	13.53
Exxon Mobil	XOM	281.3	22,491	106.71	30,015	7,524	33.5	3	4	4.3	7	14.77
FedEx	FDX	40.7	9,158	249.93	10,184	1,026	11.2	1	10	1.5	16	15.50
General Mills	GIS	286.1	14,387	76.30	21,830	7,443	51.7	1	4	3.1	18	4.21
Hershey	HSY	7.4	1,334	248.69	1,832	498	37.4	1	9	0.3	30	8.24
IBM	IBM	603.0	73,461	134.07	80,840	7,380	10.0	3	5	11.6	20	6.79
McCormick & Co.	MKC	89.6	8,110	86.78	7,774	(336)	(4.1)	1	8	1.1	34	2.59
Microsoft	MSFT	133.5	7,616	335.05	44,727	37,111	487.3	1	14	6.4	36	9.23
Oshkosh	OSK	292.9	22,673	84.64	24,795	2,122	9.4	3	5	3.5	22	3.79
Pfizer	PFE	744.2	24,843	36.13	26,886	2,043	8.2	1	7	3.8	7	5.08
Raytheon Technologies	RTX	310.6	19,404	97.78	30,369	10,965	56.5	1	14	4.3	26	3.75
Viatis	VTRS	187.3	2,671	9.91	1,856	(815)	(30.5)	3	6	0.3	6	1.57
Wabtec	WAB	24.9	558	107.98	2,686	2,128	381.2	3	7	0.4	30	3.58
York Water Co.	YORW	142.4	5,794	41.21	5,868	75	1.3	2	5	0.8	31	1.31
Cash			4,148		4,148			1		0.6		
Average									9%		26	
TOTAL			\$362,140		\$699,557	\$337,417	93.2%			100%		

*Based largely on rankings published by Value Line. **As estimated by the author, with data from Thomson Financial Network.
Note: Numbers in the table have been rounded.



PORTFOLIO TUNEUPS

Would your club like a review of its portfolio? Send your valuation statement and a description of club challenges to Repair Shop. If you have a focused photo showing everyone's face, forward a high-resolution digital image or print. Include the names of the members, in order, plus the names of those not pictured. Send digital photos via CD or email them to janj@betterinvesting.org.

stocks (AFLAC, Boeing and IBM) have been retained far too long and are no longer growth companies. Most of the nine tiny holdings should be sold off, but at least one (Alphabet) might warrant additional investment. A few other holdings aren't fully earning their keep and should be challenged by companies with better prospects.

Those in need of a challenge are Abbott Labs, Exxon Mobil, General Mills and Oshkosh. There is nothing particularly wrong with them, just a less favorable growth-valuation trade-off.

Possible challengers include FleetCor Technologies, UnitedHealth Group and Visa.

More club members need to become involved in the

investment research process. Picking stocks is fun, but it takes work. Ideally, all members would prepare their own stock studies and be assigned stocks to follow. BetterInvesting has education tools available, including videos on the preparation of stock studies. More experienced members can buddy up with less experienced members as they build confidence and skills.

Stocks need to be followed on the basis of "fundamentals" rather than just price movements, And by fundamentals, I mean growth of sales and profits, valuation and quality. Learn to monitor and report on periodic results using Portfolio Evaluation Review Technique (PERT), sometimes also referred to as Quarterly Trend Analysis.

In addition, the club would benefit from having a more consistent method of identifying potential stocks to consider for purchase. The best way to prevent a portfolio from becoming stale is to have exciting new opportunities to challenge questionable holdings. Most successful clubs rotate responsibility for nominating new stocks for consideration such that it becomes each member's responsibility, usually working in teams of two or three.

Scott D. Horsburgh, CFA[®], president of Provident Investment Management of Novi, Mich., co-authors the Investor Advisory Service newsletter. Visit www.investprovident.com.

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Cost Basis Changes for Transferring Stock

Examples show how a withdrawing member would receive a payout.

by Russell Malley

My last article in the September magazine covered the process for determining the basis a fully withdrawing partner receives in shares transferred from the club. This article will give two examples of this process.

Here, in Table 1 below, are the conditions for the first example. The member received a total value of \$18,275 of which \$325 was in cash. From my previous article the member's withdrawal basis (adjusted basis on withdrawal report) is equal to **Member's club basis before withdrawal + Member's share of club income up to withdrawal - Cash Received in withdrawal = \$13,175**. This must equal the total basis for the member of all shares received. For details of the stock received, see Table 2.

The member's withdrawal basis in the club is more than the club's basis in the shares received. The club's basis must be increased up to the member's withdrawal basis. The amount of the increase is **1,3175-8,250 = 4,925**. This increase must first be applied to stocks with a gain. In our example all of the shares transferred have unrealized gain to the club. The next question is "Is there

Table 2

Company	Shares	Price	Market Value	Club Basis	Club Gain
XYZ	50	130	\$6,500	\$2,500	\$4,000
ABC	100	75	7,500	4,500	3,000
MNO	50	85.5	4,275	1,250	3,025
Total			18,275	8,250	10,025

enough unrealized gain to cover the needed increase?" The answer is yes.

The increase from the club basis to reach the member's new basis is then proportional to each tax lot's share of the total unrealized gain for the club.

Continued on Page 29

Table 1

Member's Club Basis Before Withdrawal	Member's Share of Club Income up to Withdrawal	Cash Received in Withdrawal	Member's Withdrawal (Adjusted) Basis in Club
\$12,250	\$1,250	\$325	\$13,175

Table 3

	A	B	C = B/1025	D = 4925*C	E = B+D
Company	Club Basis	Lot Gain	Increase Proportion	Basis Increase	Member Basis
XYZ	\$2,500	\$ 4,000	0.399002494	\$1,965.08728	\$4,465.09
ABC	4,500	3,000	0.29925187	1,473.81546	5,973.82
MNO	1,250	3,025	0.301745636	1,486.09726	2,736.10
Total	8,250	10,025	1	4,925	1,3175

Table 4

Member's Basis Before Withdrawal	Share of YTD Income	Cash Received	Withdrawal Basis	Value Withdrawn	Stock Value Received
\$5,000	\$825	\$325	\$5,500	\$18,600	\$18,275



Danaher Corporation

Life science acquisitions continue the company's driving growth.

Life sciences giant Danaher Corporation (ticker: DHR) continues to recover from a COVID-19 hangover, returning to a lower, more typical growth track after the pandemic boost its results received over the past two years.

With the disease now merely endemic, producers of COVID-19 vaccines and therapies are ordering less material; Danaher and other providers of the necessary instruments, supplies and services have consequently been working down their inventory overhangs.

Meanwhile, however, corporate management is continuing a longstanding strategy of turbocharging growth through frequent acquisitions while trimming units that no longer fit the bill. The strategy has worked well in the past and, some analysts maintain, could underpin solid long-term growth.

Exemplifying that approach, in September management announced plans to spin off the environmental and applied solutions unit of the company. The smallest segment, it supplies a broad range of water quality and product identification items. The new publicly traded company will go under the name Veralto Corporation. Expected to occur during the fourth quarter (ended Dec. 31), the spin-off will allow a deeper focus on Danaher's pure play health care segments.

Members of the Editorial Advisory and Securities Review Committee suggested that Danaher investors — and potential investors — keep a watchful eye on how well management handles the transition.

So far this year the pandemic's aftereffects have depressed Danaher's results (*see table*). And given the difficult year-over-year comparisons that resulted, the stock's recent valuation has been anemic. Danaher's \$264.87 close reported July 26 was 12.8% below the 52-week high of \$303.82 recorded Aug. 15, 2022. The stock underperformed the S&P 500, which over the same time frame decreased 0.3% to a 4,566.75 close July 26 from a same-day high of 4,582.47.

The stock's trailing 12-month price-earnings ratio was 31.1, versus the S&P 500 ratio of 26.4. CSIMarket, a financial data service, reported a TTM P/E ratio average of 31.0 for the electronic instruments and controls industry.

Based on figures Yahoo Finance reported for July 26, the P/E average was 27.2 for Danaher and three competitors named by Morningstar. For P/E to projected growth, or PEG, Yahoo Finance reported a ratio of 6.1 for Danaher, based on an average five-year expected earnings growth rate. A range of no more than 1.0 to 1.5 is generally considered desirable.

The dividend payout has fluctuated over the years, rising annually since 2017, Value Line reported. In February Danaher announced the quarterly dividend would rise 8% to \$0.27 from \$0.25. The July 26 dividend yield was 0.4%.

CORPORATE DIAGNOSTICS

Danaher primarily designs, produces and markets a broad range of life sciences tools, supplies and services for medical facilities, drug manufacturers and other health care customers. The company recently was operating more than 60 facilities worldwide.

Diagnostics remained Danaher's largest segment in 2022, having generated sales of \$10.8 billion — 34.5% of the total. The unit chiefly serves hospitals, physicians'



SETTING THE TONE. Viva Magenta is Pantone's Color of the Year for 2023. Danaher is spinning off the company's unit.

offices, reference laboratories and other facilities diagnosing diseases and making treatment decisions, plus pharmaceutical clinical trial laboratories. The unit markets related instruments, reagents, consumable supplies, software and services. Its chief business categories are core lab diagnostics, molecular diagnostics, critical care diagnostics and anatomical pathology diagnostics.

Biotechnology accounted for \$8.8 billion — 27.8%. The segment provides instruments, consumables and software for bioprocessing — research, development and manufacture of biopharmaceutical therapies known as biologics.

Life sciences generated \$7.0 billion — 22.4%. The segment offers a broad range of tools for research into the basic building blocks of life — genes, proteins, metabolites and cells — to understand disease causes, identify new therapies, and test new drugs and vaccines. The segment's product categories include the following: filtration for life sciences and industrial applications; centrifuges, cellular analysis and lab automation; mass spectrometry; microscopy; and genomics consumables.



Danaher Corporation

	2022 (ENDED 12/31/22)	2021 (ENDED 12/31/21)	% CHANGE	FY 2023 Q2	FY 2022 Q2	% CHANGE	FY 2023 YEAR TO DATE	FY 2022 YEAR TO DATE	% CHANGE
Net Sales	\$31.5B	\$29.5B	6.9%	\$7.2B	\$7.8B	(7.7%)	\$14.3B	\$51.4B	(7.2%)
Net income*	\$7.1B	\$6.3B	13.7%	\$1.1B	\$1.7B	(33.3%)	\$2.5B	\$3.3B	(24.1%)
Diluted EPS*	\$9.66	\$8.50	13.6%	\$1.49	\$2.25	(33.8%)	\$3.43	\$4.56	(25.0%)
Declared dividends	\$1.00	\$0.84	19.0%	\$0.27	\$0.25	8.0%	—	—	—
Stock exchange	.....NYSE			Value Line long-term earnings growth estimate			.....11.0%		
Ticker symbol	.....DHR			Consensus long-term earnings growth estimate (26 analysts)			.....1.8%		
Price at time of selection	.....\$255.70			Consensus EPS growth rate for FY ended December 2023			.....(14.5%)		
Past year's price range	.....\$221.22 - \$303.82			Consensus EPS growth rate for FY ended December 2024			.....9.5%		
Recent market price	.....\$264.87			Recent price-earnings ratio**			.....31.1x		
Market capitalization	.....\$195.4B								

*Excluding nonrecurring and special items.

**The P/E ratio is based on diluted EPS of \$8.52 for the four quarters ended June 30.

Sources: Morningstar, Yahoo Finance, Value Line and company reports

Environmental and applied solutions — slated to be spun off as a standalone company this year — produced \$4.8 billion. That was 15.3% of the 2022 total. The segment offers products and services to help ensure food and water quality. The unit supplies analytical instruments, related consumables, software and services for testing and treating water. It provides chemical treatments and ultraviolet disinfection gear for cleaning up water and its distribution systems. The unit also markets product identification aids — printers, instruments, software, services and consumables — for functions such as coding, labeling and packaging.

Research and medical products constituted Danaher's largest sales category in 2022, having generated \$26.6 billion — 84.7% of the total. Analytical and physical instrumentation produced \$2.8 billion — 9%. Product identification accounted for \$2 billion — 6.3%.

In 2022 international sales stood at \$18.1 billion — 57.5% of the total. China was the company's largest foreign market, accounting for 12.7%, followed by Germany, 4.6%. Broken down by regions, North America generated \$14 billion — 44.4%. Results for other regions were as follows:

- **Western Europe: \$6.9 billion, 22.0%;**
- **Other developed markets: \$1.5 billion, 4.7%;**
- **High-growth markets: \$9.1 billion, 29.0%.**

Danaher traces its beginnings to DMG, a Massachusetts-based real estate investment trust established in 1969. Its co-founders remain involved in the company's governance. Steven M. Rales, 72, is chairman. Mitchell P. Rales, 67, remains a director. The two brothers held 10.8% of common shares, according to the company's March proxy statement. (Other insiders owned 0.3%.) Ranier M. Blair, 59, has served as president and CEO since 2020.

The corporation shifted away from real estate in 1984, acquiring businesses in other industries — Mohawk Rubber, a tire manufacturer; and Master Shield, a vinyl building products distributor. The holding company gained its current name as part of the reorganization.

Competitors include Merck (MRK), Roche Holding (ROG) and Thermo Fisher Scientific (TMO), Morningstar reported.

GROWTH DIAGNOSTICS

Management's acquisition activity continues unabated. Danaher acquires both small "bolt-on" concerns and larger businesses delivering more market impact. In February a report appeared indicating Danaher was interested in acquiring contract drug developer and manufacturer Catalent (CTLT). The report didn't indicate whether a deal was imminent. In 2022 Danaher acquired 10 businesses in cash transactions totaling \$637 million. In their last completed fiscal years, the acquired concerns collectively had sales of \$91 million.

A larger-scale deal occurred in August 2021, when Danaher acquired Aldevron, incorporating it into the life sciences unit. The all-cash transaction was valued at \$9.6 billion. Aldevron reported 2020 sales of about \$300 million. The acquired company produces high-grade plasmid DNA, mRNA and proteins for biotechnology and pharmaceutical customers.

In 2021 Danaher acquired 13 other businesses in all-cash transactions valued at \$1.4 billion. In their last completed fiscal years the businesses collectively had sales of about \$100 million. In 2020 Danaher paid \$20.7 billion in cash for Cytiva, the biopharmaceutical business of General Electric (GE), to form the core of the biotechnology segment. That year Danaher paid \$256 million in cash to acquire four other businesses that in their last completed fiscal years had sales totaling \$3.3 billion.



FINAL NOTES

BetterInvesting Magazine featured Danaher as the Stock to Study for August 2008. The company ranked No. 91 in the Top 100 Survey of investor holdings for 2022 (see the April 2023 issue). An estimated 82 investment clubs owned its shares.

Danaher shares underwent 2-for-1 splits in 1995, 1998, 2004 and 2010. The equivalent of a 1,319-for-1,000 split occurred in 2016. The company doesn't offer a dividend reinvestment and direct stock purchase plan.

The company's share count has fluctuated over the past 16 years, rising annually since 2019. Management historically has minimized share repurchases to avoid overstressing the balance sheet. That has helped the

company sustain its long streak of acquisitions. In 2022 Danaher spent just \$1 million on repurchases.

The company didn't buy back any shares in 2021 and 2020.

More background on Danaher and its industry, including the Value Line analyst reports and Value Line industry report, can be accessed through the Additional Resources menu in the magazine's section of the website.

For more information, contact Investor Relations, Danaher Corporation, 2200 Pennsylvania Ave., N.W., Suite 800W, Washington, DC 20037-1701.

— Reporting by contributing editor Kevin J. Lamiman

NEXT MONTH'S STOCK TO STUDY AND UNDERVALUED STOCK

The Editorial Advisory and Securities Review Committee met Aug. 29. The Stock to Study and Undervalued Stock that its members selected were announced afterward. The link takes you to the announcement at the BetterInvesting Newsroom: www.betterinvesting.org/about-us/news-releases

SSG Study Notes

During your analysis of Danaher Corporation, you might consider the following comments, data points and questions for further study.

- **Capitalization section:** A major event in the fourth quarter of this year will be the spin-off of Danaher's Environmental & Applied Solutions branch, EAS. How the market values this branch and how much the shares of DHR and EAS will be worth separately will likely affect the decision to buy or sell now. Is it more prudent to wait for the spin-off or to dig deeper into the potential effect of the spin-off and try to take advantage of Danaher's somewhat depressed current stock price? The company's A+ financial rating from Value Line should reassure shareholders that the sharp increase in debt during the past two years doesn't present a worry.

- **Section 1 (Visual Analysis of Sales, Earnings and Price):** Historical growth rate of sales for the past 10 years has been somewhat lower than that of BetterInvesting's industry peers. Growth of earnings per share also has been somewhat lower. This year's results, down from a year ago, look like a possible one-year phenomenon due to the decline of COVID-19 infections and the robust sales during the pandemic.

It's worth noting that Danaher's peers have faced the same tough comparisons from a year ago. For long-term holders, do the conditions of 2023 present a buying opportunity, given that Danaher is a highly rated company with a long track record of increasing sales and earnings? Or has the company reached an inflection point and must once again prove itself worthy of consideration?

- **Section 2 (Evaluating Management):** Danaher's pre-tax profit margin has increased steadily during the past five years and looks favorable compared to peers, averaging about 21.5%. The improvement is of a piece with the company's vaunted DBS (Danaher Business Systems), a driver of culture and performance adopted in the 1980s that is roughly modeled on the Japanese systems for continuous improvement, lean management, exceptional quality and productivity focus. Worth examining is whether the company has stayed true to the principles that gained it renown and how relevant they are to today's performance. The company continues to discuss DBS — an objective third-party assessment might add to the picture. Numerous academic studies are online, as well as videos produced that explain the role of DBS.

- **Section 3 (Price-Earnings History):** Danaher shares, lately depressed as a result of unfavorable earnings comparisons with a year ago, are closer to their 52-week low than to their 52-week high for the year. Assuming that earnings will be lower for all of 2023 compared to last year, as well as an estimated P/E based on earlier performance, a study by a member of the Securities Review Committee pegged the current price in the theoretical BUY zone, with a potential six-to-one upside to downside risk. Also, DHR has a small dividend and a likely 25 P/E amount to a possible 11.1% compound annual growth rate (CAGR) over five years at best. This number is lower than the 15% the magazine recommends investors should look to achieve. Would an 11.1% return over five years be acceptable for a company that might be recovering from a one-year earnings decline?

Securities mentioned are illustrations or for study and presented for educational purposes only. They are not to be considered as endorsed or recommended for purchase by NAIC/BetterInvesting. Investors should conduct their own review and analysis of any company of interest using the Stock Selection Guide before making an investment decision. Securities discussed may be held by the writer or contributors in their personal portfolios.



Danaher Corporation

Stock Selection Guide

Figure 1

Capitalization information.

Besides background about the company, including the data source used for the study, this section provides information about the number of common and preferred shares and the percentages held by insiders and institutional investors. Total debt and the percentage of debt to total capital also are detailed.

Figure 2

Recent sales and earnings results. This section contains the company's most recent quarterly results along with a comparison of results from the same quarter a year ago.

Figure 3

Visual view of sales/earnings/price.

The graph provides a quick view of the company's financial results. A long-term history of consistent sales and earnings growth at relatively high rates indicates the company is well-managed and worth further study. Historical sales growth is plotted on the green line and historical earnings growth is represented by the blue line. The black bars provide information about the stock price. For each year, the top of the bar is the annual high price, while the bottom is the low price.

Figure 4

Forecasting future sales and earnings growth rates.

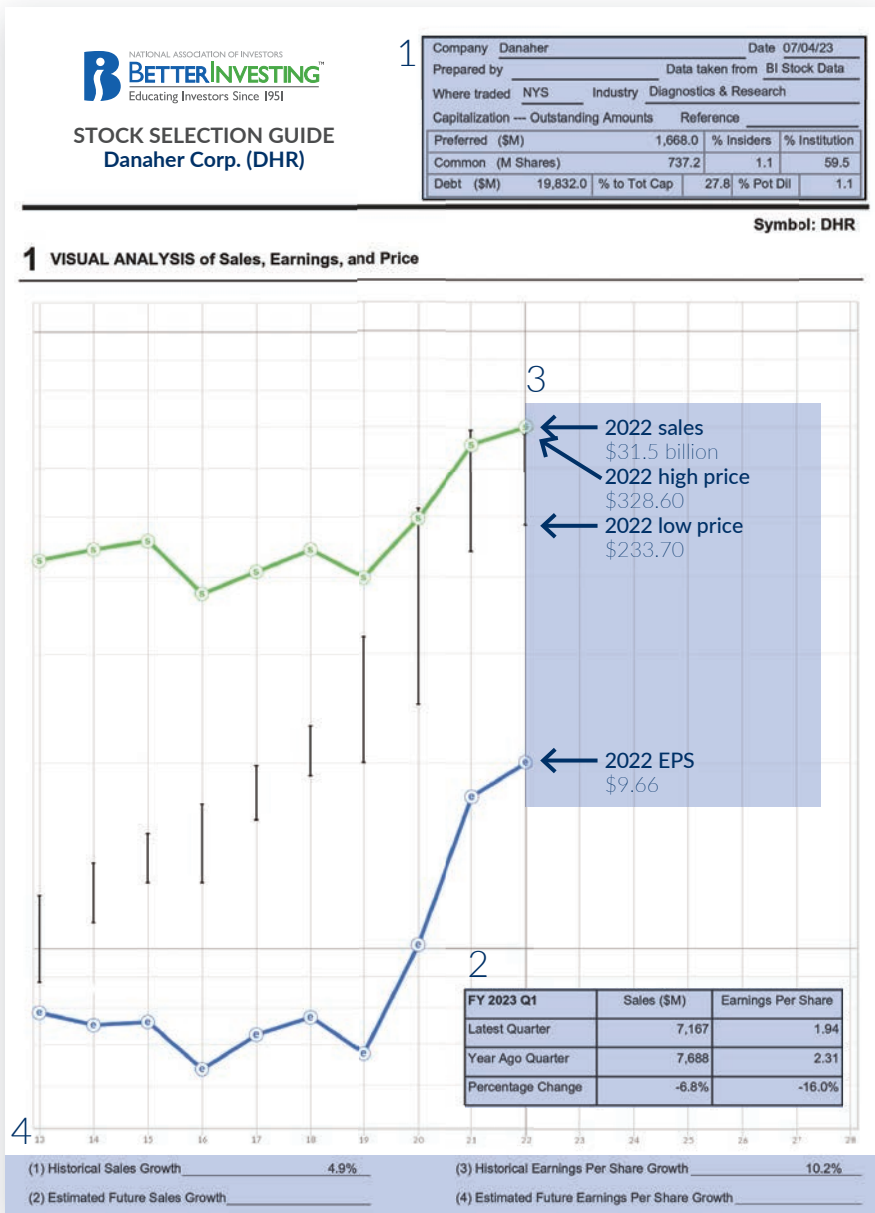
The core of the BetterInvesting methodology is this: Sales growth drives earnings growth, and earnings growth drives stock price. Using the Stock Selection Guide, you'll forecast growth rates and determine the stock's potential high and low prices over the next five years.

Step one is to forecast sales growth. The company's historical performance is helpful, but you'll need to do some research to decide whether revenue growth will remain at the historical level, slow down or speed up.

After estimating sales growth, the next step is to forecast earnings per share growth. Often you can estimate EPS growth at a similar rate used for sales. EPS growth can differ from sales because of rising or falling expenses, an increasing or decreasing number of outstanding common shares and changing tax rates. Even though a company can grow earnings faster than sales by cutting costs or buying back shares, this can't last. EPS growth and sales growth eventually equalize.

Use the estimated growth rate for earnings to forecast the earnings per share five years from now. On the second page of the SSG, use the future EPS to determine potential high price. Ask yourself if the company is growing at a sufficient rate relative to its size; higher growth rates for small companies, compared with medium and large caps.

Editor's note: The Value Line and Morningstar company and industry reports are found at the website's homepage under the Learning Center tab, BetterInvesting Magazine section, for your use in conducting stock studies. You'll need Adobe Acrobat software to read the PDF files.



Danaher Corporation Stock Selection Guide

Figure 5
Evaluating management.

The key to successful investing is finding well-managed companies with reasonably priced stocks. Historical growth rates provide evidence of good management, as do the numbers in this section. Pre-tax profit margins represent how much of each sales dollar a company keeps before taxes. Look at pre-tax margins because companies have limited control over their tax rates. Look for stable or growing margins. Return on equity indicates how well the company manages shareholders' investments. Remember, look for stable or growing returns.

Figure 6
Price-earnings ratio history.

Section 3 includes information you'll use in Sections 4 and 5. Columns D and E detail the high and low P/Es for each of the past five years. You can also see the average P/E for the last five years as well as the current P/E. Information about the dividend yield also is offered.

Figures 7 & 8
Forecasting the high and low prices.

P/E history will inform judgments about the potential high and low prices. Multiply your predicted high P/E by the high EPS you calculated on the first page to determine the potential high price. Multiplying the expected low P/E by the low EPS (for a growth company, this often is the most recent year's earnings) is one way to predict the future low price.

Figures 9 & 10
Buy-Hold-Sell zones and upside-downside ratio.

After calculating the potential high and low prices, use the SSG to determine whether the stock is reasonably priced. The upside-downside ratio compares the potential price increase to the potential price drop. Look for stocks that are both in the Buy zone with an upside-downside ratio of at least 3 to 1; beware of abnormally large or small ratios.

2 EVALUATING Management

Danaher

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Last 5 Year Avg.
% Pre-tax Profit on Sales	18.7%	17.5%	16.2%	15.5%	16.0%	16.6%	18.5%	20.2%	25.8%	26.3%	
% Earned on Equity	12.5%	10.8%	10.9%	9.2%	9.6%	9.5%	7.3%	10.0%	15.1%	15.5%	
% Debt To Capital	13.5%	12.9%	35.2%	34.8%	28.5%	25.7%	42.7%	35.8%	34.0%	29.3%	

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

Year	CLOSING PRICE		52-WEEK HIGH			52-WEEK LOW		
	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2018	110.9	91.8	3.74	29.6	24.6	0.64	17.1	0.7
2019	154.0	96.4	3.26	47.2	29.6	0.68	20.9	0.7
2020	248.3	119.6	4.89	50.8	24.5	0.72	14.7	0.6
2021	334.0	211.2	8.50	39.3	24.8	0.84	9.9	0.4
2022	328.6	233.7	9.66	34.0	24.2	1.00	10.4	0.4
AVERAGE								
CURRENT/TTM								
AVERAGE PRICE EARNINGS RATIO:					CURRENT PRICE EARNINGS RATIO:			

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

$$\text{Avg. High P/E} \times \text{Estimate High Earnings/Share} = \text{Forecasted High Price \$}$$

B LOW PRICE - NEXT 5 YEARS

$$\text{Avg. Low P/E} \times \text{Estimate Low Earnings/Share} = \text{Forecasted Low Price \$}$$

(a) Avg. Low P/E

(b) Avg. Low Price of Last 5 Years

(c) Recent Market Low Price

$$\text{(d) Price Dividend Will Support} \times \frac{\text{Indicated Dividend}}{\text{High Yield}} = \text{Selected Forecasted Low Price \$}$$

C ZONING using 25%-50%-25%

$$\frac{\text{Forecasted High Price} - \text{Forecasted Low Price}}{\text{Forecasted Low Price}} = \text{Range. } 25\% \text{ of Range}$$

Buy Zone to to
Hold Zone to to
Sell Zone to to

Present Market Price of _____ is in the _____ Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \text{To 1}$$

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} \times 100 = \text{100} = \text{\% Appreciation}$$

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

$$\text{A } \frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \text{Current Yield}$$

$$\text{B AVERAGE YIELD - USING FORECAST HIGH P/E} \quad \text{AVERAGE YIELD - USING FORECAST AVERAGE P/E}$$

$$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \text{\%} \quad \frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \text{\%}$$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E		D COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E	
Annualized Appreciation	%	Annualized Appreciation	%
Average Yield	%	Average Yield	%
Annualized Rate of Return	%	Annualized Rate of Return	%

Figure 11
Estimated average annual return over the next five years.

In this final section, you'll learn about the stock's potential return over the next five years. This figure includes both the expected return from increases in the stock's price and predicted dividends.

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Alphabet Inc., Class C

Driverless cars may accelerate revenue for world's No. 3 company.

With the November 2022 release of ChatGPT, a “chatbot” program employing generative artificial intelligence, the information technology industry has a new tool — and a new set of challenges.

Alphabet Inc. (ticker: GOOG) is among the tech giants racing to incorporate ChatGPT. Wall Street may have concluded, however, that Alphabet wasn't quick enough off the mark introducing Bard, its entry in the competition. (Microsoft got a head start with its chatbot version.)

Belief that Alphabet got off to a slow start may have contributed to the stock's six-month slide starting in late 2022, suggested members of the Editorial Advisory and Securities Review Committee. Members contended Alphabet hasn't fallen behind, however.

They said harm to Alphabet's core revenue source — targeted internet advertising — from rival ChatGPT entrants doesn't appear to have occurred. Members suggested the rebound that Alphabet shares have undergone since hitting a 12-month low of \$83.45 on Nov. 3 may well continue.

At the \$129.66 close reported July 26, the stock was 1.3% below the same-day 52-week high of \$131.37. The stock underperformed the S&P 500, which during the same time frame decreased 0.3% to 4,566.75 from a same-day high of 4,582.47.

The stock's trailing 12-month price-earnings ratio was 27.5; the ratio for the S&P 500 was 26.4.

CSIMarket, a financial data service, reported a TTM P/E ratio average of 27.1 for the internet services and social media industry. Based on figures Yahoo Finance reported, the ratio average for Alphabet and three competitors named by Morningstar was 33.1.

For P/E to projected growth, or PEG, Yahoo Finance reported a ratio of 1.6 for Alphabet, based on an annualized five-year expected earnings growth rate. Generally speaking, a range of no more than 1.0 to 1.5 is considered desirable.

CORPORATE CODE

Alphabet is the world's third-largest corporation by market value. It's exceeded only by competitors Apple (AAPL) and second-ranked Microsoft (MSFT).

Alphabet continues to dominate online search: Google collects almost 90% of global search engine revenue.

In fiscal 2022 (ended Dec. 31, 2022) Google Services generated \$253.5 billion — 89.6% of consolidated revenues. Of that, automated and targeted search engine digital advertising and other revenue channels produced \$224.5 billion — 74.9%.

The segment's other web-based services are led by audio- and video-posting site YouTube. Analysts antici-

pate that YouTube and Google Cloud will be significant long-term growth drivers.

Other Web-based services include the following: Gmail, an e-mail platform; Google Maps, a route planning and satellite imagery service; Google Play, a digital media distribution store; Chrome, a freeware web browser; Google Photos, a picture and video storage service; and Google Wallet, a digital payment application.



KEEPING TRACK. A runner checks her Fitbit. The smartwatch maker is one of Alphabet's many initiatives.

Google developed Android, the top platform for mobile devices. Hardware offerings include the Pixel smartphone.

Other hardware is marketed through Nest. Acquired in October 2014 for \$3.2 billion, the internet of things business supplies smart-home technology such as thermostats and smoke alarms.

Google Cloud generated \$26.3 billion — 9.3% of the 2022 total. The segment reportedly ranks No. 3 in the cloud computing market, competing with Amazon AWS and Microsoft Azure.

Other Bets encompasses initiatives outside Google. In 2022 the segment delivered \$1.1 billion — less than 1% of the total.

The segment markets new products and researches “moonshot” projects with high risk — and high potential returns. An initiative that some analysts believe could generate material revenue as soon as 2027 is Waymo, Alphabet's autonomous driving business.

Alphabet uses the technology in a fleet of about 200 driverless taxis in San Francisco. On Aug. 10 the California Public Utilities Commission approved a plan



Alphabet Inc., Class C

	2022 (ENDED 12/31/22)	2021 (ENDED 12/31/21)	% CHANGE	FY 2023 Q2	FY 2022 Q2	% CHANGE	FY 2023 YEAR TO DATE	FY 2022 YEAR TO DATE	% CHANGE
Net Sales	\$282B	\$257.6B	9.8%	\$74.6B	\$69.7B	7.1%	\$144.4B	\$137.7B	4.9%
Net income*	\$60.0B	\$76.0B	(21.1%)	\$18.4B	\$16.0B	14.8%	\$33.4B	\$32.4B	3.0%
Diluted EPS*	\$4.56	\$5.61	(18.7%)	\$1.44	\$1.21	19.0%	\$2.61	\$2.44	7.0%
Declared dividends	—	—	—	—	—	—%	—	—	—
Stock exchange	Nasdaq			Value Line long-term earnings growth estimate			-10.5%		
Ticker symbol	GOOG			Consensus long-term earnings growth estimate (38 analysts)			15.6%		
Price at time of selection	\$122.79			FY ended December 2023 consensus EPS growth estimate			16.7%		
Past year's price range	\$83.45 - \$131.37			FY ended December 2024 consensus EPS growth estimate			17.3%		
Recent market price	\$129.66			Recent price-earnings ratio**			27.5x		
Market capitalization	\$1.6T								

*Excluding nonrecurring and special items.

**The P/E ratio is based on diluted EPS of \$4.72 for the four quarters ended June 30.

Sources: Morningstar, Yahoo Finance, Value Line and company reports

allowing Waymo-controlled taxis to operate over a larger area of the city. The commission also approved an expanded area of operation for taxis controlled by Cruise, the driverless technology developed by General Motors.

Waymo technology is also the basis of a ride-hailing service in Phoenix. The business reportedly plans to expand to Austin and Los Angeles.

Another initiative that's progressing is Google Fiber. The business provides broadband internet and cable television service to residential customers in several large cities.

An additional business is Verily, a health sciences concern. Other Bets doesn't break out its financial results, but the two businesses are believed to account for most of the segment's revenues to date.

International sales produced \$146.1 billion in 2022 — 52% of the total before adjustment for currency exchange effects. The U.S. accounted for \$134.8 billion — 48%. Regional revenue broke out as follows:

- **Europe, Middle East, Africa — \$82.1 billion, 29.2%;**
- **Asia Pacific — \$47.0 billion, 16.7%;**
- **Other Americas — \$17.0 billion, 6.0%.**

Lawrence E. Page and Sergey M. Brin conceived the business in 1995. The following year the Stanford University graduate students developed the search engine BackRub, which could analyze "back links" pointing to a given website.

The pair perfected the search technology and launched the business in 1998. They chose the name Google after a mathematical concept — the number represented by one followed by 100 zeros. Following six years of rapid growth, the company went public in August 2004.

Sundar Pichai, 50, was appointed CEO in October

2015. He joined the company in 2004.

Alphabet's chairman is John L. Hennessy, 70. He founded Tensilica and co-founded businesses that became MIPS Technologies and Atheros Communications, all of which have since been bought out by other IT corporations.

As part of an October 2015 realignment, Alphabet became the parent company of Google. The new corporate name exemplified management's intent to move beyond the core business of search engine advertising.

Alphabet issued a new class C share for each existing class A share in April 2014. Voting rights didn't come with the new shares, whereas class A shares carry one vote each. A third stock category — class B — conveys 10 votes per share and is held exclusively by company insiders.

According to the April 2023 proxy statement, the multiple share classes allowed company insiders to control 52.9% of voting rights. The co-founders, who remain board members, held 51.3% of the total voting power.

The ticker symbol for class C shares is GOOG. Class A shares trade as GOOGL. The stock table shows recent class C share prices.

Alphabet's competitors include Amazon (AMZN), Apple and Microsoft, Morningstar reported.

FACE-OFF WITH REGULATORS

Alphabet is among the tech giants recently encountering increased regulatory scrutiny, particularly in the U.S. and Europe. Disputes largely center on alleged antitrust violations and consumer privacy concerns.

In October 2020 the U.S. Department of Justice sued, alleging violations of antitrust law in the company's search advertising businesses. The case is pending.

In January 2021 Google acquired FitBit, a fitness



brand of wireless-enabled, wearable devices for measuring physical fitness, tracking activity and monitoring general health. The transaction was valued at \$2.1 billion. The deal followed a lengthy probe by the Department of Justice regarding consumer privacy and antitrust concerns.

The most recent acquisition occurred in September 2022, when Alphabet purchased Mandiant for \$1.6 billion. Mandiant provides dynamic cyber defense, threat intelligence and incident report services; the cash transaction was expected to enhance Google Cloud security offerings.

FINAL NOTES

BetterInvesting Magazine featured Alphabet's predecessor company Google Inc. in April 2011 as the Stock to Study. Alphabet was the Stock to Study for January 2017 and May 2022 and the Undervalued Company for September 2019.

The stock ranked No. 3 in the Top 100 Survey of investor holdings for 2022 (see the April 2023 issue). A projected 1,067 clubs owned shares. For the eight weeks ended June 1, Alphabet ranked No. 3 on the Most Active

List. Participants in the ongoing survey of member investing activity reported 98 buys and 38 sells.

Alphabet's share count has declined annually since 2018. In 2022 it repurchased 530 million shares — 61 million class A and 469 million class C — collectively valued at \$59.3 billion. Buybacks stood at \$50.3 million in 2021. Alphabet's board increased the authorization in April, allowing repurchase of up to \$70 billion of class A and class C shares.

The company doesn't pay a cash dividend. A direct stock purchasing plan isn't available. All share classes underwent a 20-for-1 stock split in 2022. Shares underwent the equivalent of a 2-for-1 split in 2014.

More background on Alphabet and its industry, including the Value Line analyst reports and Value Line industry report, can be accessed through the Additional Resources menu in the magazine's section of the website. For more information, contact Investor Relations, Alphabet Inc., 1600 Amphitheatre Parkway, Mountain View, CA 94043-1351.

— Reporting by contributing editor Kevin J. Lamiman

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The Devil's in the Dividend Details

Investors must decide if they prefer a steady income flow.

by Jeffrey Steele

For the right kinds of individuals, investing in dividend-paying stocks is a wise strategy. But there are hidden minefields buried in the dividend-reaping landscape, which makes it important investors consider best practices and cautionary wisdom before investing.

Dividend-paying stocks are especially important components of distribution portfolios, said Kevin Ross, senior managing director at New York City, N.Y.-based Bridgeway Wealth Partners.

Unlike the accumulation portfolio of an investor who is piling up wealth, a distribution portfolio is favored by an investor — most often a retiree — who needs to pocket regular withdrawals for income.

“A stock that doesn’t pay dividends puts an income-receiving investor in a more vulnerable position in a down market, because the investor is forced to sell shares when the stock price is depressed, the worst possible time to sell,” Ross said.

DRIP AUTOPILOT

Some investors prefer to reinvest the dividend income they generate. For them, a best practice is to use a dividend reinvestment plan, or DRIP, which puts the dividend reinvestment process on autopilot, Ross said.

This is a particularly wise strategy for those intending to retain the holdings five years or more. With DRIPs, all dividends automatically go into the purchase of additional shares of the underlying investment, without requiring any thought or effort on the investor’s part.

This autopilot approach is a form of dollar-cost averaging, enabling investors to automatically acquire shares regardless of the cycle, purchasing fewer shares when the stock price is higher and greater numbers of shares when the stock price is depressed, Ross said.

DIVIDEND TAIL

Though dividend stocks can be an important part of an investment portfolio, Ross cautions against allowing the dividend tail to wag the investment dog.

“In other words, the primary consideration is that the underlying investment is a good investment and fits the appropriate risk-reward profile that is consistent with your risk tolerance and objectives,” he said.

“That said, all things being equal, the dividend-paying investment is more valuable than the one that pays no dividends as it inoculates the investor partially or fully against forced sales at bad times... Once the investor enters the distribution phase, dividend-paying investments become increasingly important.”

Not letting the dividend tail wag that investment dog is particularly key in avoiding a phenomenon called the “dividend trap” or “yield trap,” Ross said.

Investors fall for dividend traps when they are seduced into buying stocks with unusually high dividends. The trap is that the dividend on a stock may be so high it is unsustainable. In such cases, the company slashes the size of the dividend or suspends dividends entirely.

“This can also result in mass selling and the stock price dropping dramatically,” he added. “This is why the dividend tail must never wag the investment dog. The investment must be sound on its own merits, without the dividend.”

It is neither good nor bad strategy on a company’s part to pay dividends, explained Georgia Bruggeman, founder and CEO of Meridian Financial Advisors, LLC, in Holliston, Mass.

“If a company cannot find enough profitable projects to invest in, then they should return that money to shareholders,” she argued. “Companies growing faster generally do not pay dividends because they are reinvesting all of their profits back into the business.”

TAX CONSEQUENCES

Investors must pay tax on dividend distributions. Qualified dividends typically are taxed at the lower rate of capital gains.

By contrast, non-qualified dividends are taxed as ordinary income. Turn to a skilled financial adviser to help you navigate the differences and consequences. Because dividends do generate taxes, if an investor doesn’t require dividends, it may be a tax-smarter tack to buy non-dividend-paying stocks, Ross said.

The appropriateness of dividend-paying investments based on age holds only so long as age is strongly correlated with a need to generate income, Ross added. In the real world, that may not be the case.

For instance, a 50-year-old investor with a distribution portfolio needs dividend stocks more than an investor 20 years his senior who is able to meet expenses without taking distributions from his or her portfolio.

“That said, there is a correlation between advanced age and the likelihood of the portfolio being a distribution portfolio,” Ross reported. “In such a case, the presence of dividend-producing investments should be more prevalent.”

SIMPLE SIMILES

There’s an easy way to remember some important dividend truths. James Allen, founder and financial expert



at Billpin.com, suggested investing in dividend stocks can best be remembered through analogies to everyday events.

When companies that could be reinvesting profits in company growth instead pay dividends, Allen said, “It’s like being given a slice of a pie you invested in, but wondering if the pie could have been bigger had the ingredients been used differently.”

Investing in growth stocks as opposed to those that pay dividends is, he added, “like choosing between a roller coaster and a merry-go-round. The former may be more appealing to thrill-seeking youngsters, while

the other offers a steady, predictable ride for those who prefer that.”

Another way to think of dividend and non-dividend stocks is “It’s like choosing between a bird in the hand (dividends) and two in the bush (potential capital gains),” he said.

A dividend yield that seems high and doesn’t appear supported by profits could be a sign of a decline in a company’s financial health, Allen added. “It’s like seeing smoke in the distance,” he said.

“It could be a harmless campfire, or a sign of a dangerous wildfire. It’s crucial to investigate further.”

THE CLUBHOUSE

Continued from Page 19

The member’s new basis for each tax lot is then:

$$\text{(club basis) + (total needed increase) * (tax lot gain/total unrealized gain)}$$

For this example, the total needed increase is \$4,925 and the total unrealized gain is \$10,025 (see Table 3 on Page 19).

Now a look at a more complex example. The only changes from the first example are the member’s basis in the club before the withdrawal and their share of club income up to the withdrawal date. These will change the withdrawal basis for this member. The member’s starting conditions are on Table 4 on Page 19.

We will keep the shares transferred the same as the first example. The member’s withdrawal basis is \$5,500 while the club’s basis in the transferred shares is \$8,250. Therefore, the club’s basis must be reduced to the member’s withdrawal basis. The needed decrease is $8,250 - 5,500 = 2,750$. Partnership tax law requires the decrease to be applied first to transferred property that has decreased in value.

In this example, none of the tax lots have decreased in value. We need to go to the alternative where the decrease is proportional to each tax lot’s cost basis to the total cost basis of all lots transferred. Below is the needed

adjustments, seen in Table 5.

In both examples, the final total cost basis of all shares transferred is equal to the member’s withdrawal adjusted cost basis in the club. Brokers for the withdrawing partner may not recognize the change in cost basis from the club’s cost basis.

The withdrawing member should use the cost basis figures displayed on the Member Withdrawal Distribution report. This gives accurate basis information to the withdrawn member. If you know your records are more accurate than your broker’s, you are required to use your records for tax reporting. Remember, the Internal Revenue Service will hold you responsible, not your broker, for accuracy. ICLUBcentral has a memo citing the tax law provisions for determining cost basis of property transferred to a partner. This memo can be found at www.iclub.com/faq/Home/Article?id=672.

I hope you noticed, both examples I used transferred only appreciated shares to the withdrawing member. This was done purposely because transferring only appreciated shares has the most advantages for the club. It’s also the recommended option for paying fully withdrawing members.

I hope this helps. I’ll end with my best wishes for all those tasked with explaining this process to the other club members.

Table 5

A	B	C = B/8250	D = 2750*C	E = B-D
Company	Club Basis	Decrease Proportion	Basis Decrease	Member Basis
XYZ	\$2,500	0.303030303	\$833.3333333	\$1,666.67
ABC	4,500	0.545454545	1,500	3,000
MNO	1,250	0.151515152	416.6666667	833.33
Total	8,250	1	2,750	5,500



Health Care Holdings Get Serious Checkup

Model portfolio adds Charles River Laboratories, sells AbbVie.

by Cy Lynch

PORTFOLIO OVERVIEW: REVIEWING HISTORICAL STOCK AND PORTFOLIO RETURNS

Our tracking portfolio's relative return since inception is 1.6% versus our goal of 5.0%, based on its annualized total return of 11.5% compared to 9.9% for the stock market represented by the Vanguard Total Stock Market ETF (ticker: VTI). The percentage of selections outperforming the stock market is 48.9%, just below our goal range of 50-55%.

REVIEWING FUNDAMENTAL PROJECTIONS IN LIGHT OF LATEST FINANCIAL REPORTS

Nineteen of the 33 companies in the portfolio issued new financial reports. As usual, most of the companies reported results in line with our projections and expectations.

Two merit mention as their slowing sales growth led me to lower my projections. The first, AbbVie, Inc. (ABBV), reported falling sales for the second straight quarter this after being roughly flat for all of 2022. Earnings per share have also been flat for the past six quarters. Much of this stagnation results from the fact that ABBV's blockbuster, Humira, has come off patent and has generic competition. As a result, I lowered my projected sales growth rate to 4% from 11%. This reduced the stock's potential total return based on high price-earnings ratio of just 6.5%, lowest in the portfolio.

Similarly, sales for LKQ have declined for the past three quarters. Sales growth has hovered a bit above and then below zero for the past couple of years. I elect to lower projected sales growth to 6% (roughly historical growth rate since 2016) from 9%. This reduced LKQ's potential total return based on its high P/E to 6.6%, just above that for ABBV.

Additionally, we've been watching Bristol-Myers Squibb (BMY) closely after reducing its sales growth rate to 4% a couple of articles ago. Its latest quarterly sales declined 5.6%, the fourth straight quarter of decline. EPS, however, has been increasing strongly during this time based on increased pretax profit margins and decline shares outstanding.

The portfolio's overall projected sales growth has fallen to 9.7% based on my lowering of projected sales growth for ABBV and LKQ (see graphic). This is just below our goal of at least 10%. Value Line's "Median Price Appreciation Potential" (VLMAP) over the next three to five years for its standard edition stocks is a nominal 50% (10.7% annualized), making the minimum target return for the model portfolio 15.7%,

five percentage points over the expected market return. The projected total return for the tracking portfolio is 16.2%, comfortably above our target, so no sales or challenges are needed to increase projected return.

With respect to ABBV, however, the company is no longer a growth company because its low growth rate isn't far above the economy as a whole (measured by real Gross Domestic Product) and likely falls behind the economy after inflation is taken into account. This, combined with its below market potential total return, leads me to sell our \$14,612.33 in holdings of ABBV.

While BMY's projected sales growth is also 4%, we will hold its stock for now because of its solid dividend, increasing EPS and above market potential return.

ONGOING SEARCH FOR NEW PHARMACEUTICALS FUELS SOLID FINANCIAL RETURNS FOR PROVIDER OF KEY RESEARCH SERVICES, CHARLES RIVER

This month's feature is Charles River Laboratories International, Inc. (CRL) a global provider of essential products and services to help pharmaceutical and biotechnology companies, government agencies and leading academic institutions accelerate their research and drug development efforts. Animal research models have been the foundation of the

AbbVie is no longer a growth company because its low growth rate isn't far above the economy as a whole.

company's business for over 75 years, more recently branching out into drug discovery, preclinical testing and manufacturing support.

CRL operates 150 facilities in 21 countries, with foreign sales accounting for 41% of the 2022 total. Its business falls into three segments: Discovery & Safety Assessment (62% of 2022 sales); Manufacturing Support (20%) and Research Models & Services (18%).

Historical sales growth has been very consistent, averaging 15.2% over the past 10 years. EPS has increased nearly as consistently and at an even higher rate of 17.6%. Pretax profit on sales over the past five years has ranged from a low of 11.6% in 2019 to a high of 15.7% in 2022, averaging 13.7%. Return on equity averaged 17.4% over the past five years, coming in at 18.4% in 2022.



I project sales to grow at 12% over the next five years. I used the five-year average pretax profit margin of 13.7% as my projected pretax profit margin. Income taxes have increased a little over the last four years to 20.9% in 2022. This is right at Value Line's projected 21% that I will adopt as my projected income tax rate. Diluted shares have stayed steady, rising just under 6%, much of that between 2019 and 2020. I will project shares to stay about the same at 51.4 million.

These projections lead to EPS of \$15.15 in five years. With the exception of 2021 (that I exclude as an outlier) high P/E ratios have increased from 30.4x to 39.7x with an adjusted 5-year average of 34.1x.

I chose to use the average rounded down to 34x as my projected high P/E. These projections lead to a forecast high price of \$515.20 and potential total return of 20.1% using the projected high P/E (CRL pays no dividend, nor is one expected).

We'll keep the proceeds from selling ABBV in the health care sector, splitting them evenly between CVS (with a 20.8% potential total return) and CRL (along with our regular \$1,000). These transactions increase our portfolio projected sales growth to 10.1% (above our target minimum) and its potential total return to 17.1%.

Securities mentioned are illustrations or for study and presented for educational purposes only. They are not to be considered as endorsed or recommended for purchase by NAIC/BetterInvesting. Investors should conduct their own review and analysis of any company of interest using the Stock Selection Guide before making an investment decision. Securities discussed may be held by the writer in his personal portfolio.

CHARLES RIVER LABORATORIES

COMPANY	8/2/2023 VALUE	% OF PORTFOLIO BEFORE/AFTER TRANSACTIONS	PROJECTED SALES GROWTH	PROJECTED TOTAL RETURN
Axos Financial (purchased 5/21/21)	\$ 989.72	0.5/0.5%	13.5%	26.2%
Axos Financial (purchased 5/22/23)	1,108.23	0.5/0.5	13.5	26.2
Maximus, Inc.	7,568.58	3.7/3.7	12.0	24.3
EPAM Systems, Inc.	1,246.29	0.6/0.6	15.0	23.6
Genpact Limited	888.06	0.4/0.4	9.0	22.7
Alphabet (Google)	5,880.90	2.9/2.9	18.0	20.8
Starbucks Corp.	8,080.07	4.0/4.0	9.0	20.8
CVS Health Corp. (purchased 7/27/16)	5,235.84	2.6/2.6	8.0	20.8
CVS Health Corp. (purchased 2/7/18)	4,543.12	2.2/5.8	8.0	20.8
Cognizant (purchased 6/3/08)	3,912.57	1.9/1.9	7.0	20.4
Cognizant (purchased 8/6/10)	2,928.40	1.4/1.4	7.0	20.4
MKS Instruments (purchased 7/29/21)	662.62	0.3/0.3	12.0	20.2
MKS Instruments (purchased 3/8/22)	6,792.74	3.4/3.3	12.0	20.2
Coherent, Inc. (was II-VI) (purchased 12/5/18)	1,296.77	0.6/0.6	14.0	20.1
Coherent, Inc. (was II-VI) (purchased 10/10/19)	8,219.95	4.1/4.0	14.0	20.1
Taiwan Semiconductor	1,257.56	0.6/0.6	11.0	20.0
C.H. Robinson (purchased 5/31/13)	2,062.66	1.0/1.0	6.0	19.6
C.H. Robinson (purchased 6/30/14)	3,169.97	1.6/1.6	6.0	19.6
C.H. Robinson (purchased 7/6/15)	5,033.22	2.5/2.5	6.0	19.6
Littelfuse, Inc.	1,300.63	0.6/0.6	7.0	18.1
Gentex Corp. (purchased 9/5/14)	4,291.28	2.1/2.1	10.0	17.9
Gentex Corp. (purchased 7/6/15)	6,494.41	3.2/3.2	10.0	17.9
Installed Building Products, Inc.	16,440.45	8.1/8.1	13.0	17.8
First Financial Bankshares	3,268.62	1.6/1.6	9.0	17.5
Elevance Health (was Anthem)	7,062.73	3.5/3.5	8.0	16.8
First American Financial	7,944.31	3.9/3.9	7.0	16.8
T. Rowe Price	1,728.35	0.9/0.9	9.0	16.4
Booking Holdings, Inc. (purchased 8/31/18)	1,478.27	0.7/0.7	14.0	16.3
Booking Holdings, Inc. (purchased 4/15/19)	6,751.70	3.3/3.3	14.0	16.3
Skechers (purchased 3/12/20)	2,122.60	1.0/1.0	12.0	16.0
Skechers (purchased 3/8/22)	6,953.51	3.4/3.4	12.0	16.0
Texas Roadhouse, Inc.	1,556.02	0.8/0.8	13.0	14.7
Bristol-Myers Squibb	2,635.46	1.3/1.3	4.0	14.4
Lam Research Corp. (purchased 1/4/22)	963.31	0.5/0.5	14.0	14.2
Lam Research Corp. (purchased 3/8/22)	6,647.83	3.3/3.3	14.0	14.2
FedEx Corp.	1,171.91	0.6/0.6	7.0	12.5
Fastenal	6,554.77	3.2/3.2	9.0	12.1
MSC Industrial Direct	1,741.53	0.9/0.9	7.0	11.5
Regeneron Pharmaceuticals	1,555.62	0.8/0.8	9.0	11.3
Domino's Pizza	1,338.96	0.7/0.7	7.0	10.5
NetEase.com, Inc.	12,507.03	6.2/6.2	8.0	10.3
TJX Companies, Inc.	8,910.23	4.4/4.4	9.0	9.3
LKQ Corp.	5,414.34	2.7/2.7	6.0	6.6
AbbVie, Inc. (purchased 7/31/20)	11,028.69	5.5/0.0	4.0	6.5
AbbVie, Inc. (purchased 10/9/20)	3,583.64	1.8/0.0	4.0	6.5
Totals before transactions	202,323.45		9.7	16.2
Charles River Laboratories	8,306.17	N.A./4.1	12.0	20.1
Portfolio Totals after transactions	203,323.45		10.1	17.1



How Many Funds Do You Need in a Portfolio?

Rev up your money with the right mix of 'engines' and 'brakes.'

by Craig L. Israelsen, Ph.D.

Mutual funds and exchange-traded funds allow investors to gain access to pre-built “buckets” that contain hundreds or sometimes thousands of stocks, bonds, real estate investment trusts, commodities, etc. This type of immediate diversification is extremely convenient and important. But it can create the illusion of being fully diversified at the portfolio level. One fund does not a diversified portfolio make.

To be genuinely diversified investors will want to have a reasonable number of funds that focus on different types of investments. It's sort of like making salsa. We combine diverse ingredients to create the wonderful “sauce of life” that is better than any of the separate ingredients individually (I know that point is arguable... but work with me on this one!).

For example, the most popular index-based mutual funds and ETFs in the known galaxy mimic the 500 stocks in the Standard & Poor's 500 index. You guessed it — S&P 500 index funds such as the Vanguard 500 Index Fund Admiral Shares (ticker: VFIAX) or the SPDR S&P 500 ETF Trust (SPY). The popularity of the S&P 500 index may unwittingly create the sense of being fully diversified across multiple asset classes. The S&P 500 index is comprised of the stock of the 500 largest U.S. companies — all of which fall within ONE asset class: large-cap (cap stands for “capitalization”) U.S. stocks.

This represents diversification depth. Depth diversification is important, but breadth diversification is more important. Breadth diversification is achieved when multiple asset classes such as stocks, bonds and diversifiers are combined together — and doing this will require multiple mutual funds and/or multiple ETFs.

DEPTH VERSUS BREADTH? LET'S DO BOTH

The key question here is very straightforward: “How many mutual funds are needed to achieve genuine breadth diversification?” There is no magically correct number. However, it's possible to have too many funds. Thirty mutual funds and/or ETFs is likely pushing the limit. That is a lot of funds to manage. A reasonable guideline to achieve breadth diversification would be from six to 15 funds (mutual funds and/or ETFs). Broad diversification will have been achieved if the selected funds represent different asset classes. If many of the

chosen funds come from the same asset class, the portfolio will not be fully diversified.

In the top table at right, Table 1, I've identified 12 “core” asset classes that should be considered for inclusion in a broadly diversified portfolio of mutual funds and/or ETFs. The eight asset classes in black type represent the “engines” in a portfolio, whereas the four asset classes in dark red type are the portfolio “brakes.” The engines in a portfolio tend to have higher returns but more volatility in their year-to-year returns — with some years experiencing negative returns.

The brakes in a portfolio are generally bond funds and money market funds. The engines and brakes take turns being the star, so it's important to stay committed to both the engines and the brakes even when some of them are behaving poorly. Investing naturally involves volatility in the performance of the various things we're investing in. It would seem rather naive to be surprised by volatility if we choose to invest.

WHAT TO EXPECT FROM A DIVERSIFIED PORTFOLIO?

A broadly diversified portfolio will produce positive annual returns roughly 75% of the time. Shown in Table 2, the graph on the bottom of the next page, are the year-to-year returns of a 12-asset class portfolio (using the annual returns of the 12 indexes noted in the table above) over the past 25 years from 1998-2022. Each index had an equal weighting of 8.33% and the portfolio was rebalanced annually. The average annualized return of this 12-index portfolio over the past 25 years was 6.7%. A 6.7% annualized return turned a \$10,000 investment on Jan. 1, 1998 into \$50,415 by Dec. 31, 2022. Investing takes time — like cooking with a Crockpot.

You will notice that the year-to-year returns are often not very close to the average return of 6.7% (shown by the horizontal red line). That variance away from the average (often referred to as “volatility”) is what scares some investors... and they bail out. Successful investors are patient and persistent. Be that investor.

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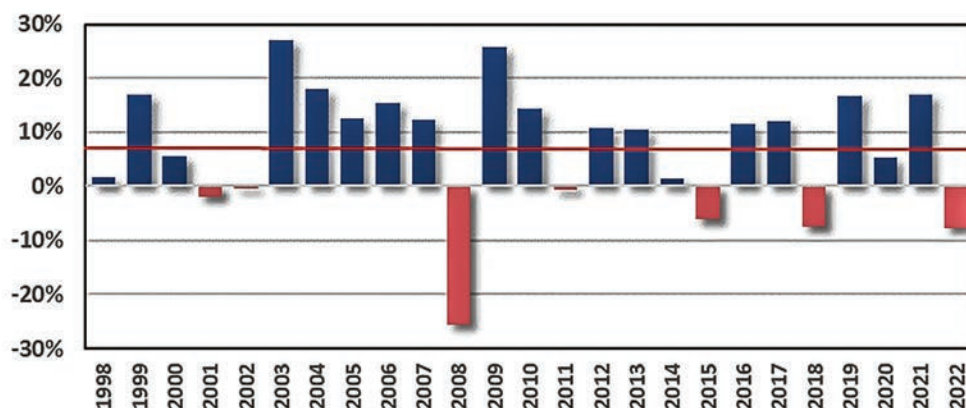
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Table 1. Key Asset Classes in a Diversified Portfolio: The engines are in black and the brakes in red

“Core” Asset Classes	Representative Index	Vanguard Funds to Consider	Fidelity Funds to Consider
Large U.S. Stock	S&P 500 Index	Vanguard Growth & Income (VQNPX)	Fidelity Mega Cap Stock (FGRTX)
Mid-Cap U.S. Stock	S&P MidCap 400 Index	Vanguard Midcap Index Admiral (VIMAX)	Fidelity Low-Priced Stock (FLPSX)
Small-Cap U.S. Stock	S&P SmallCap 600 Index	Vanguard Strategic Small-Cap Equity (VSTCX)	Fidelity Small Cap Value (FCPVX)
Non-U.S. Developed Stock	MSCI EAFE Index, (Europe, Austra-Asia and Far East)	Vanguard Developed Markets Index Admiral (VTMGX)	Fidelity International Index (FSPSX)
Non-U.S. Emerging Stock	MSCI Emerging Markets Index	Vanguard Emerging Markets Stock Index Admiral (VEMAX)	Fidelity Emerging Markets Index (FPADX)
Real Estate	S&P Global REIT Index	Vanguard Global ex-U.S. Real Estate Index Admiral (VGRLX)	Fidelity Real Estate Income (FRIFX)
Natural Resources	S&P North American Natural Resources Index	Vanguard Materials ETF (VAW)	Fidelity MSCI Materials Index ETF (FMAT)
Commodities	Deutsche Bank IQ Optimum Yield Diversified Commodity Index Excess Return	Vanguard Global Capital Cycles (VGPMX)	Fidelity Environment and Alternative Energy (FSLEX)
U.S. Bonds	Bloomberg U.S. Aggregate Bond Index	Vanguard Total Bond Market Admiral (VBTLX)	Fidelity Series Bond Index (FIFZX)
Inflation Protected Bonds	Bloomberg U.S. Treasury US TIPS Index	Vanguard Short-Term Inflation-Protected Securities Index Admiral (VTAPX)	Fidelity Inflation-Protected Bond Index (FIPDX)
Non-U.S. Bonds	Bloomberg Global Treasury Index	Vanguard Total International Bond Index Admiral (VTABX)	Fidelity New Markets Income (FNMIX)
Cash	U.S. Treasury bills, 90-Days	Vanguard Federal Money Market (VMFXX)	Fidelity Government Cash Reserves (FDRXX)

Table 2. Annual returns from 1998-2022, portfolio of 12 indexes



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Traits of the Aggressive Investor

Do you have that combination of effort, patience and courage?

by Douglas Bellemore

From our archives, a selection from the June 2005 issue of BetterInvesting Magazine.

This article is by Douglas Bellemore, who taught investment for 40 years at New York University's night school. After 50 years of investing savings from Navy pay and teaching — and investment counseling — he put his money where his mouth was, investing all he had in General Motors at \$32 to \$34 (on a scale) because it met all of his tests for a superior investment. It then more than doubled. Here, he identifies the characteristics required for success as an aggressive investor.

Not all investors have the innate or acquired personal characteristics that are mandatory to succeed in building a portfolio of common stocks that will significantly outperform the market over the years.

What are these traits required for success as aggressive investors? Basically they are five:

1. PATIENCE

The aggressive investor should not expect quick results although occasionally this occurs. Success depends, in large measure, on the ability to select undervalued situations not presently recognized by the majority of investors and to wait for expected developments to provide capital gains which may only come after several years.

After the investment commitment has been made, he must calmly hold common stocks, perhaps five to eight years. Individual investment in this sense is not unlike corporate investment, in which management must wait in order to reap benefits of new investment programs.

Results cannot be expected to come quickly. In fact, many of the personal qualities for successful business management are the same as those for an aggressive investor.

2. COURAGE

The investor must have solid convictions and the courage and confidence emanating from them — that is, courage, at times, to ignore those who disagree. Resembling the courage displayed by top corporate management, it is tantamount to willingness to make and to accept responsibility for difficult decisions. Decision-making ability which is the key to success in business, is vital to success in investing. Although not all decisions will be correct, a high majority must be.

Decisions should be made only after careful analysis of facts and consideration of recommendations of others. The final decision may be at variance with such recommendations. But it is this willingness to differ and to accept responsibility that distinguishes the top executive and the top investor, assuming, of course, judgments are right more often than wrong.

The aggressive investor should not expect quick results, although occasionally this occurs.

3. INTELLIGENCE

To realize success, the aggressive investor must possess average intelligence, but by no means does he need to be a genius. Intelligence alone, however, is by no means the only requisite for success. Common sense — impossible to test except by experience — is equally important in judgment decisions. Many highly intelligent investors have had poor investment records because they lacked common sense, i.e., the down-to-earth, practical ability to evaluate a situation.

4. EMOTIONAL STABILITY

Although akin to patience this trait is broader in scope. Initially, it is needed to prevent the investor from being engulfed in waves of optimism and pessimism that periodically sweep over Wall Street. Moreover, it is required to separate the facts from the entangled web of human emotions. Bernard Baruch said once that most facts reach Wall Street through “a curtain of



human emotions,” and even sophisticated professionals in Wall Street find difficulty in distinguishing fact from emotion.

5. HARD WORK

To be successful an aggressive investor must do thorough research which requires considerable time and effort. He must be knowledgeable about the company in which he considers making an investment, the industry, the position of the company in the industry, and the place and future of that industry in the economy as a whole.

There are no short cuts to successful investment for aggressive investors. To earn really sizable capital gains requires substantially more effort...

Furthermore, he must do considerable financial analysis for which he must have some general knowledge of statements. Although not on the advanced level of a professional security analyst, he must adequately determine relative financial strength and earning power and project future earnings. The fundamentals of accounting and corporation finance can readily be self-taught for these purposes.

Brokers, of course, through the services of their research departments are a great help in stock analysis and will do much of the work of ferreting out facts; nevertheless, the investor can never escape judging the facts himself, and this takes knowledge.

6. WILLINGNESS TO SACRIFICE THE INVESTMENT PROTECTION OF DIVERSIFICATION.

Diversification based on the insurance principle can considerably reduce investment risks, although it cannot be achieved haphazardly. Nor can diversification be substituted for a certain amount of investment judgment, although a portfolio large enough to be

distributed rather evenly among New York Stock Exchange stocks or all major industrial stocks would, for all practical purposes, reduce risk to that inherent in common stocks as a group. But diversification, say, among 20 or 30 stocks, cannot substitute for investment judgment.

While the conservative investor relies extensively upon diversification to minimize risks, his aggressive counterpart must sacrifice wide diversification if his portfolio is significantly to outperform the general market. Although wide diversification reduces risks by offsetting mediocre selections with good ones, it also reduces substantially the profit or capital gain potential of a portfolio.

Just as no speculator ever amassed a fortune while following the principle of diversification, no investor who expects his portfolio to outperform the averages significantly and to provide major capital gains can practice broad diversification.

SELF-EXAMINATION

Finally, each investor must ask himself whether he meets all the qualifications that have been discussed for successful investing. Failure to meet any of these makes it probable that by following an aggressive approach to investment, the investor will have a poorer record than if he adhered to the tenets held by the conservative investor.

Should the investor decide to become conservative, he will at least have the satisfaction of knowing he should do considerably better than the unqualified investor who attempts to pursue aggressive tactics.

There are no short cuts to successful investment for aggressive investors. To earn really sizable capital gains requires substantially more effort, patience, courage, and intelligence than that required of the conservative investor.

It requires much more on all of these counts. As in other fields, the investor cannot get something for nothing. Once the investor has selected his own investment classification, he must pursue adamantly the principles of his particular group.

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Dividends an Option in Uncertain Times

As EPS grows, watch if the company increases its payout.

by Kenneth S. Janke, Sr.

From our archives, we present this article by the late Kenneth S. Janke, Sr., a retired chairman and CEO of BetterInvesting as well as a chairman emeritus of the NAIC/BetterInvesting Board of Directors. This article first appeared in the August 2008 issue of BetterInvesting Magazine. (For more on dividends, see Page 28.)

For as long as I can remember, investors have faced uncertain markets from time to time when pundits predicted that prices would decline because of the economy and lower profits. Stock market declines can't be given exact time horizons, but on average they happen about every three years. So they're not uncommon.

If you follow the investment principles urged by the association, you know the first one is to invest regularly. It makes sense; historically, bull markets last longer than bear markets and usually go to higher levels than in the past. Trying to time the market just doesn't work, and sitting on cash isn't the answer, either, especially when the yields are low in bank sweeps and money market funds.

This is the case today: My recent brokerage statements show these accounts yielding from a low of 1.3% up to 2.6%.

What I have found is that in periods of uncertainty, dividends can play an important role. In fact, much of the average return for the S&P 500 over the years can be attributed to dividends.

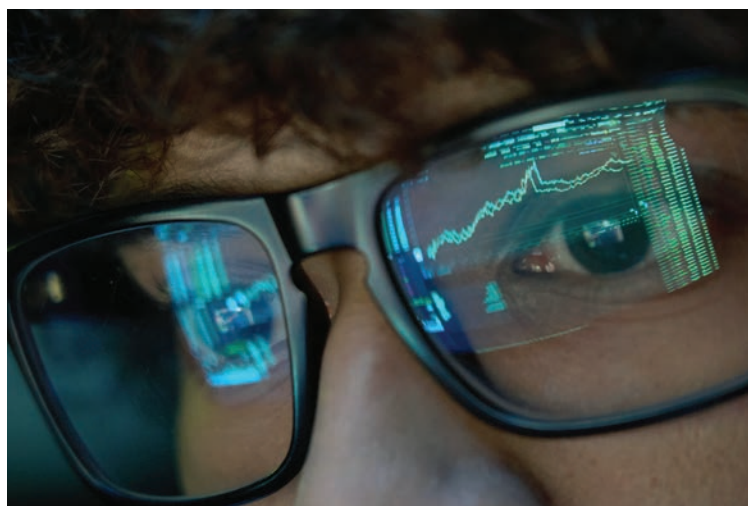
That said, I'm not advocating that they be the only thing to consider when buying stocks. The third investment principle of buying stocks of companies growing faster than the economy is still important.

One of the criteria I use is to see whether the company increases the dividend regularly and in line with growth in earnings per share. For example, let's say a stock is yielding 2% for a company growing at 10% annually. If the company increases the dividend by the same percentage each year, the yield on the stock's original price would be 3.2% in five years, 5.2% in 10 years and 8.3% in 15 years.

In addition, if earnings are growing, chances are pretty good the stock's price will reflect that growth. In the meantime a quarterly check or additional shares acquired through a dividend reinvestment plan (if one is offered) can contribute to a portfolio's overall performance. Those dividends can be combined with regular investments to purchase more stock. In an uncertain market, it's nice to receive those checks.

Some investors feel the best growth companies are those that pay no dividends. Instead, they're using all the profits to fund further growth. I won't disagree with that, but you also have to be sure management has the ability to invest that money wisely to assure future growth. When a cash dividend is paid to shareowners, the investor is able to decide how to use the funds.

Standard & Poor's publishes a list of companies that regularly increase dividends, some of which have been



When a cash dividend is paid to shareowners, the investor is able to decide how to use the funds.

doing it for more than 25 years. Many brokerage firms provide similar lists.

Dividend-paying stocks may not always fit into your goals and criteria, but most investors are always looking for ideas. So consider adding this publication to your reading list.

Websites of Interest

S&P Dow Jones Indices, S&P 500 Dividend Aristocrats, see fact sheet

www.spglobal.com/spdji/en/indices/strategy/sp-500-dividend-aristocrats/#overview



The Growing Pains of Maturity

2 ‘undergrad’ stocks seem to be on their way to the big leagues.

by Vitaliy N. Katsenelson, CFA®, CIO of Investment Management Associates

This article from Vitaliy Katsenelson includes discussion of stocks and assets mentioned only for educational purposes; no investment recommendations are intended. Go to Vitaliy's Contrarian Edge website (www.contrarianedge.com) for more articles. Sign up at the site to receive articles by email.

Every Friday night when my family sits down for dinner, I look at my kids and remind myself how lucky I am. My older kids, 17-year-old Hannah and 22-year-old Jonah, are turning into incredible young adults with many qualities I want to emulate. They are becoming my role models!

Jonah recently installed parental controls on his phone (completely on his own!) to limit his use of social media. He replaced that time with reading. I was inspired by Jonah and slapped parental controls on my phone, too. Hannah is reading Dale Carnegie and actively applying the concepts she's learning to her daily life. Mia Sarah is only 9 years old, but I can already see the potential for kindness, endless curiosity, and resilience in her.

Today, when I look at my kids, I experience an abundance of parental pride. This was not always the case, especially with Jonah. I have written about this many times before. In his junior year of high school, he had a victim mentality. He had a 1.3 GPA, and he blamed his bad grades on everyone else but himself. I was only slightly worried, because I saw a huge potential in him and felt he would be OK. Sure enough, in his senior year he matured and had a 3.9 GPA for that year, and now he is a magna cum laude student at CU Boulder.

Recently, as I was reviewing our portfolio, I experienced a similar parental feeling of pride. A number of our companies whose businesses were stuck in their “junior year” for a while have matured into their “senior year.”

There is of course a significant difference between companies in the portfolio and kids: We don't get to choose our kids, while we carefully choose our companies. Also, we cannot dispose of our kids, but we can sell our companies.

There is another nuance here. Many times, we bought these companies because they were in their “junior year”; this is what made them undervalued. Our research led us to the conclusion that their difficulties were transitory and that as they matured the market would revalue them.

UBER (TICKER: UBER)

We bought UBER when the stock was universally hated. This is the only time I can recall a handful of clients reaching out to inquire if my kids were making invest-

ment decisions for me. I ended up writing a very lengthy essay explaining our thinking behind the purchase. Of course, the timing of the purchase could not have been any worse: We bought it a few weeks before the pandemic engulfed the global economy and shut it down.

Fast-forward a few years. Uber has proved to be an anti-fragile business that came out of the pandemic much stronger — it reduced its workforce by a quarter, and its food delivery business mushroomed. Uber was aggressive in bringing drivers back on its platform as the economy opened up, and thus it took market share from now-struggling Lyft. Revenues have been growing at a very fast pace — last quarter they were up 29%. The company is finally cash-flow-positive; it is not relying on the kindness of strangers (equity or debt markets).

Innovation and constant improvement are signs of a great company. Here is a recent example that parents of teens may appreciate. Until recently, you had to be 18 years old to use Uber rideshare. Now, teens aged 13 to 17 can be added to their parents' accounts. When they request an Uber, their parents are alerted. The teen is matched with the highest-rated driver available, one who has been on the platform a long time. The parent can monitor their child's location at all times. Additionally, audio allows parents to listen to conversations in the car. Although this product only addresses 13% of the U.S. population, that is the 13% who desperately needed transportation but until now had to rely solely on their parents. No more.

Uber's business is approaching escape velocity: The growth of costs significantly lags revenue growth and thus profitability is exploding to the upside. At the current price, the market capitalization of the company is about \$75 billion (this is what it would cost us to buy the whole company).

Analysts project Uber to generate free cash flows and net income north of \$7.5 to \$10 billion in a few years. This is in line with our analysis. As the company starts gushing cash flows, we expect the stock to rerate much higher. If it achieves the aforementioned cash flow estimates and trades at 15x-20x free cash flows, the stock will double or triple.

Uber's growth is unlikely to be linear, but we see it as an inevitable business. You don't need to have a rich imagination to see that rideshare, which is gradually becoming woven into the fabric of our society, will be used a lot more in the future, not less.

Uber, which was seen as a potential dropout by many of our clients, is steadily progressing from junior to senior year.



QUALCOMM (QCOM)

QCOM's core mobile phone business is facing maturity. However, the company has been investing in businesses that have significant growth ahead of them. QCOM has a very strong position in the automotive industry. I visited QCOM headquarters in San Diego in 2016, and even then they were discussing the digital car. Today, QCOM is the only company that offers a complete digital solution for automakers. They call it the digital chassis.

Automakers, with the exception of Tesla, are not good at software or technology in general; they are good at making mechanical parts. This is where QCOM comes in. QCOM's digital chassis allows GM, Ford and others to build a digital, software-defined car (think Tesla). QCOM provides customizable modules that come with an operating system, software, CPUs, modems, and sensors. Automakers can customize these modules to create their own look and feel.

Tesla showed traditional automakers what the future car looks like: a computer on wheels. QCOM is their best chance to develop one. Years and billions of dollars invested in this segment are paying off: QCOM has announced that they have a \$30 billion pipeline in this business.

QCOM's strategy in this business is brilliant. They have a working development partnership with BMW. BMW knows what its customers want and QCOM knows how to develop it. BMW gets QCOM's intellectual property for free, in exchange for QCOM getting one of the best automaker's contributions to its technology.

Electric cars consume about 10-15 times more digital content (hardware and software) than traditional cars. As the mix of cars shifts to EVs, so will QCOM's revenue in this segment. QCOM is guiding for \$10 billion in automotive revenue by 2028.

QCOM has a good chance of making significant inroads into laptop CPUs. I am writing this on an Apple MacBook Air, which is powered by Apple's custom-developed M1 chip based on the ARM architecture. Apple dropped Intel's x86 chip and developed its own. The battery life of this MacBook is 18 hours; I was lucky to get three hours out of my Lenovo Windows laptop. I cannot tell you how liberating it is not to worry about charging your laptop.

A year ago, QCOM bought a company that was started by the Apple engineers who created the M1 chip. QCOM is working in collaboration with Microsoft to create a chip based on the ARM architecture that would power the next generation of laptops. It should be out in 2024. It should have a similar battery life to MacBooks. These sales will be completely complementary to QCOM.

AI is all the rage today. Well, QCOM has a play there, too. It is creating processors that speed up AI processing on phones. As I understand, as of today QCOM is the only company that has a phone processor with this capability.

QCOM dominates the AR/VR space with its microchips. It is also the largest beneficiary of the internet of things (IoT). For example, QCOM chips can be used in connected street lights that tell cars if the light is green

or red, connected industrial equipment that notifies if a part is about to wear out, and connected cattle that allow farmers to easily find a wandering cow.

The beauty of owning QCOM is that it is a forward-thinking company with an incredible competitive advantage (enormous IP, economies of scale, massive R&D), good balance sheet and great management. The short term is likely going to be a bit rocky for QCOM, which is why the stock is down. The company is dealing with an oversupply of microprocessors due to the pandemic and the shutdown and reopening of China. Long-term, its

There is tremendous value in doing research: reading annual reports, studying the industry, listening to earnings calls, building financial models.

future looks very bright. As of this writing the stock is at \$120. We think near-term earnings are about \$9 or so; however, we conservatively estimate earnings four years out at about \$13. At 15 times earnings we get a \$200 stock.

SOME ADDITIONAL THOUGHTS

I always experience a low level of anxiety when I share my stock write-ups, usually from my client letters, with my readers. I fear that someone will read my write-up and blindly buy the stock. When we buy a stock, we should consider how it fits into our portfolio; new data may come out and we may change our mind. Also, I rarely discuss position sizing.

Let me explain.

We assign a target weight for each stock based on its discount to fair value. For example, if we believe a company is worth \$100, our target position size at \$70 will be 3%; at \$50 it will be 4%; and at \$30 it will be 5%. Though these are not actual discounts, they are directionally correct. We apply this methodology to the whole portfolio, one stock at a time.

Qualcomm, for instance, is a 2%-3% position in our portfolio, though you would not know this from my write-up. The position sizing for Uber fluctuated significantly with its price; we were buying a much larger position at \$26 than we are today at \$44. These nuances are important, but they are often lost when I (and most investors) discuss individual stocks.

Also, what is lost in my, or anyone else's, individual stock write-ups is how we investors got to our conviction. There is a saying, "Life is not about the destination, but about the journey." This is also true for investing. There is tremendous value in doing research: reading annual reports, studying the industry, listening to earnings calls, and building financial models. Doing these activities gives you a tactile sense of the company, something you cannot acquire from someone else's write-up. This feeling (conviction) can only be earned through doing the work.





AT THE PEAK

Tips for Investors in Their Prime Earning Years

by Jeffrey Steele

Many personal finance experts argue that the years just before retirement are the most important to any investor. Given that the Golden Years are only a few years — or months — away, they contend this can be a critical time to make all the right moves, while also avoiding the kind of costly mistakes that could severely jeopardize financial security.

Other investing gurus assert there's no stage of life more important than the start of one's career to build a solid nest egg. After all, if newcomers to the work world get started on the right course of regular contributions to tax-advantaged savings programs early on, they reap a number of benefits. First, they establish the habit of saving and investing that is vital to building retirement assets. As well, they benefit from what Albert Einstein billed "the eighth wonder of the world," the magic of compounding interest.

Like so many other efforts to simply explain a complicated concept, however, these approaches only provide part of the answer to successful investing for retirement. Both of them shortchange the importance of the middle, highest-earning years of individuals' careers. What steps are taken at this crucial life stage can make or break portfolios.

"This is an age full of important life decisions, especially when it comes to financial planning," says Abbe Large, New York City-based senior vice president at Lenox Advisors.

"Building a strong financial foundation and a plan during your peak earning years is essential for individuals to take control of their money management and can help keep them on track to reach their financial goals and aspirations."

In the pages ahead, *BetterInvesting Magazine* takes you into the critical mid-career strategies and approaches



investors can leverage to wind up with larger, more secure nest eggs at the time of retirement or speed up the moment when they can retire from work altogether.

DIFFERENT STROKES

Those in their peak earning years, usually the 40s and 50s, have spent decades in their careers and may have decades remaining. They face varying circumstances at that stage of life. “Some may be preparing to pay for college, some may be getting ready for kids to move out of the house, and others may have their sights set on retirement,” said Ryan Petti, financial planner at Wakefield, Mass.-based Sentinel Benefits and Financial Group. “Everyone has different situations, calling for different investment decisions.”

MAINTAIN AN EMERGENCY FUND

The must-have possession for any investor at virtually any stage is an emergency fund. Though such a fund should have been established at the earliest stages as an investor, many mid-career adults face financial challenges that can hamstring their ability to sufficiently fund the reserves in their emergency funds. It is an emergency fund that allows investors to avoid panicking in times of financial need. They can tap readily available funds without having to sell equities in a down market.

Hence, the maintenance of an emergency fund can help mid-career investors “stay the course,” and avoid draining long-term investments that richly compound to investors’ immense financial benefit over time. As Warren Buffett’s right-hand man Charlie Munger has observed, “The first rule of compounding is to never interrupt it unnecessarily.”

Recommended are three to six months of emergency money for fixed and variable expenses in time of job losses or unexpected home or car repairs, Petti said. “You will want to keep this somewhere liquid and safe,” he added. “A high-yield savings account is a great place for this, especially in today’s high-interest environment.”

CONTINUE FUNDING A RETIREMENT PLAN

You’ve hopefully been at it for years. This is no time to stop funding your employer-sponsored retirement plan, such as a 401(k) or 403(b), Petti said. He urged funding at 10% to 15% of your gross pay.

“This is not just your contribution, but also any employer match that is offered,” Petti said. “These investments should continue to be growth-oriented. But as retirement nears, consider becoming more conservative to help protect against any market drops” prior to or at the time of your retirement.

Agreeing with this tack is Raymond Quisumbing, a registered financial planner with New York City-based Bizreport. With retirement as little as a decade away for some mid-career folks, a key step is reviewing and adjusting retirement portfolios. “Consider shifting towards a more conservative and balanced asset allocation with emphasis on bonds and Treasury bills, and less on volatile stock market investments,” he said.

PAY OFF HIGH-INTEREST DEBT

Establish a priority of paying off such high-interest debt as credit cards or personal loans, which act as a drain on your ability to invest, said Omar Khan, founder and managing partner at Boardwalk Wealth in Dallas.

Slashing that debt will liberate more of your income for investments, while also reducing financial burdens in retirement. “You open up any credit card and the average interest rate is 19% or 20%,” Khan said. “No legitimate — or illegitimate — investment is going to bring you 19% or 20% a year. So you can either pay this money off, or you can keep paying the man 20% and be enslaved for the rest of your life.”

UNDERSTAND YOUR RISK PROFILE

When you began investing years earlier, you may well have been able to handle a high level of risk. Your retirement years were decades off and you may not yet have had a spouse, mortgage, children, college expenses and other commitments. For many in their 40s and 50s, those carefree days are long behind them. As a result, their risk profile may have changed with the passing of years.

“It’s essential to understand your own risk profile,” says Martin Seely, a startup enthusiast, business owner and investor in Canterbury, U.K. “Are you comfortable taking on a higher level of risk or do you prefer a more conservative approach? Knowing how much risk is acceptable to you can help inform the type of investments that make sense in your situation.”

DIVERSIFY YOUR TAX APPROACHES

Among the wisest approaches any mid-career investor can undertake is to contribute not just to tax-advantaged savings programs, but to taxable brokerage accounts as well. So says Brendan Halleron, partner and financial planner at Affiance Financial in Minneapolis, Minn.

“There is a common misconception that maximizing your 401(k) account is the ultimate thing you can do to prepare for retirement,” he said. “While this is a great step, making sure your investments are diversified from a tax standpoint — pretax, after-tax and taxable — helps control one of the two biggest expenses in retirement: taxes. The other is health care. Having retirement funds in a taxable brokerage account will provide flexibility to ensure you have the savings needed to do the things you want to do, while not necessarily paying taxes on the entire amount of your retirement withdrawals.”

PLAY CATCH-UP

Not everyone is able to hit the ground running in funding their retirement accounts to the maximum from the very start of a career. For some, early education and home-buying expenses, not to mention the high costs of raising a family, can get in the way of making the most of early funding opportunities.

Catch-up contributions were created for just such individuals. “If you have not yet been able to contribute your maximum to your retirement accounts, consider availing yourself of this opportunity,” Quisumbing said,



noting this will help late starters save more money more quickly.

Catch-up contributions allow people 50 years and older to save more in their 401(k)s and individual retirement accounts than the Internal Revenue Service allows at younger ages. For tax year 2023, catch-up contributions of up to \$7,500 can be made to 401(k)s other than SIMPLE 401(k)s, 403(b)s, SARSEP and governmental 457(b)s, according to the IRS. Catch-up contributions must be made before the end of the plan year.

AVOID LIFESTYLE CREEP

Those who have reached their peak earning years have an obligation to themselves to regard each compensation increase with careful consideration, said Dan Lear, partner and financial planner at Affiance Financial in Minneapolis. Many people wrongly see the additional pay as an opportunity to lavish additional creature comforts upon themselves, a tendency that has been called “lifestyle creep.”

Lehr has found most people in their 40s and 50s are living comfortably. “They have no need to allow lifestyle creep to eat up each raise they receive,” he said. “So it is an easy decision for them to proactively save their increased earnings toward a future goal. These little steps, taken each time someone gets an increase in their compensation, may seem somewhat insignificant. But over time, they make a major difference.”

A related approach is to earmark the additional money you’ll have after paying off a major debt for savings, not spending. Say you make \$850-per-month car payments over a course of years. When the vehicle is paid off and the need to make monthly payments ends, many would decide to spend that \$850 monthly. But if you instead evolve from paying the lender to paying yourself, you’ll have a lot more when retirement rolls round.

CONSIDER PROFESSIONAL ADVICE

Khan advises seeking guidance from a financial planner or adviser. He or she can assist you in creating a comprehensive investment strategy, one that considers your financial situation, goals and risk tolerance. “God forbid you have a condition with your heart,” Khan said. “You can go to YouTube and try to learn to be a cardiologist, or you can go to an actual cardiologist. Common sense tells us we can get expert advice by going to a trained professional who does this for a living, who can give you proven, sage advice in a timely manner.”

STRATEGIZE CLAIMING SOCIAL SECURITY

You are still a decade or two from eligibility to claim your lifetime Social Security benefits, but that doesn’t mean you shouldn’t begin to strategize to gain the most from the stream of payments Uncle Sam will make available. “As retirees live longer than ever, we need to have their

savings and Social Security last longer,” said Jim Penna, senior manager of retirement services and investment strategy for VectorVest, Inc. in Cornelius, N.C. “The income generated in retirees’ later years is important.”

Studies have shown nearly one in three (30%) of Americans claim Social Security at age 62. And this might be the right step for those without any other assets and a family history of short lifespans. But experts advise the vast majority of people to wait until at least full retirement age to claim. If you plan to continue to work until 70 or have assets to cover you until then, it probably would be best for you to wait as long as age 70 to claim. Those who take Social Security at 70 earn 76% more than those who file at 62.

STRIVE FOR HEALTH

It’s not your net worth that is your greatest financial asset, say many shrewd money managers. It’s your ability to maintain robust good health. “Health is one of the top reasons people are forced to retire,” Petti said. “Poor health can also be very costly in retirement and can eat away at your assets. People in their 50s should consider speaking with a professional about long-term care insurance to help protect their assets in retirement.”

While aiming at health, why not also invest in a health-savings account (HSA), if you don’t already have one? The only triple-tax-advantaged savings instrument around, HSAs let you reduce taxable income by the amount deposited, grow the accounts tax-free and withdraw the money for any medical expense without paying taxes.

“HSAs are a gift from God, because they’re tax-advantaged every single way,” Khan said. “There is no bigger freebie in America than an HSA.”

STAY INFORMED

Keep up with the financial news and market trends, Khan advised. Stay adaptable and tweak your investment strategy when necessary, taking into account evolving economic conditions and personal circumstances. But at the same time, avoid paying too much attention to the often hyperbolic messages spouted by the media.

“There are a couple reasons for this,” Khan said. “First, the media don’t pay your bills. You pay your bills. Two, the media are not in the business of your welfare, they’re in the business of their welfare. If the media were to say you should consistently save 20% of your income, be broadly diversified and not be swayed by emotion, you’d likely get bored and turn off the TV. But if the media were to say the Chinese are invading and coming for your ExxonMobil stock, you’ll watch because there are nicer graphics and big explosions on the screen.

“Being stable and boring wins, while flashy investing typically has flashy outcomes, in which you go down in a heap of fire.”

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Club's Focus Is a SPOT-On Portfolio

'Fantasy Contest Guru' reigns over Virginia group's yearly stockpicking event.

As told to Angele McQuade by Walt Speidell, Steve Hetzler and the members of the Stock Pickers of Tidewater (SPOT) Investment Club of Portsmouth, Virginia (D.C. Regional Chapter).

HOW WE STARTED: Our club — Stock Pickers of Tidewater, or SPOT — was founded in Portsmouth, Virginia, in 2000 with 14 members, most of whom knew each other through community activities. Of our current 18 members, eight are founders.

A BIT ABOUT OUR PORTFOLIO: Our portfolio of 17 stocks was recently valued at \$310,000. We've moved from being stock pickers who buy whenever we see a promising stock to now being focused on managing our portfolio. We target a maximum of 18 to 20 stocks, with each being minimum of 3% to maximum of 10% of portfolio value.

THE FIRST STOCKS WE PURCHASED: 25 shares of Dollar General (ticker: DG) and 25 shares of Hon Industries (HNI) in 2000. Sold both for profit in 2004.

AN ALL-TIME FAVORITE INVESTMENT: Probably Apple (AAPL). It's the stock we've held longest, with a couple of buys and sells, but it has the greatest appreciation of any of our stocks. (The sells were just to trim when it became more than 10% of our portfolio.)

TRADES WE'D RATHER FORGET: We've sold some very good stocks to realize tax losses, but usually our intention to repurchase the following month was neglected. Many of these grew very well after selling. Ouch!! We learned from those mistakes and implemented a "Buy Back Process," where any stock sold for tax or stop loss must be reviewed at the next meeting.

A BIT ABOUT OUR MEETINGS: Snacks are eagerly anticipated at the start of each one and seemingly more important than reviewing minutes from the previous meeting.

ONE WAY WE KEEP MEMBERS ENGAGED: Our annual "Fantasy" contest, where each member selects up to five stocks with "play money." Everyone participating kicks in \$25 and the member whose selections do best for the year wins the pot. Each month, the "Fantasy Contest Guru" provides updates, which in turn provides good-natured ribbing of those leading and those bringing up the rear.

HOW WE FIND NEW MEMBERS: We find it particularly challenging to add younger members as they're often working long hours and involved with family activities. We have a new Facebook page for potential members that summarizes who we are and club member requirements.



STOCK PICKERS OF TIDEWATER INVESTMENT CLUB: Front row, left to right: Steve Hetzler, Bob Boyle, Gary Abrams, Randy Caviness, Walt Speidell and Jim Layton. Back row, left to right: Tom Hoddinott, Bill Jobst, Jim Liedman, Rodney Spears, Carl Smith, Rick Burton, Ted Bailey, Paul Thompson and Jack Welsby. Not pictured: Lee Armistead, Jeff Hale and Roger Ladd.

WHAT WE WISH WE'D KNOWN SOONER: How to use the tools available within BI, particularly SSGPlus with all its capabilities. There was a learning curve for all of us, but we knew the tools were excellent.

HOW WE PLAN TO USE OUR INVESTMENT GAINS: Some of us are playing more golf, some are doing more fishing, another is an aspiring photographer. Several have second homes at the Outer Banks and spend time there. SPOT annually donates to three local nonprofit organizations and supports a local charitable event.

ONE LAST THING WE'D TELL OTHER CLUBS: Have fun — laugh, support each other, and maybe take a flier outside the normal box with a small investment in one speculative stock. We're as much about learning from each other and having fun as we are in making some money as a club.

Angele McQuade has been BetterInvesting Magazine's Book Value columnist for 23 years. She's the author of three books, including "Investment Clubs for Dummies" and BI's upcoming new youth investing handbook. Angele lives in Maryland, where she also writes children's picture books and novels. Email her at: angelemcquadeauthor@gmail.com.

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The Perfect Match: Club Connect to Launch

Investment clubs seeking to expand can hook up with interested BI members.

Are you an individual member who is eager to join an investment club? Or are you part of an established club that would like to increase its ranks?

Later this year, NAIC/BetterInvesting will roll out a new member-driven program designed to better connect individual investors with stock investment clubs. Called Investment Club Connect, this exciting free program helps clubs who desire to add new members to find like-minded BetterInvesting members interested in joining an existing investment club.

Individual members will raise their hand (via an on-line application) to initiate the connecting process.

NAIC/BetterInvesting will maintain a confidential list of individual members looking for a club, as well as NAIC/BetterInvesting investment clubs that are open to adding members who have registered with the Club Connect program.

Individual information is presented to existing clubs using custom-matching technology based on gender, distance and other filters. Clubs then consider adding the individual to their club. If interested, the club then reaches out directly to the individual member.

There is no obligation on the part of either party. Think of it as investment club dating!

As of mid-July, clubs can preregister for beta access to Investment Club Connect. Clubs who preregister will be first in line when Investment Club Connect fully launches. There is no cost to enroll in this program; this is an exclusive service provided to BetterInvesting clubs and members.

To learn more, including answers to Frequently Asked Questions, and/or to preregister, visit:

www.betterinvesting.org/members/investment-clubs/club-connect

Note: Investment Club Connect is not yet open to individuals — as such, it may take some time before clubs begin to receive names of individuals interested in joining a club. A future announcement will notify individuals when Investment Club Connect is open to individuals who wish to find a club.

You can also learn more about the Investment Club Connect program by viewing the recording from the New Investment Club Connect Pre-Launch Presentation webinar held on July 25:

<https://betterinvesting.wistia.com/medias/9mugz7icif>



Scott Horsburgh, CFA Dan Boyle, CFA

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→ Club Connect is free to BI members.

→ The 'matchup' list is kept confidential.

→ The club reaches out to a potential match.



Arkansas Club Was Educators' Brainchild

Now members range from a county circuit clerk to retired brigadier general.

by Members of the Monticello Women's Investment Club

The Monticello Women's Investment Club was first organized in July 1992. Fourteen women who had expressed an interest in learning more about investing gathered at the local public library at that initial meeting.

Most of the 14 original partners were educators who had some affiliation with the local university in our town, Monticello, Arkansas. The first decisions made at the organizational meeting were to limit the number of partners to 15, to meet at 5 p.m. on the second Thursday of each month, to require a monthly contribution of \$20 from each partner and to join the National Association of Investment Clubs (BetterInvesting).

One original partner's husband was an attorney and he agreed to draft our original Partnership Agreement. Another original partner was a math teacher and she agreed to set up the ledger for accounts. (Remember that 1992 was before the internet and before the Better-Investing software was available, so the work was done by hand in a labor-intensive process and everyone had to contribute the same amount, no more or no less, to make the math doable.)

Our club is proud of the work we have done to learn about investing and we feel that we have been successful investors.

We opened a checking account at one of our local banks and that bank acted as our broker. Club members used the library at the University of Arkansas at Monticello to research stocks using Value Line. The financial partner had to do her reports for the club on the Sunday prior to the meeting because Sunday was the only day the stock market quotes were published in the newspaper. The club ordered instructional materials from BetterInvesting and the partners took turns presenting information to the club at each meeting. The partners tried to learn as much as possible about financial terms and investing in general before buying the first stock.

We are a diverse group of women by profession and by age. The current president of our club is our Drew County Circuit Clerk, one partner owns a thriving real estate business, one partner is a consulting nurse, one is a retired brigadier general from the U.S. Army Reserves who has also served as a state legislator, one is a licensed professional counselor, one is a teacher at one of our



THE MONTICELLO WOMEN'S INVESTMENT CLUB. Front row, left to right: Kathy Carmical, Elgenia Ross, Suzanne Wiley, Marsha Daniels, Beverly Burks and Eulea Kiraly. Back row, left to right: Virginia Ward, Judy Lassiter, Sarah Blackmon, Sherri Witcher, Elizabeth Burnett and Sara Wall. Not pictured: Renea McClendon, LeAnne Burch and Debbie Tiner.

state prisons, one helps her husband in his veterinary clinic, one works in the financial aid office at the local university, one manages a family business, one partner has worked as a museum curator and four partners are retired educators.

In the 30 years that the club has been operating, five partners have died, 10 partners moved out of town and six partners have withdrawn from the club. Each departing partner has been replaced, so the club is still active with 15 partners. There are still two original partners who remain active in the club.

The club has weathered many upswings and downturns in the market over 30 years. By adherence to guidelines suggested by BetterInvesting, the club has seen its portfolio grow to a value of more than \$500,000. The club now uses a no-fee broker, and the financial partner can negotiate trades on the internet at no cost to the club. Our club is proud of the work we have done to learn about investing and we feel that we have been successful investors. The value of our club portfolio continues to increase (or it has until very recently), and we are continuing to learn as we monitor past investments and make decisions for new investments.



Racking Up 'Stockopoly' Scores in Ohio

Women's club celebrates 35 years and a 'marvelous basis of camaraderie.'

by Members of the Ladies Investment Club

The Ladies Investment Club of Medina, Ohio, recently celebrated our 35th year of friendship, fellowship, education and investing.

In February, 1988, as young wives and mothers, we initially founded our group (aka LIC) to expand our comfort level with the world of finance. History told us that it would serve us well to be familiar with investments and the markets. The original 20 members sought advice from a family connection on how to organize a club. Of those original 20 members, five charter members remain today.

At the first meeting in a member's home, we each invested \$150 and set monthly dues at a minimum of \$5. The monthly contributions have increased greatly over the years at the choice of each member. When the club first started, one unit was worth a value of \$10. Now one unit is worth over \$200.

From the start when our first stock purchase was the local company RPM, each member has maintained one vote regardless of the number of members and the monthly

Much of our success can be credited to open suggestions on stocks to buy and good research.

amount invested by each. Today our portfolio consists of 18 stocks each followed by a member who reports monthly on that stock. Stocks are rotated every June so members follow and learn a new stock each year.

We've always recognized the need to expand our knowledge and grow. A speaker from Merrill Lynch was invited to the initial meeting to explain various investment and market terms. Most importantly, it wasn't long before we decided that it would be wise to join BetterInvesting, which has provided us with so many tools and advice to help us make considered and prudent investing decisions.

Throughout the years, representatives of BetterInvesting have attended our meeting to give advice and share program know-how. A set of bylaws was introduced in 1995 and continues to be updated as needed. As members have resigned, the distribution committee has adjusted our portfolio to meet the payouts in stock or cash. When myICLUB was offered to clubs in the early 2000s, we recognized an opportunity to advance our stock reporting methods and simplify the record-keeping. The job of being club treasurer



THE LADIES INVESTMENT CLUB. Front row, left to right: Judy Daugherty, Marianne Feurstein, Debbie Sekorky, Melody Ross and Gail Christensen. Back row, left to right: Nancy Slisko, Chris Ruf, Liza Wallace, Judy Berarducci, Mary Kase, Amie Baumgartner and Mitzie Zdravje.

is now much less time-consuming as reports are generated instantly and can be viewed online by all members.

MEETING IN-PERSON AGAIN

Although the LIC met virtually during the early months of COVID-19, we have returned to meeting the second Thursday of the month for lunch at a local restaurant followed by our hour-and-a-half meeting.

For the past eight years one of our founding members has run a "Stockopoly" game with members investing an imaginary \$10,000 in stocks of their choice. Over the next 11 months, it's always interesting to see the changes in the market as members vie for the top spot. The member who ends this "fun" year with the most growth collects \$5 from the other members as her reward! Some interesting stocks have surfaced which the club has further considered for investment.

We're proud to say we've made some excellent choices and done remarkably well, and our sense of humor and optimism have seen us through many earning cycles with plenty of ups and downs, both in the stock market and our personal lives. Much of our success can be credited to open suggestions on stocks to buy and good research.

We also share a marvelous basis of camaraderie and support as we navigate the market coupled with the twists and turns of daily life. One thing that has never changed is our regard for each other and our gratitude to be a part of such a wonderful group of women.

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ProfitSeekers Value That ‘Cohesive Bond’

Louisiana women study stocks together with time for extracurricular fun.

by Janice Prejean of the ProfitSeekers

ProfitSeekers, of Lafayette, Louisiana, is our investment club which was organized in August 1987. We are a group of women who are very diversified – perhaps more so than our investment portfolio. However, the common threads among us have facilitated our club growth and persistence for the past 35 years.

Our focus for the club has always been education. Individually, and as a club, we have studied and implemented the principles of BetterInvesting. Also, our members have researched and studied other reliable sources.

Our club was recognized by BetterInvesting in 2002 for achieving the highest return on investment for clubs in the entire nation. We received that honor for clubs in the state of Louisiana in 2002 and for a number of other years.

Individually, and as a club, we have studied and implemented the principles of BetterInvesting.

The format of our club meetings has always had a time slot for an educational topic. Generally, the vice president selects a theme and makes a presentation to the club each month. Over the course of the years, club members have benefited from this in-depth information.

Our current vice president, Kelly Guilberteau, under the leadership of our president, Dr. Frankie Rholdron, has escorted the club into the world of ICLUBcentral. Our portfolio has the benefit of the information provided by the electronic Stock Selection Guide and PERTs. This has provided our members with current information, enabling good, timely investment information for successfully managing our portfolio.

Over the past few years our co-treasurers, Angie Broussard and Linda Matthews, have transitioned our accounting and tax records to myICLUB software. These have been significant tasks appreciated by all our members.

STOCKING UP ON GOOD TIMES

Our club has always found the time and energy to play and celebrate. Each year for our club’s anniversary, we go to a nice restaurant and enjoy a meal together. At the December meeting, we celebrate the festive holiday time with a dinner party at one of the members’ homes. In addition we participate in a “White Elephant” game of gift exchange with the creative stipulation that the item is something from your personal household that you are



PROFITSEEKERS. From the top, from left to right are: Kathy Daugherty, Dr. Frankie Rholdon, Connie Boustany Debra Savoie, Kay Champagne, Angie Broussard, Holly Curtis, Janice Prejean, Patricia Miller, Anne Tate, Linda Matthews Suzanne Edwards, Linda Paresi, Kellie Guilberteau and Dr. Lindsey Boudreaux.

willing to give. We have shared a ridiculous amount of fun and laughter around such events.

It is my belief that this is the cohesive bond that keeps our group together. We have seen children raised and develop into amazing adults; we have witnessed many aspects of life with our fellow members and friends.

Also, we have made money in the stock market! Several of our members have enjoyed some of these proceeds to fund trips to Europe, renovate kitchens, make other individual investments and a myriad of ways to enjoy the monies. And we have had enough to keep making investments in the club.



Chapter Contacts

Contact your local chapter for specific details on an event or visit www.betterinvesting.org/chapters.

USING THIS SECTION

Seeking to network with other long-term investors? Use these resources for information about programs in your community. Meetings provide investment education for individuals of all ages and experience levels. Each BetterInvesting chapter is listed with its website and contact information. We urge readers to contact the chapter directly for complete details about any event.

For those not covered by an area chapter, please see the Online Chapter listing for information or assistance.

Upcoming Investors Fairs, Educational Fairs, Annual Meetings and other major events are listed at the end of this section. These regional programs are the heart of BetterInvesting's educational effort. Some request a modest fee to defray costs, while others are free.

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WYOMING
See Colorado, Rocky Mountain

2022 Kenfield Burris Online Service Award: Georgia Chapter's **Kyra Slack**



Kyra Slack has been instrumental in advancing the Georgia Chapter's presence on various social media accounts and the chapter website to further promote the Better-Investing principles. Kyra has been a member since 1998 when she and her family formed a family

investment club, serving several offices, including as president, until the club disbanded in 2013.

In 2015, Kyra read about a call for volunteers in *BetterInvesting Magazine*. She reached out to the Georgia Chapter and was immediately accepted as a board member. Kyra has taken on the respon-

sibility for uploading all the educational articles and suggested publications approved by the board to its Facebook and Instagram accounts, as well as videos and snippets on its YouTube site. As a member on the website and newsletter committees of the board, Kyra has been instrumental in producing a quarterly emailed newsletter.

In 2021, Kyra volunteered to teach underserved youth, ages 10-18, at the Summer Stock Market Experience sponsored by Climb USA in collaboration with BetterInvesting. It's her hope that she will be able to continue to teach at the camp for many years to come. "With Kyra's friendly personality, her compassion and willingness to always help, along with her infectious smile and laugh, I am sure she was an instant hit with the kids!," said Cynthia McCrary, Georgia Chapter director.



ANNUAL MEETINGS & INVESTOR EVENTS

CALIFORNIA

Silicon Valley

7 p.m. – 9 p.m., Sept. 25, online **Chapter Annual Meeting**. Chapter directors review goals and accomplishments for the past year and plan and establish goals for the coming year. Also, re-election of directors. Visitors welcome. Cost: free. Register through website below. Contact: contact@silicon.betterinvesting.net. www.betterinvesting.org/silicon

COLORADO

Rocky Mountain

9 a.m. – 2:30 p.m., Sept. 30, online **Evaluate Stocks the Investment Club Way With BetterInvesting**. An intro to the Stock Selection Guide. The sessions are: Selecting the Best Companies: using the SSG; Determining a Fair Price; Estimating Future Growth; Estimating Future P/Es; and practice session. Presented by chapter volunteers and directors. Cost: \$51. Register at the website below. Contact: contact@rockymtn.betterinvesting.net. www.betterinvesting.org/rockymountain

FLORIDA

South Florida

9:30 a.m. – 11:45 a.m., Oct. 14, online **Learn to Earn (formerly CASA — Computer Aided Stock Analysis) — Online**. Learn the BetterInvesting methodology and how to complete the Stock Selection Guide from the BI monthly magazine *Stock to Study* feature and other investment topics. Learn how to create better SSG judgments using BI techniques and analysts' consensus from Value Line, Morningstar and others. Benefit from BetterInvesting's 70 year successful track record of long-term investment education. Presenter: Nick Nikiforos, South Florida chapter director and instructor. Cost: free, open to all. Register at www.betterinvesting.org/chapters/south-florida/local-events www.betterinvesting.org/southflorida

South Florida

9:30 a.m. – 11:45 a.m., Nov. 11, online 9:30 a.m. – 11:45 a.m., Oct. 14, online **Learn to Earn (formerly CASA — Computer Aided Stock Analysis) — Online**. Learn the BetterInvesting methodology and how to complete the Stock Selection Guide from the BI monthly magazine *Stock to Study* feature and other investment topics. Learn how to create better SSG judgments using BI techniques and analysts' consensus from Value Line, Morningstar and others. Benefit from BetterInvesting's 70 year successful track record of long-term investment education. Presenter: Nick Nikiforos, South Florida chapter director and instructor. Cost: free, open to all. Register at www.betterinvesting.org/chapters/south-florida/local-events www.betterinvesting.org/southflorida

LOUISIANA/MISSISSIPPI LA/MS

9 a.m. – 4 p.m., Nov. 4 Ochsner Medical Center-New Orleans 1514 Jefferson Highway, Jefferson **LAMS Roundup**. Featured guest presenters: Ken Kavula and Mark Robertson. More details coming. Contact: contact@lams.betterinvesting.net. www.betterinvesting.org/lams

MISSOURI

St. Louis

7 p.m. – 8:45 p.m., Sept. 18 Center of Clayton 50 Gay Ave., Clayton **Annual Meeting and Education Program**. A short Annual Meeting will include a discussion of upcoming programs, goals for the next fiscal year, nominations and election of chapter board members. Following, Jerry Wright will demonstrate how to complete a SSGPlus stock study. The last segment includes five chapter directors who will each present a stock. Cost: free. Contact: contact@stlouis.betterinvesting.net. www.betterinvesting.org/stlouis

NEW JERSEY

New Jersey

7:15 p.m. – 8:15 p.m., Oct. 1, online **Annual Meeting and Board of Directors Meeting**. Election of chapter directors and officers for the upcoming fiscal year. If you are interested in becoming a chapter volunteer, please be sure to attend this meeting. All members and visitors are welcome. Cost: free. Website below to register and for information. www.betterinvesting.org/newjersey

OHIO

Northeast Ohio

6:30 p.m. – 8:30 p.m., Sept. 14, online **“Challenging a Boring Stock Using the Stock Comparison Guide.”** Hosted by the Model Wheeler Dealer Investment Club. Instructors: “NEO Trio” — Kathleen Richards, Louise Gregory and Tim Bruck. Cost: free and open to all. Register below. www.betterinvesting.org/neohio

OREGON

Portland

9 a.m. – 11 a.m., Sept. 23, online **Education Event and Annual Meeting**. Education segment: Enhance Your Quarterly Reports Using Financial Ratios. Speaker: Bakul Lalla, who has presented at three BINCS. Cost: free. Register at the website below. Contact: contact@portland.betterinvesting.net. www.betterinvesting.org/portland

WASHINGTON

Puget Sound

7 p.m., Oct. 24; 7 p.m., Oct. 26; 8:45 a.m., Oct. 28; online **2023 Puget Sound Investors Education Conference**. Instructors and topics are still being finalized, but right now include Doug Gerlach, Suzi Artzberger, Christi Powell and Jackie Cummings Koski, as the keynote speaker. Cost: donations welcome. To register, see website below. Contact: 206/935-0861 or contact@puget.betterinvesting.net. www.betterinvesting.org/puget



Allergan plc, Pioneer Natural Resources Co.

Reviewing past Stock to Study and Undervalued selections.

by Kevin Lamiman, Contributing Editor

STOCK TO STUDY

Allergan plc

Ticker: AGN

Company Description: Allergan was acquired less than two years after being profiled (*see details below*). A leader in the medical aesthetics industry, the corporation's top product was Botox. Allergan also supplied breast implants, leading dry-eye therapy Restasis, and a broad range of prescription drugs and over-the-counter remedies. At the time Allergan was one of the most widely diversified pharmaceutical and aesthetics companies, with more than 750 products sold worldwide.

Price at Time of Selection: \$184.28

High Price During Past Five Years: \$202.22

Closing Price at Time of Acquisition: \$193.02

Total Return at 5-Year Price (Including Dividends): 7.5%

S&P 500 5-Year Total Return: 3.1%

Value Line Long-Term Earnings Growth Estimate

When Featured: 4.5%.

Consensus Long-Term Earnings Growth Estimate

When Featured: 6.1%

Five-Year Sales Growth Rate: N.A.

Five-Year EPS Growth Rate: N.A.

Five-Year Pretax Profit on Sales: N.A.

Five-Year Return on Equity: N.A.

Comment: A robust product development pipeline contributed to Allergan's selection. On May 8, 2020, AbbVie (ABBV) acquired Allergan in a stock and cash transaction valued at about \$63 billion. The total return of 7.5% at time of acquisition fell well short of the Stock to Study goal of doubling over a five-year span. At the five-year high of \$202.22 Feb. 12, 2020, the stock's total return was 12.7%.

Securities mentioned are illustrations or for study and presented for educational purposes only. They are not to be considered as endorsed or recommended for purchase by NAIC/BetterInvesting. Investors should conduct their own review and analysis of any company of interest using the Stock Selection Guide before making an investment decision. Securities discussed may be held by the writer or contributors in a personal portfolio or those of their clients.

UNDERVALUED STOCK

Pioneer Natural Resources Co.

Ticker: PXD

Company Description: Headquartered in Irving, Texas, Pioneer Natural Resources is an independent oil and gas exploration and production company focusing on the Permian Basin in West Texas. At year-end 2022 Pioneer's proven reserves totaled 2.4 billion barrels of oil equivalent; net production for the year was 650 mboe per day. Oil and liquids — the denser components of natural gas — represented 79% of production.

Price at Time of Selection: \$215.37

High Price During Past 18 Months: \$288.46

Closing Price 18 Months Later: \$220.55

Total Return at 18-Month Price (Including Dividends):

16.6%

S&P 500 18-Month Total Return: 1.1%

Value Line Long-Term Earnings Growth Estimate

When Featured: 23.0%

Consensus Long-Term Earnings Growth Estimate

When Featured: 83.3%.

Most Recent Quarter Sales Growth: (25.2%)

Most Recent Quarter EPS Growth: (36.3%)

Comment: A substantial, rising dividend yield was part of the backdrop to the stock's selection. A recovery in crude oil prices and a consequent spike in free cash flow plus debt reduction were additional considerations. The total return of 16.6% fell slightly below the goal for an Undervalued Company — a 20% increase over 18 to 24 months. At the 18-month high of \$288.46 July 26, however, the total return was 52.4%.

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Build Up Your Investment Club's Watch List

The newly-enhanced **Watch List** at **myICLUB.com** makes it easy for investment clubs to keep track of their best ideas and be ready to buy when signs are right. Members can link ideas to a Stock Selection Guide (SSG) prepared using BetterInvesting's Online Tools. As members update SSG data and judgment, fundamentals and current buy prices are updated on the club's Watch List. This makes it easy to monitor the list and spot opportunities.

Watch List													
Fundamentals | Diversification													
Sym	Followed/Added By	Added Date	Added Price	Curr Price*	Chng	SSG Date	Curr PE	Tot Ret	Rel Val	UID	Buy	Rec	
MSFT	Doug Gerlach	07/13/23	\$342.06	\$310.70	-9.33%	03/28/22	33.1	0.0	127.5%	0.0	\$0.00	Sell	
ABBV	Doug Gerlach	09/17/20	\$89.03	\$158.02	76.30%	03/24/23	23.9	15.2	103.5%	3.0	\$158.20	Buy	
ELI	Alantis Cod	10/30/19	\$300.03	\$192.24	-35.93%	11/16/22	15.8	0.0	64.1%	0.0	\$0.00	Sell	
QBDC	Doug Gerlach	07/17/23	\$14.03	\$13.27	-5.42%	05/23/23	8.4	23.4	113.2%	29.1	\$18.30	Buy	

The new Watch List features a **Fundamentals** view, showing growth and value metrics, and a **Diversification** view, showing sector and company size. Prices are updated every night so members can spot stocks that are on the move. A chart of each stock's price change since added to the list is available along with more company details. **Have your club give it a try today! Adding a stock is as easy as entering a valid ticker symbol.**

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Now celebrating its 50th year of investing success, the **Investor Advisory Service** keeps hitting home runs. For the 13th year in a row, **IAS** was named to the **2022-23 Hulbert Investment Newsletter Honor Roll** in recognition of its consistent, long-term track record. *Only three other newsletters qualified for the most recent Honor Roll.* And for the second year in a row, **IAS** topped the list with the best overall investment return.

Get off the bench and learn more about how the **IAS** uses **BetterInvesting's Stock Selection Guide®** to find companies that beat the market. Visit www.InvestorAdvisoryService.com/BI.

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