

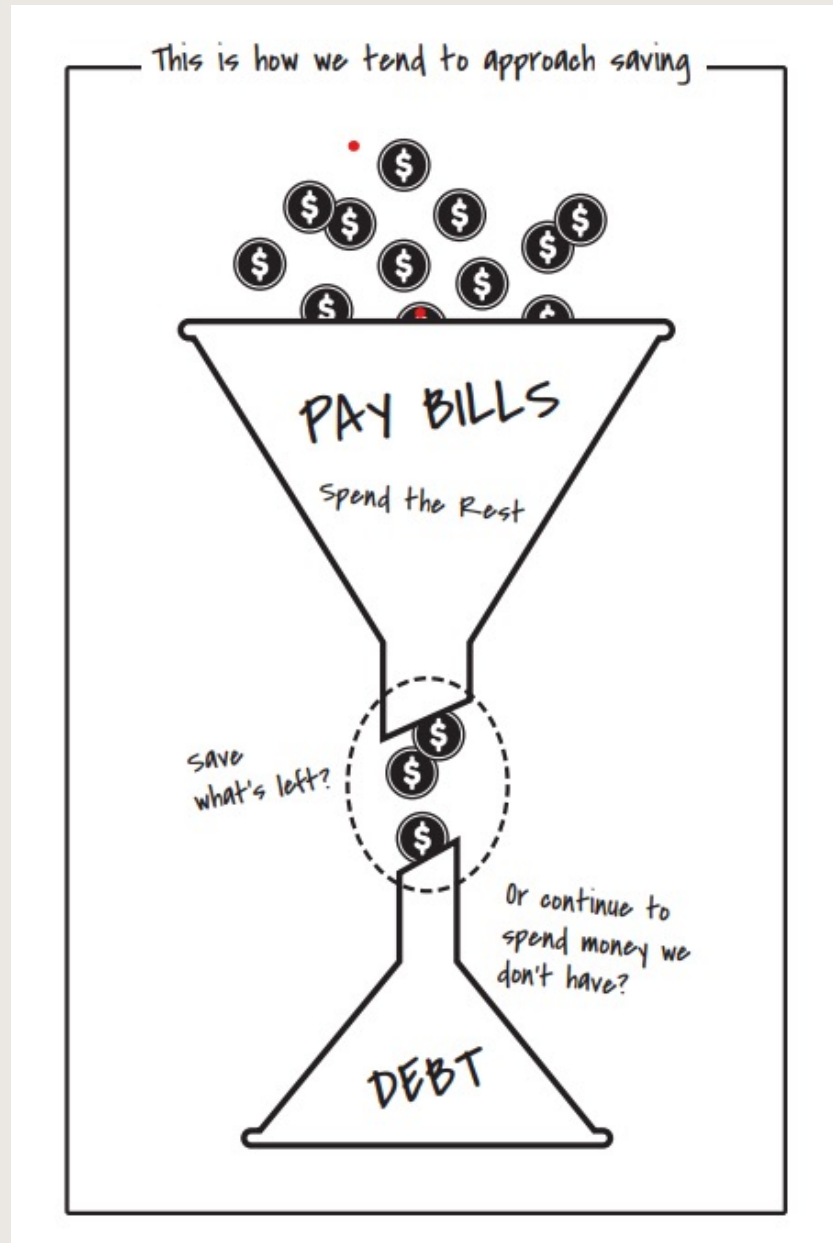
# What You Need To Do Before You Invest: How to Set Your Savings Target

Sarah Catherine  
Gutierrez, CFP



The John C. Bogle

Center for Financial Literacy

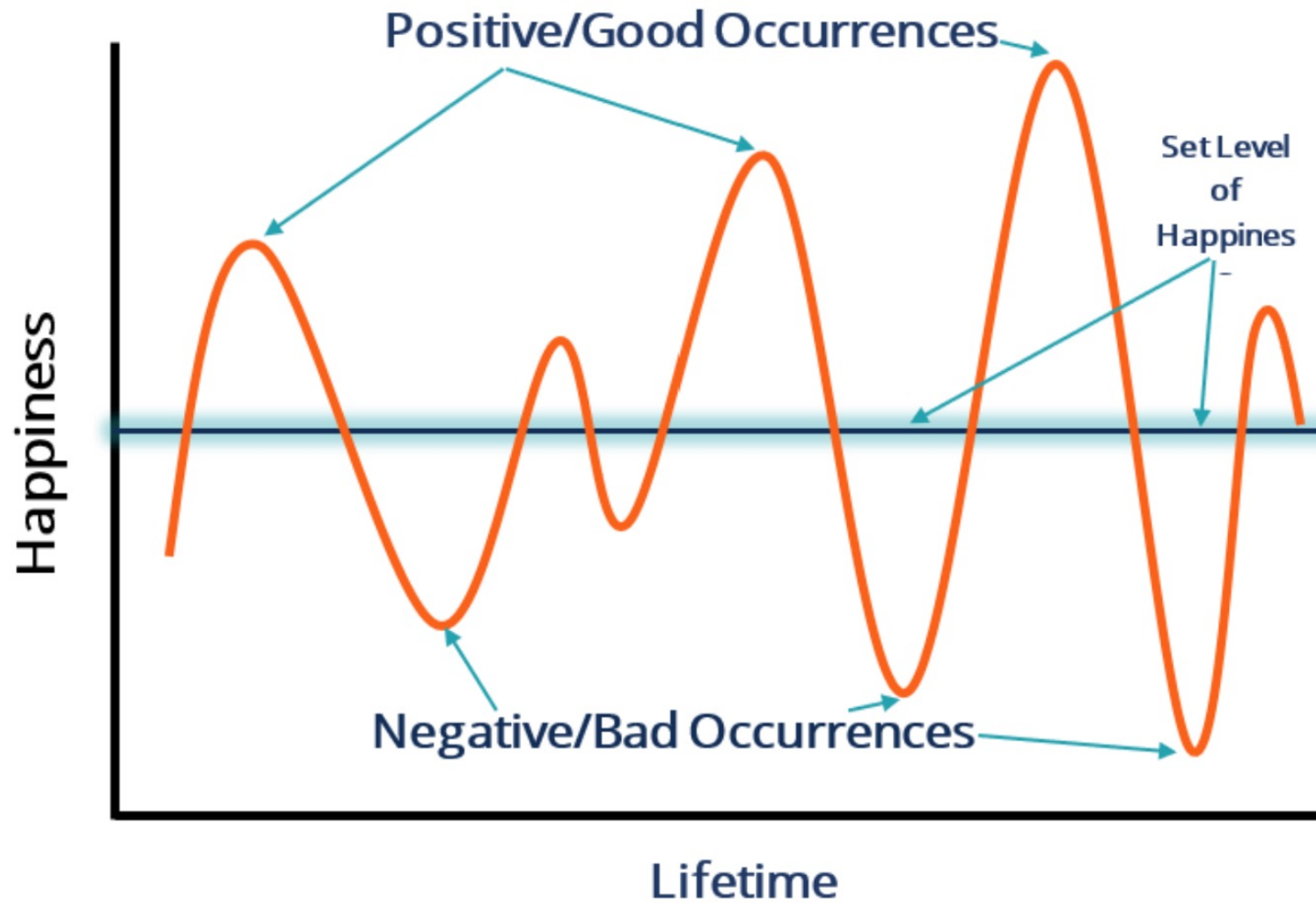


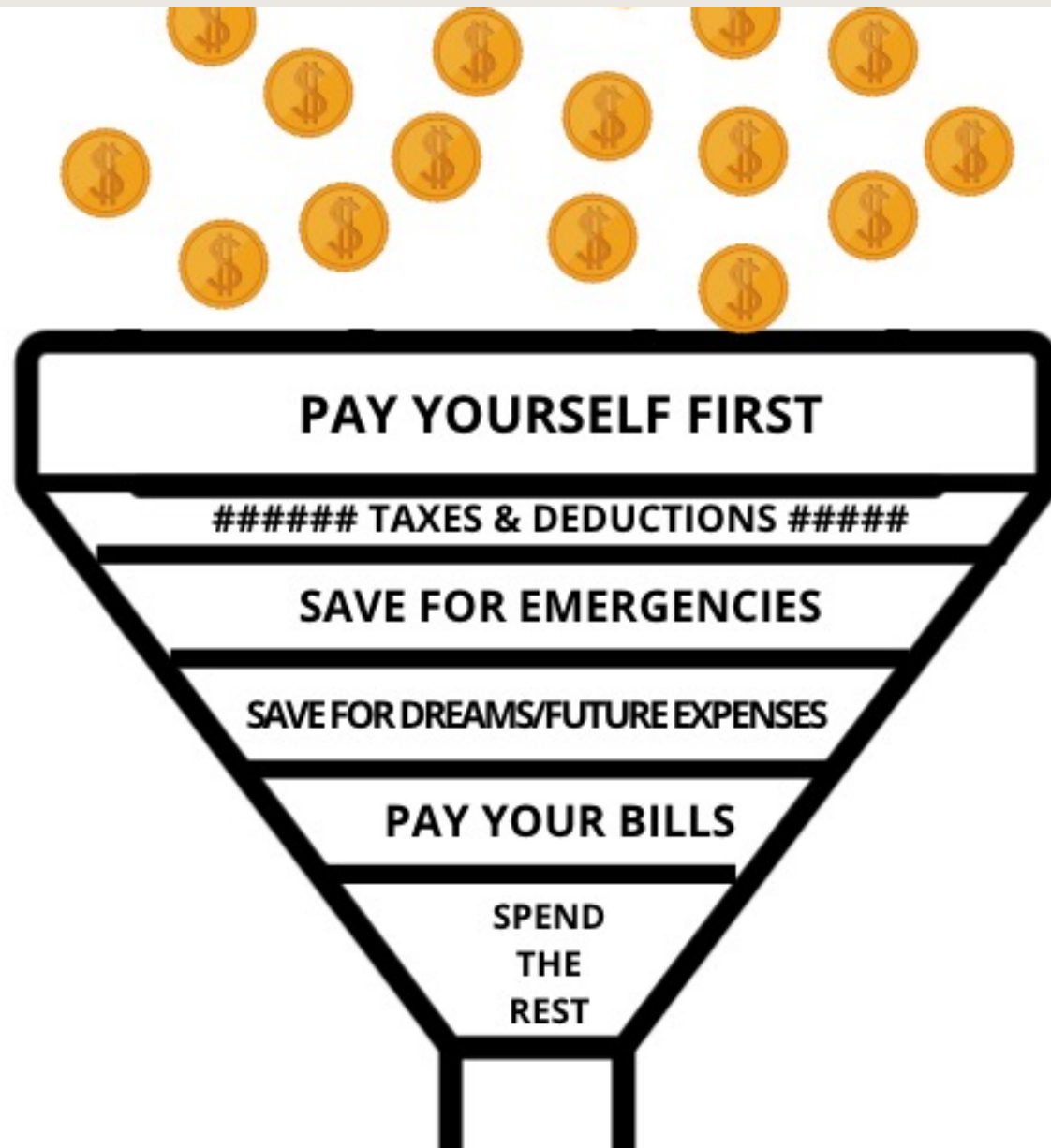
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procrastination  
overwhelming  
fighting  
now  
costs  
buy  
control  
YOLO  
card  
later  
impulse  
avoidance  
purchases  
after  
credit  
debt  
conflict  
why  
debt  
spending  
bother?  
YOLO  
chaos  
complicated  
powerless  
overwhelm  
transportation  
housing  
pay  
stress  
pay  
costs  
inflation  
overspending



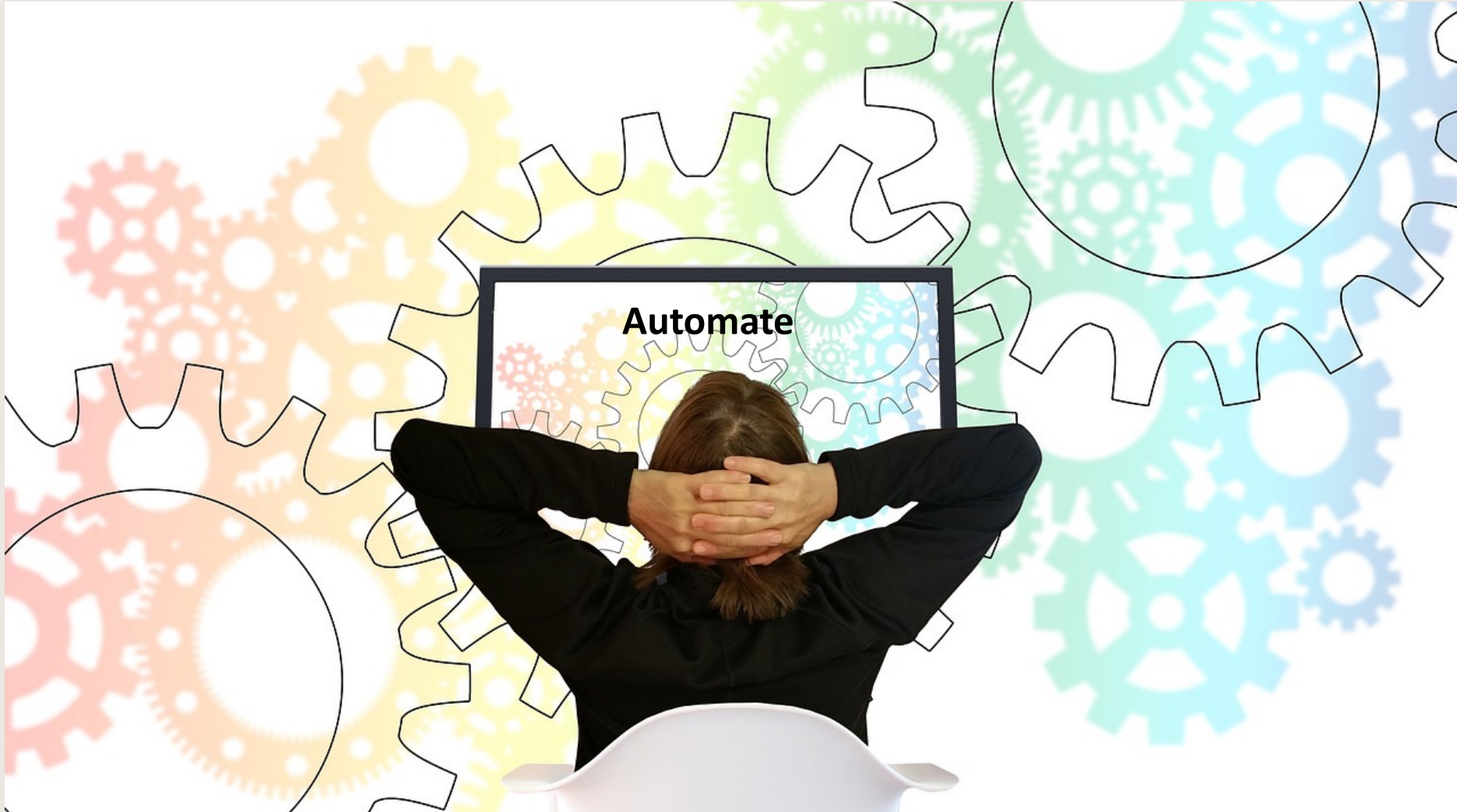




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## Recommended Retirement Savings for Median-Income Households (% of Gross Pay)

Assuming targeted retirement age of 65

		Current Retirement Nest Egg as a Multiple of Household Income										
		0.0x	1.0x	2.0x	3.0x	4.0x	5.0x	6.0x	7.0x	8.0x	9.0x	10.0x
Age	25	10.0%	10.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	30	15.0%	10.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	35	20.0%	15.0%	10.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	40	25.0%	20.0%	15.0%	10.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	45	25.0%	25.0%	20.0%	15.0%	10.0%	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%
	50	35.0%	30.0%	25.0%	20.0%	15.0%	15.0%	10.0%	5.0%	0.0%	0.0%	0.0%
	55	40.0%	35.0%	35.0%	30.0%	25.0%	20.0%	15.0%	15.0%	10.0%	5.0%	0.0%
	60	50.0%	45.0%	40.0%	35.0%	35.0%	30.0%	25.0%	20.0%	15.0%	15.0%	10.0%



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## Recommended Retirement Savings for High-Income Households (% of Gross Pay)

Assuming targeted retirement age of 65

		Current Retirement Nest Egg as a Multiple of Household Income										
		0.0x	1.0x	2.0x	3.0x	4.0x	5.0x	6.0x	7.0x	8.0x	9.0x	10.0x
Age	25	15.0%	15.0%	10.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	30	20.0%	15.0%	10.0%	10.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	35	25.0%	20.0%	15.0%	15.0%	10.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	40	30.0%	25.0%	20.0%	20.0%	15.0%	10.0%	5.0%	0.0%	0.0%	0.0%	0.0%
	45	35.0%	35.0%	30.0%	25.0%	20.0%	15.0%	15.0%	10.0%	5.0%	0.0%	0.0%
	50	45.0%	40.0%	35.0%	30.0%	30.0%	25.0%	20.0%	15.0%	10.0%	10.0%	5.0%
	55	55.0%	50.0%	45.0%	40.0%	40.0%	35.0%	30.0%	25.0%	20.0%	20.0%	15.0%
	60	65.0%	60.0%	60.0%	55.0%	50.0%	45.0%	40.0%	40.0%	35.0%	30.0%	25.0%



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# How to apply your target number?


Applying Magic Number

$$\text{\$150,000} \times 15\% = \text{\$22,500}$$



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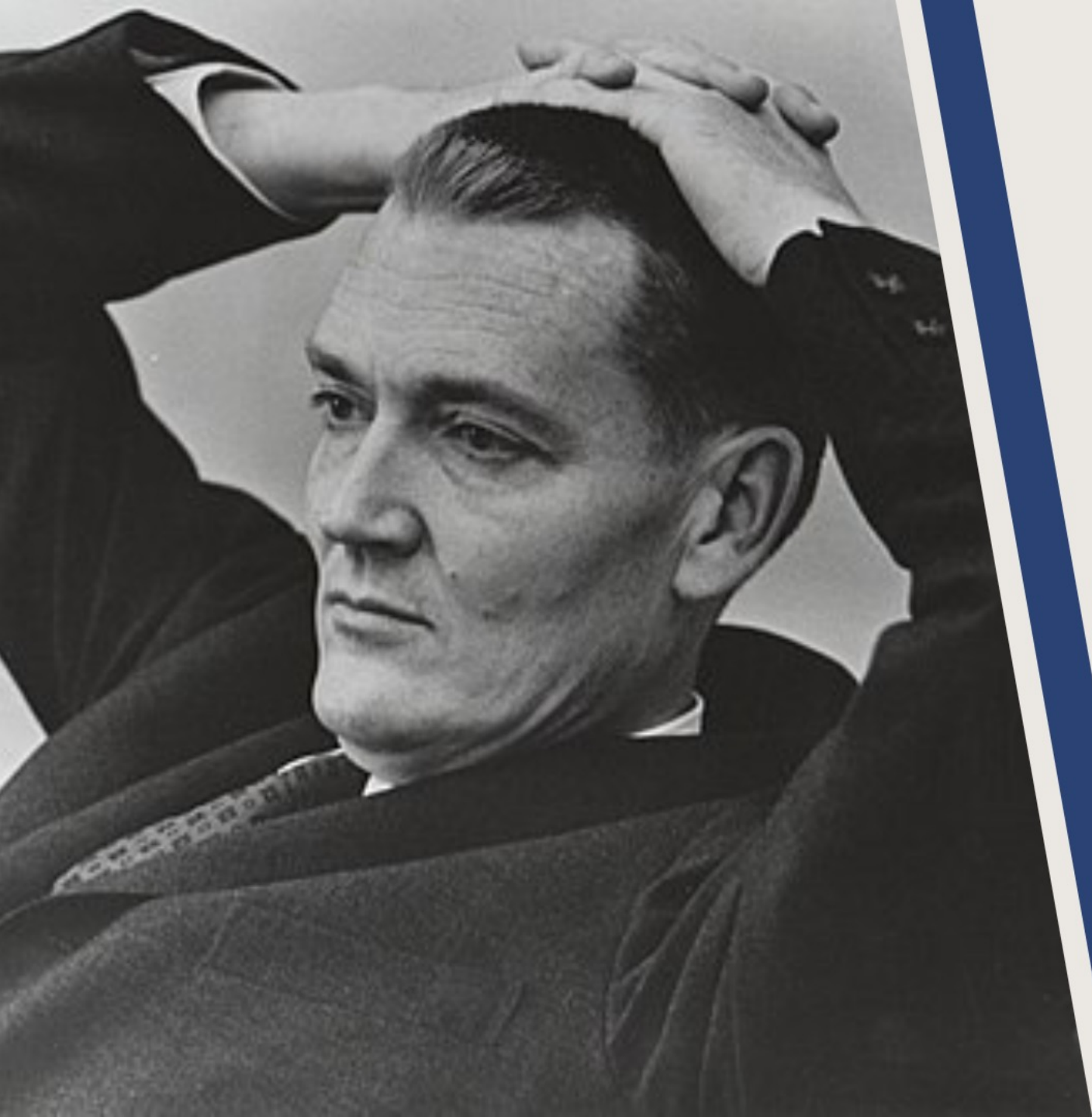


Any questions?  
Email me at  
[sc@aptusfinancial.com](mailto:sc@aptusfinancial.com)



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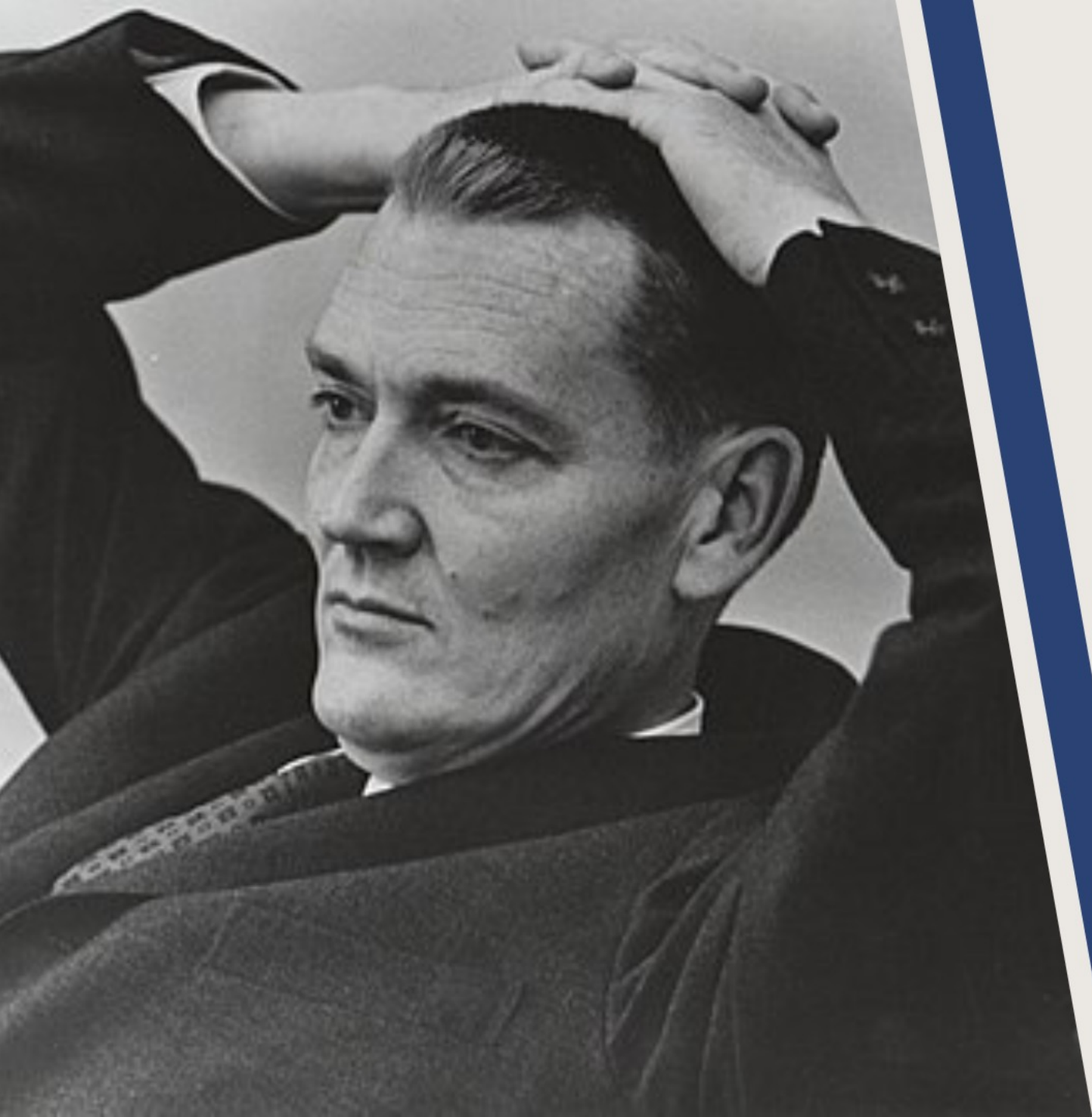
# Thank You!

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# Budgeting and Learning to Save

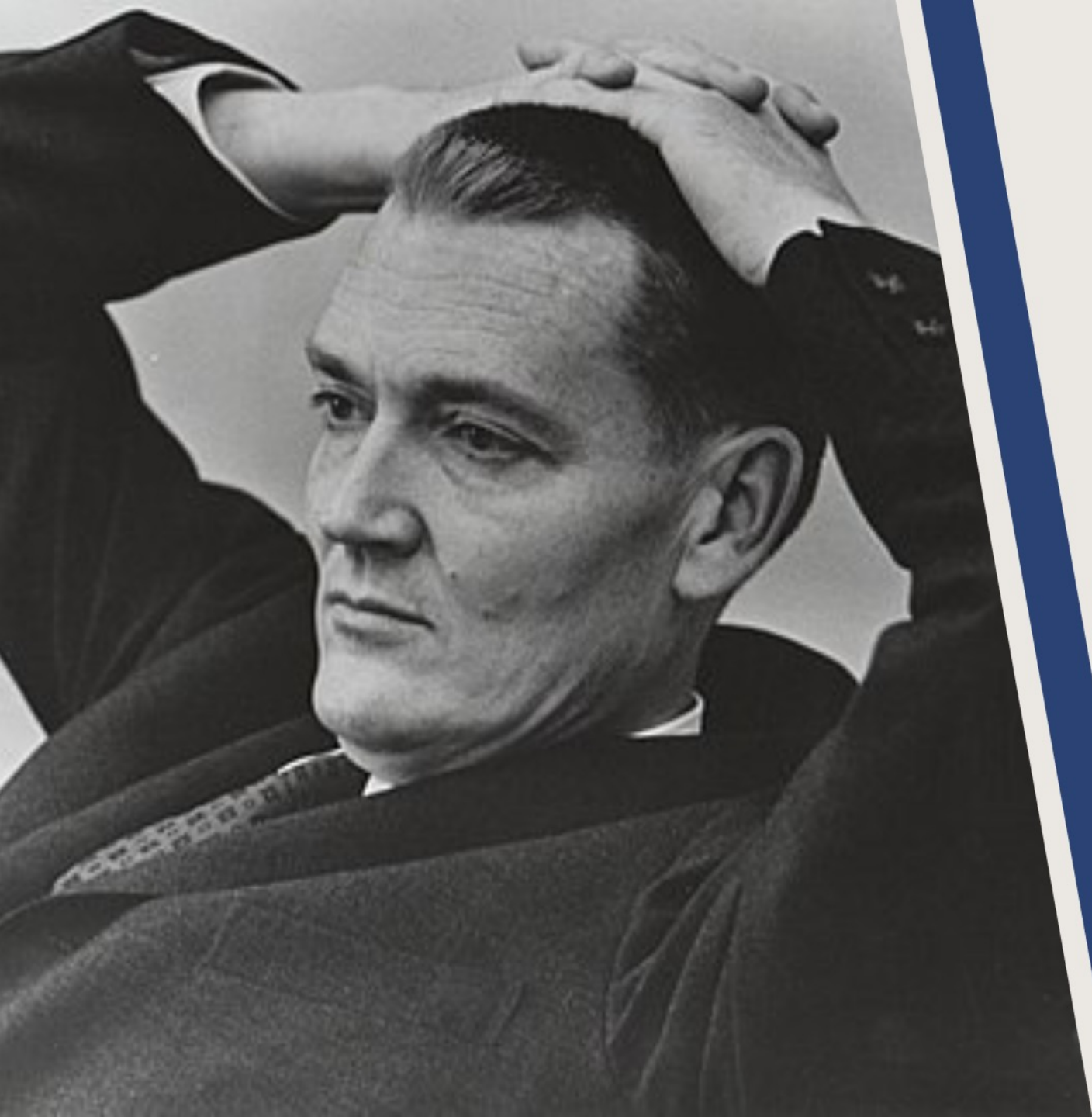
Jesse Mecham



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# The Language of Investing

Allan Roth



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# Investing Language

By analyzing fundamental indicators such as P/E ratios, EBITDA, and dividend yields, alongside technical tools like moving averages and MACD, we seek to identify undervalued assets and optimal entry points.

Furthermore, understanding the nuances of market sentiment and economic indicators, including GDP growth rates and interest rate fluctuations, enables us to anticipate macroeconomic shifts and adjust asset allocation accordingly, thus maximizing alpha while managing beta exposure.



# Translation

We are trying to impress you with our expertise, but it's really just financial jargon that has been proven not to work for investors. Hopefully, you'll be impressed (and intimidated) enough by that jargon to let us make a lot of money off the wealth you worked so hard to build. That way, we can buy a bigger yachts.



# Question I ask every prospective client

I consider my knowledge of investing to be:

- \_\_\_\_\_ Sophisticated
- \_\_\_\_\_ Average
- \_\_\_\_\_ Basic
- \_\_\_\_\_ Very low



# What's a stock?

You are part owner of a corporation. You have upside and downside. You hope to make money from:

- Dividends paid.
- Appreciation of the stock price.
  - Nvidia
  - Pacific Gas and Electric (PG&E)



# Types of stocks

- U.S. and international.
- Value, core, and growth.
- Large, mid, and small-cap.  
(Capitalization is merely share price x number of shares outstanding.)





# What's a Bond?

You lend money to a corporation (or government). You *generally* have no upside but have *some* downside protection.

You hope to get paid back the money you lent (principal) and profit from the interest paid.



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# Stock Market – Bulls and Bears

Bull – Many definitions but generally stocks up over 20%.



Bear – Just the opposite:  
Down over 20%.



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# What's a Mutual Fund?

An investment vehicle that pools money from multiple investors to buy a diversified portfolio of stocks, bonds, or other securities.

Priced only once a day after market close.



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# What's an ETF?

Exchange-Traded Fund, is a type of investment fund that holds a collection of assets, such as stocks, bonds, or commodities, and is traded on stock exchanges like a regular stock. ETFs also offer investors diversification, liquidity, and typically lower fees compared to mutual funds.

They can be more tax-efficient than mutual funds.

For Vanguard only – mutual funds and ETFs are just different share classes.



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# Active Versus Passive Management

## Active Management

- Finding undervalued securities
- Timing the market

## Passive Management

- No attempt to find undervalued securities
- No attempt to time
- Holding an efficient portfolio



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# Three Passive Funds (mutual funds and ETFs)

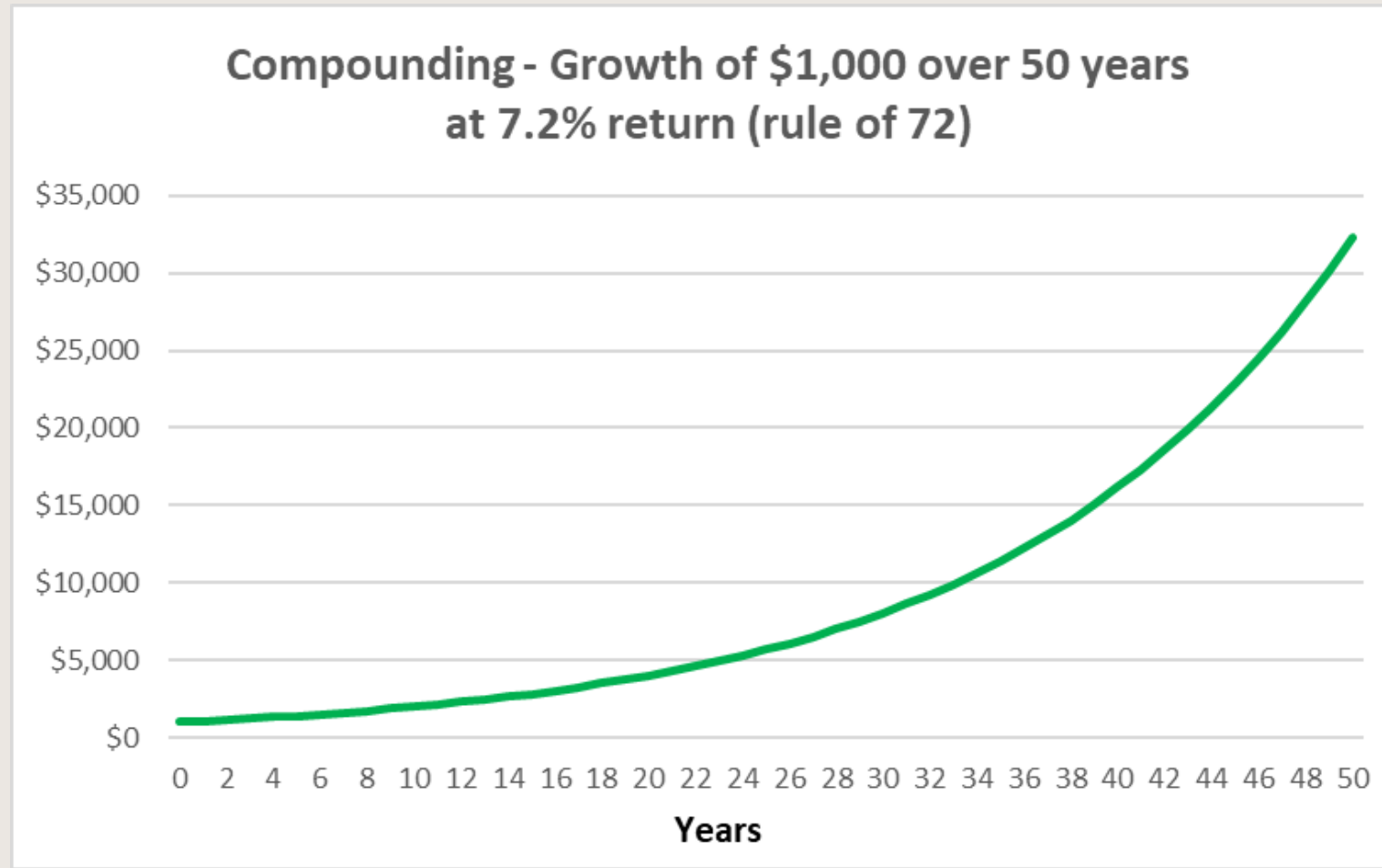
- **Total US Stock Index Fund** – Owns as close as possible to every publicly held company based in the U.S. according to their total value (Market Cap) with expense ratios as low as 0.03% annually (30 cents per \$1,000).
- **Total International Stock Index Fund** – Same as above but companies based outside the U.S. and an expense ratio as low as 0.08% annually (80 cents per \$1,000).
- **Total Bond Index Fund** – Tries to replicate all U.S. Investment grade taxable nominal (not inflation adjusted) bonds with an annual expense ratio as low as 0.03% annually (30 cents per \$1,000).

**All introduced by John C. Bogle.**



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# The Power of Compounding



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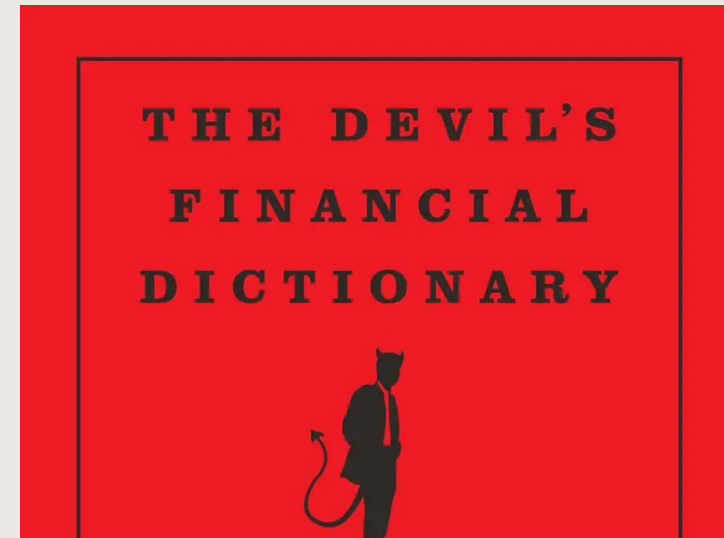
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# Where to find more definitions

1. Investopedia.com

2. ChatGPT

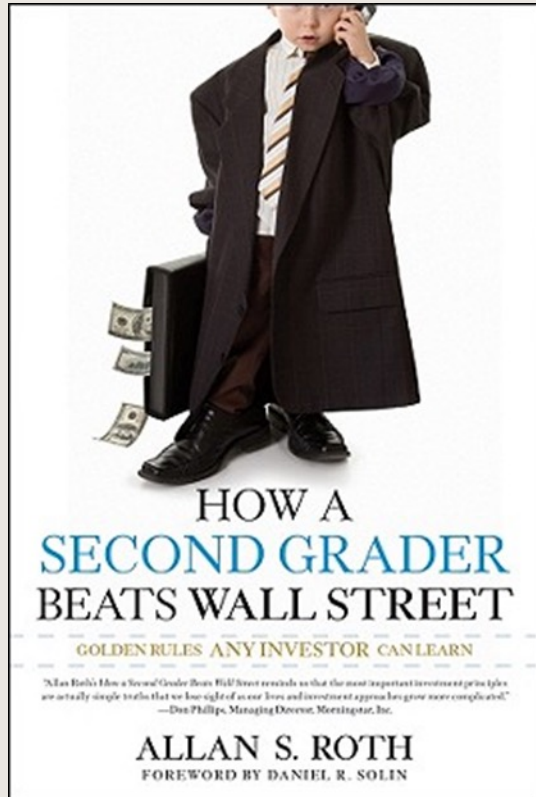
3. Devil's Dictionary  
(Jason Zweig)



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# Investing is Simple

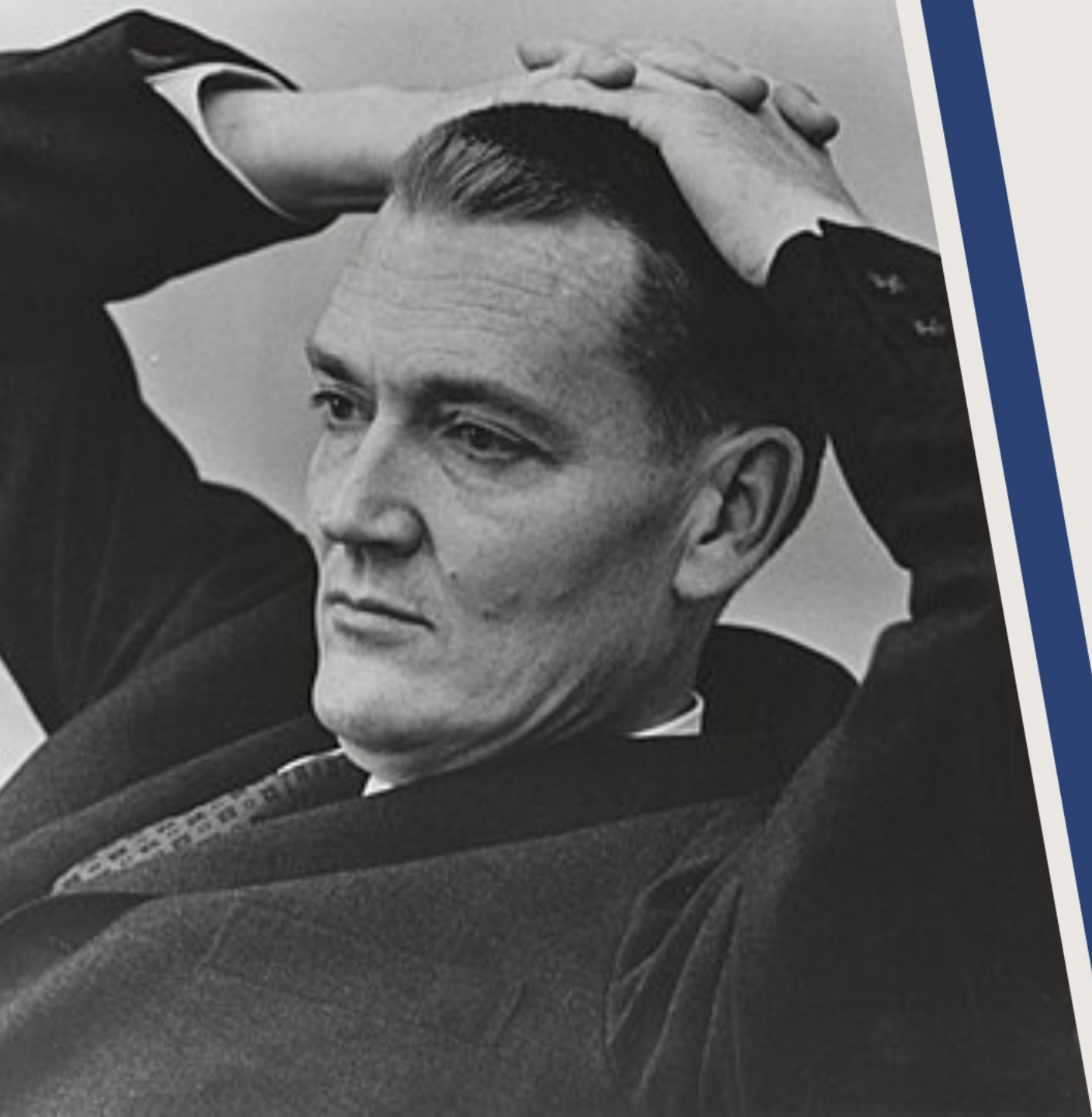


If you can't explain your investments and strategy to any 8-year old without jargon, you are doing it wrong.



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**Bogleheads University 101**

# **BUILDING YOUR PORTFOLIO**

**Rick Ferri**

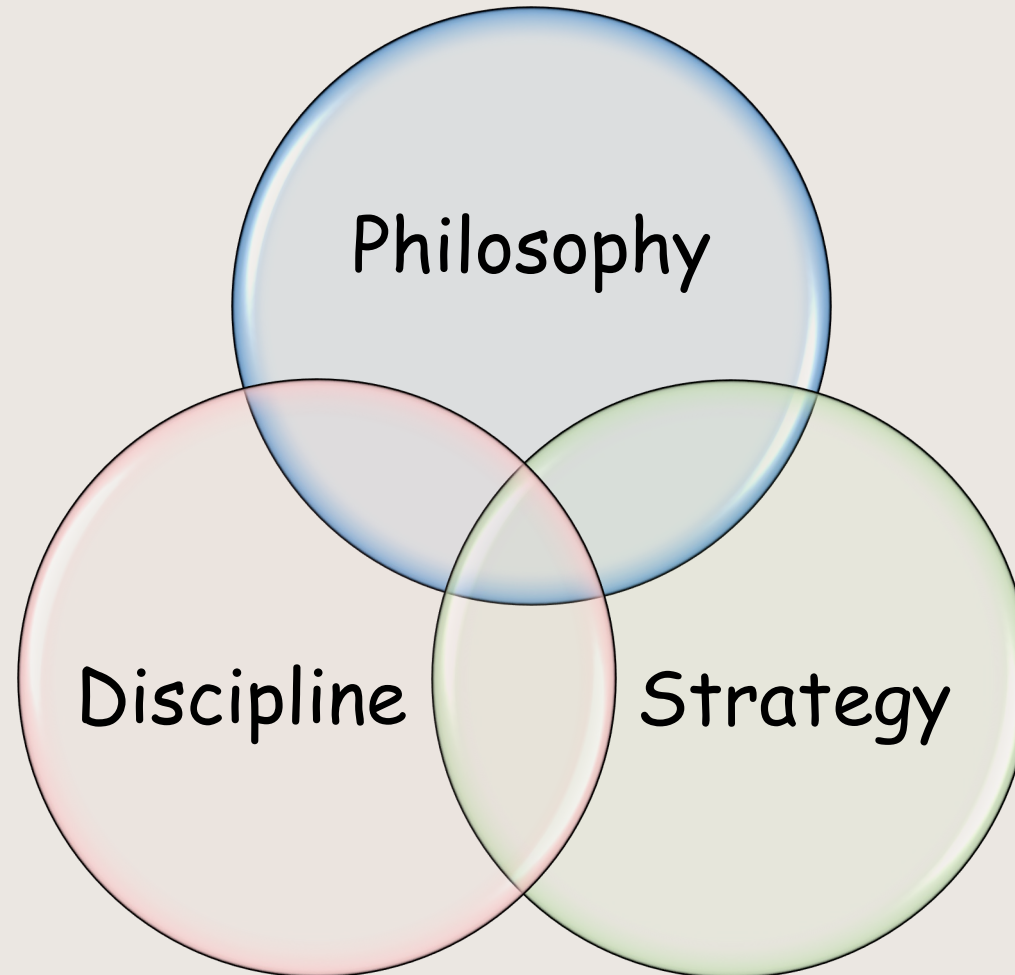


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# THREE ELEMENTS OF SUCCESS



# The Bogleheads Investment Philosophy\*

- Invest with simplicity
- Minimize costs and taxes
- Use index funds when possible
- Don't try to time markets



\*Visit the Bogleheads Wiki for the complete Bogleheads® Investment Philosophy list



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# Strategy is How You Use the Philosophy

## Building Your Portfolio

- Asset Allocation
- Asset Location
- Investment Selection



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# Discipline Means Staying the Course



## Retaining Your Portfolio

- Full implementation
- Regular maintenance
- Periodic review



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# ASSET ALLOCATION



■ STOCK

■ BONDS

■ REAL ESTATE

■ CASH



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# How to Determine Your Asset Allocation

- Cash reserve (typically a dollar amount)
- Bonds and CDs for stability and income
- Stocks and real estate for long-term growth



# INVESTMENTS

## All You Need is a Few Good Funds

- Money market fund for a cash reserve
- Bond index funds or CDs for fixed-income
- US total stock market index fund
- International total stock market index fund
- Balanced funds, including target retirement funds



# ASSET LOCATION

Tax Deferred



Employer plans,  
IRAs, annuities

Tax Free



Roth, HSA  
529 plans

Taxable



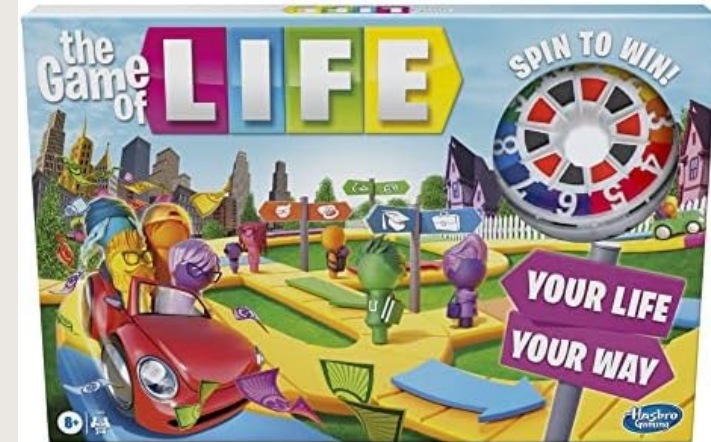
Individual, joint,  
trusts, LLCs





# MAINTAIN YOUR PORTFOLIO

- Implement fully
- Automate where you can
- Rebalance occasionally
- Tax-manage when able
- Reaffirm periodically



# STAY THE COURSE

*The Story of Vanguard  
and the Index Revolution*

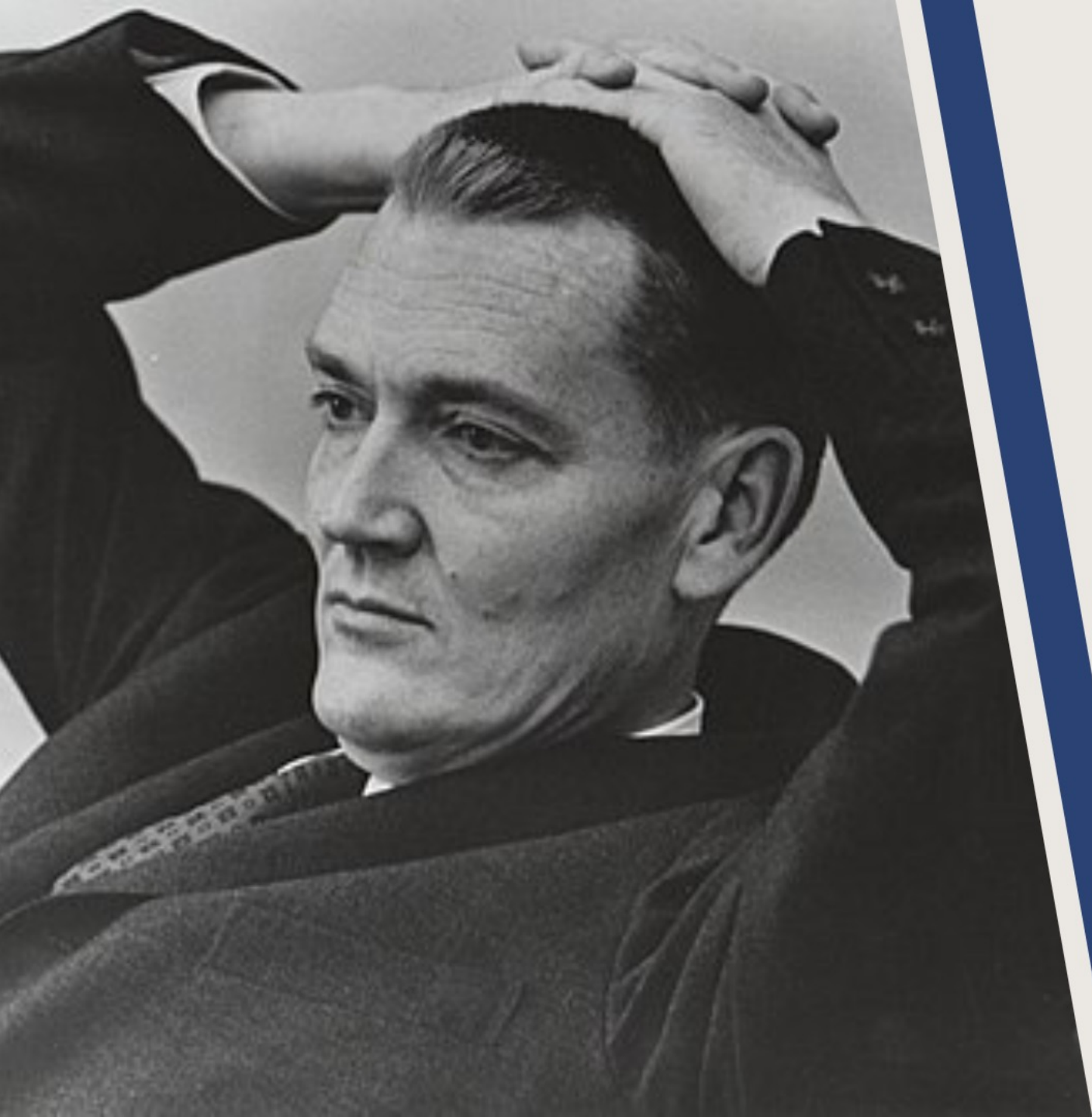
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# **Investing Mistakes to Avoid**

**Allan Roth**



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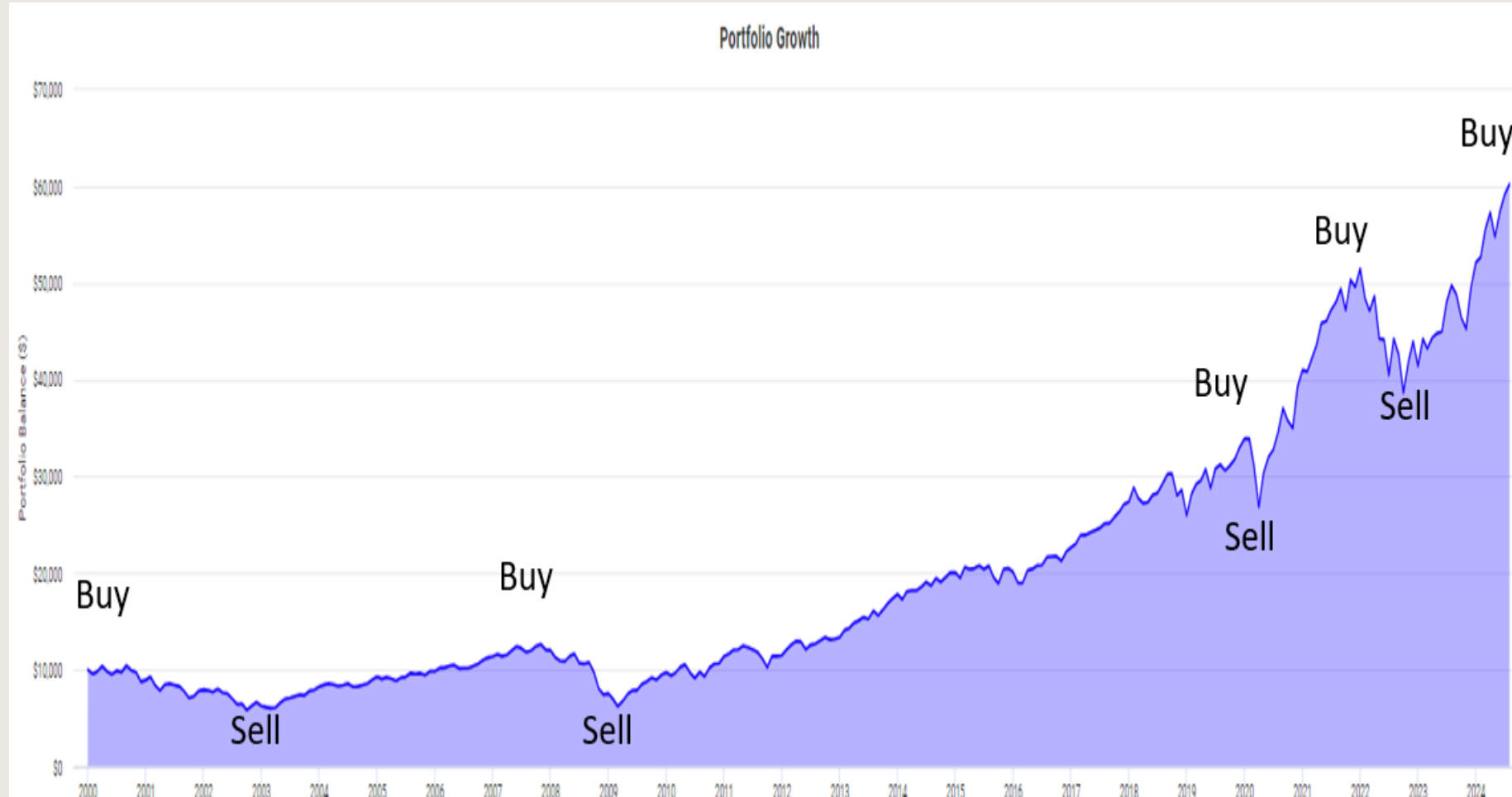
# Mistakes

1. Buying high and selling low
2. Forgetting arithmetic
3. Chasing shiny objects
4. Confusing knowledge with unique knowledge
5. Suspending common sense
6. Creating complexity
7. Confusing speculation with investing



# Markets and behavior

## US stock market 2000 - 2024



# Forgetting Arithmetic

- $10-2=8$
- Cost Matters Hypothesis (John C. Bogle)
- Arithmetic of Active Management (William Sharpe)
- Lake Wobegon – 90% above average





# Chasing shiny Objects

## ARK's Cathie Wood Disrupted Investment Management. She's Not Done Yet.

By [Evie Liu](#) [Follow](#) and Leslie P. Norton

Updated March 08, 2021, 6:45 am EST / Original March 05, 2021, 8:01 pm EST



Reprints



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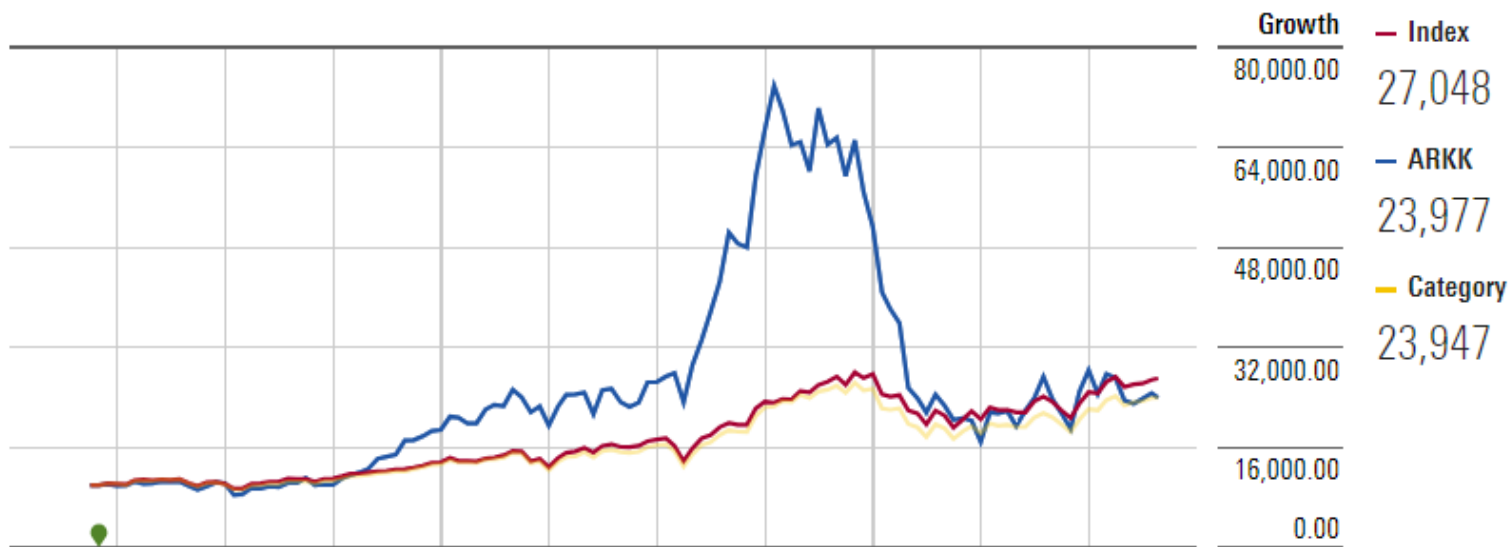
# Chasing shiny Objects

## Growth of 10,000

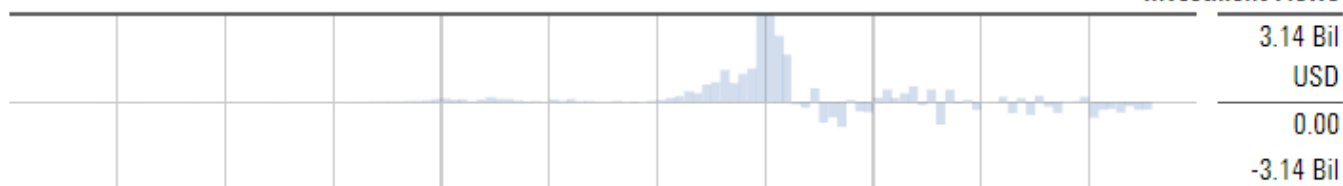
— Investment (Price)  
— Investment (NAV)  
— Category  
— Index  
● Investment Flows

### Manager Change

● Full  
○ Partial



### Investment Flows



### Total Return %

Investment (Price)

2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 YTD

— 3.75 -2.00 87.34 3.51 35.58 152.82 -23.38 -66.97 67.64 -15.51



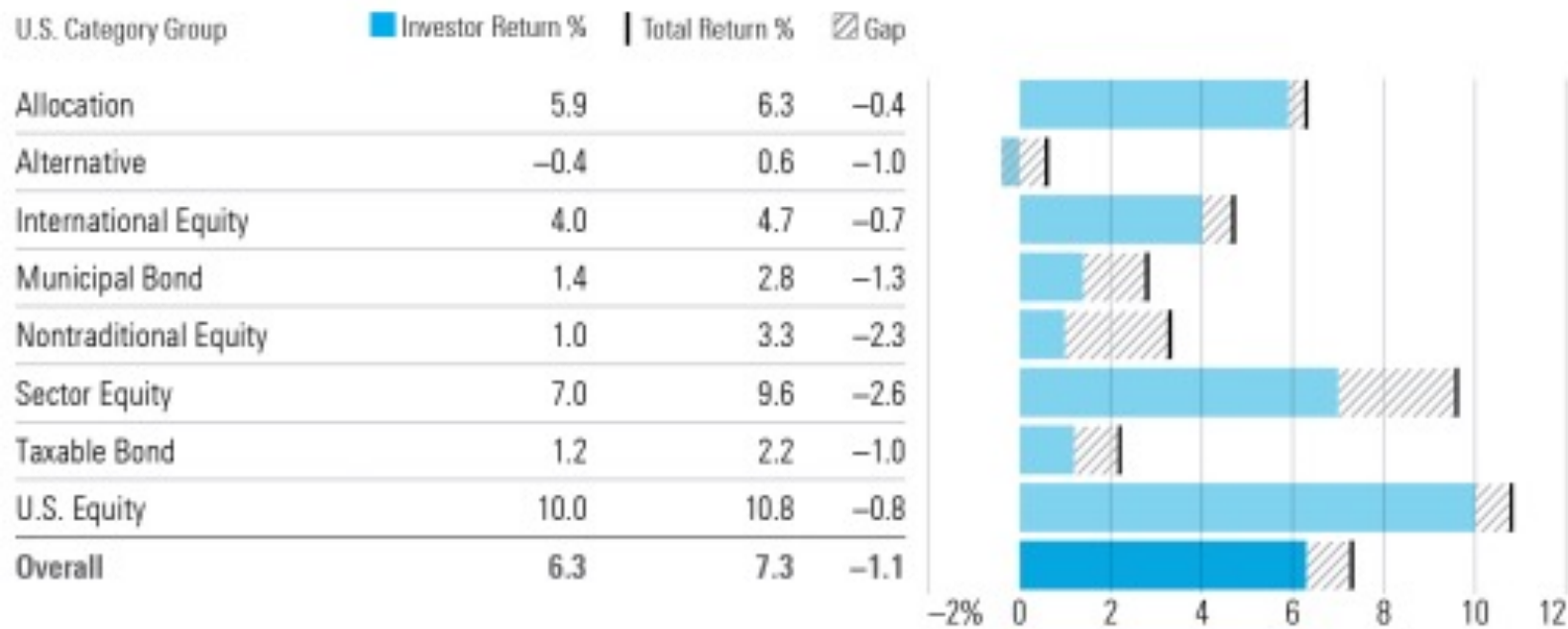
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# Investor Behavior Penalty

**Exhibit 1** Investor Return Gaps by US Category Group (10-Year Returns)



Source: Morningstar. Data as of Dec. 31, 2023. Excludes commodities category group. Gap numbers may not match differences in returns because of rounding.



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# Confusing Knowledge with unique Knowledge – AKA markets are stupid hypothesis.

- I don't want international stocks with two wars going on and so much turmoil.
- AI is going to change the world – I want more Nvidia.
- The Fed is lowering rates so I know stocks and bonds will increase in value.



# I can't even explain the past



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# Suspending common sense

- All the upside of the market with no market risk.
- 143 page disclosure document.
- Market gurus on TV or Newsletters.



# Creating Complexity

1. Number of securities (50 page monthly statement).
2. 43 different accounts.



# Speculation rather than Investing

1. Gold
2. Crypto
3. Commodities (futures)



# Case study – I bought gold in 1980

- In 1980, I bought 10 ounces of gold at \$684 an ounce since paper currency was depreciating with inflation as the deficit and debt hit new records.
  - In 44 years, I made over \$16,000. It didn't keep up with inflation. Had I invested in Jack Bogle's S&P 500 Index Fund, how much additional money would I have today?
- A: about the same
  - B: an additional \$100K
  - C: an additional \$400K
  - D: an additional \$800K





# What was I guilty of?

1. Buying high and selling low.
2. Forgetting arithmetic.
3. Chasing shiny objects.
4. Confusing knowledge with unique knowledge.
5. Suspending common sense.
6. Creating complexity.
7. Confusing speculation with investing.

**I should have bet on capitalism – Power of compounding.**



Investing – 8 words to avoid mistakes.

Minimize expenses and emotions;

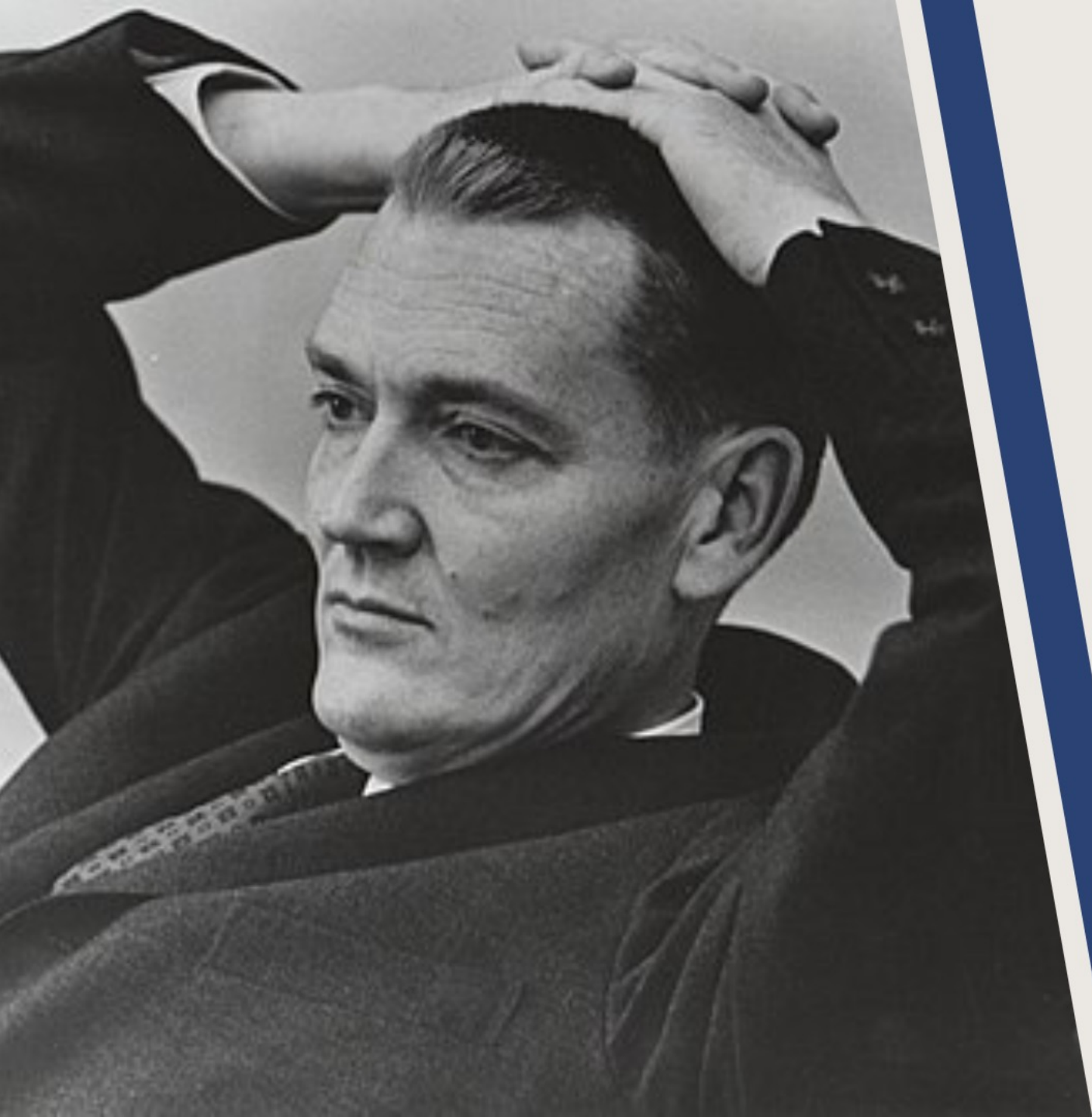
Maximize diversification and discipline.

Remember, we humans are predictably irrational.



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# Tax Efficient Waterfall

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Gutierrez, CFP

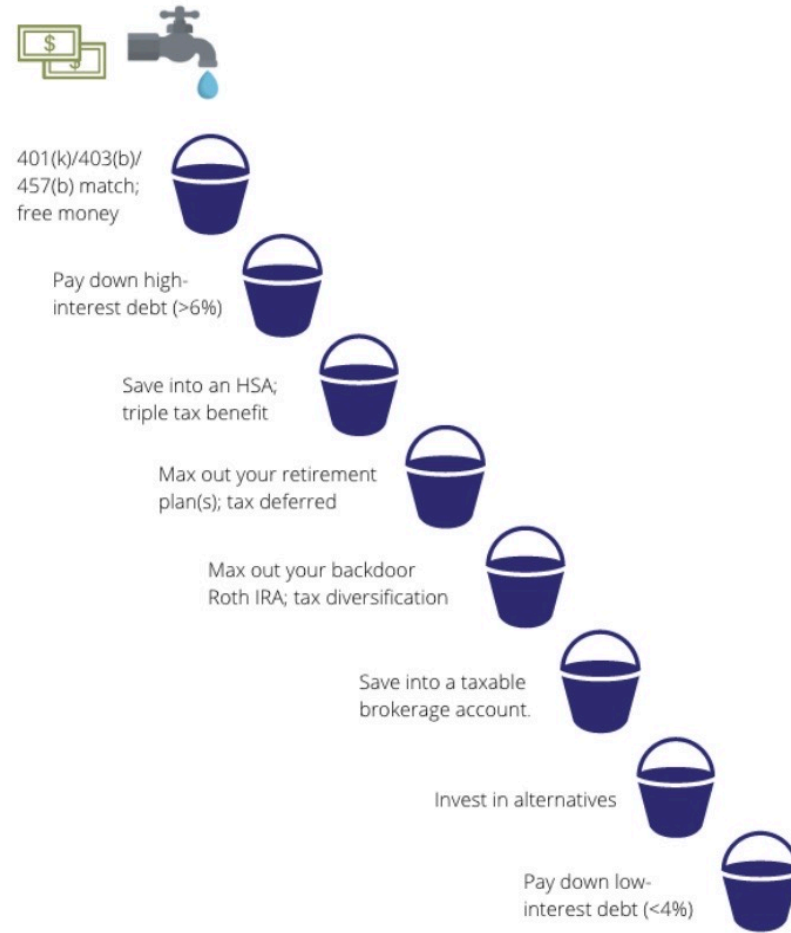


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# Where should I direct my savings?

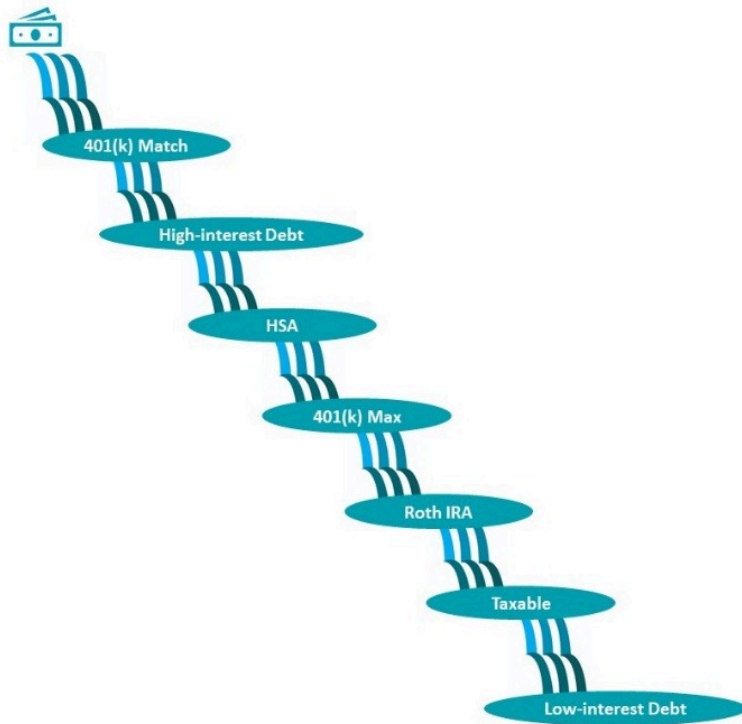
Tax bang for your buck is the most important way to evaluate investment buckets



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# What are the contribution limits for different accounts in the waterfall?



Account	Lower Age	Higher Age
HSA	<55 years old	55 or older
Self-Only	\$4,150	\$5,150
Family	\$8,300	\$9,300
401(k)/403(b)/457(b)	<50 years old	50 or older
	\$23,000	\$30,500
IRA	<50 years old	50 or older
	\$7,000	\$8,000





# Max out your employer's matching contributions



401(k)/403(b)/  
457(b) match;  
free money

Pay down high-  
interest debt (>6%)

Save into an HSA;  
triple tax benefit

Max out your retirement  
plan(s); tax deferred

Max out your backdoor  
Roth IRA; tax diversification

Save into a taxable  
brokerage account.

Invest in alternatives

Pay down low-  
interest debt (<4%)

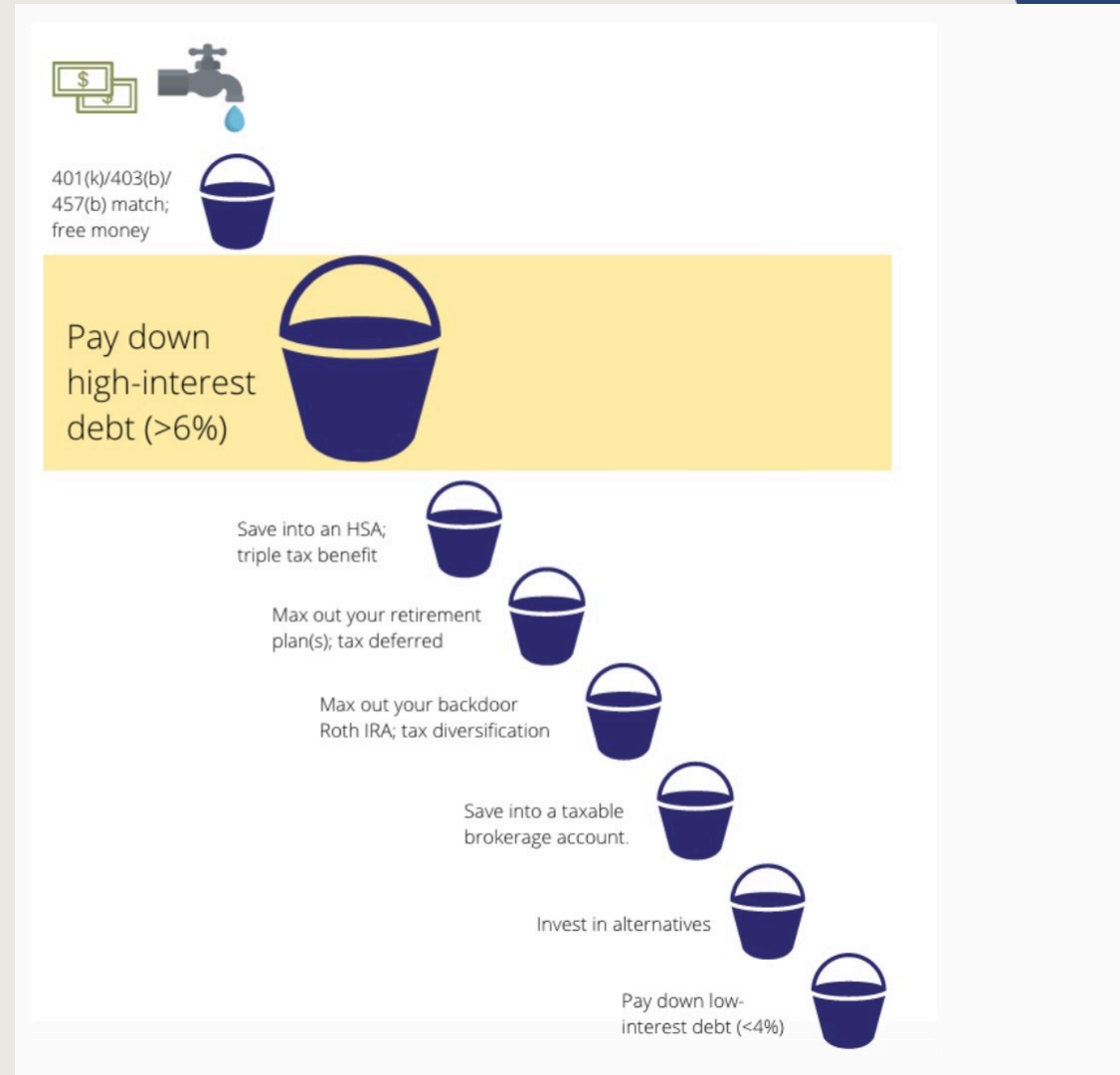


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# Pay down high-interest debt

This includes credit card debt, student loan payments to be on track for PSLF or IDR forgiveness or paying down other high-interest consumer debt.

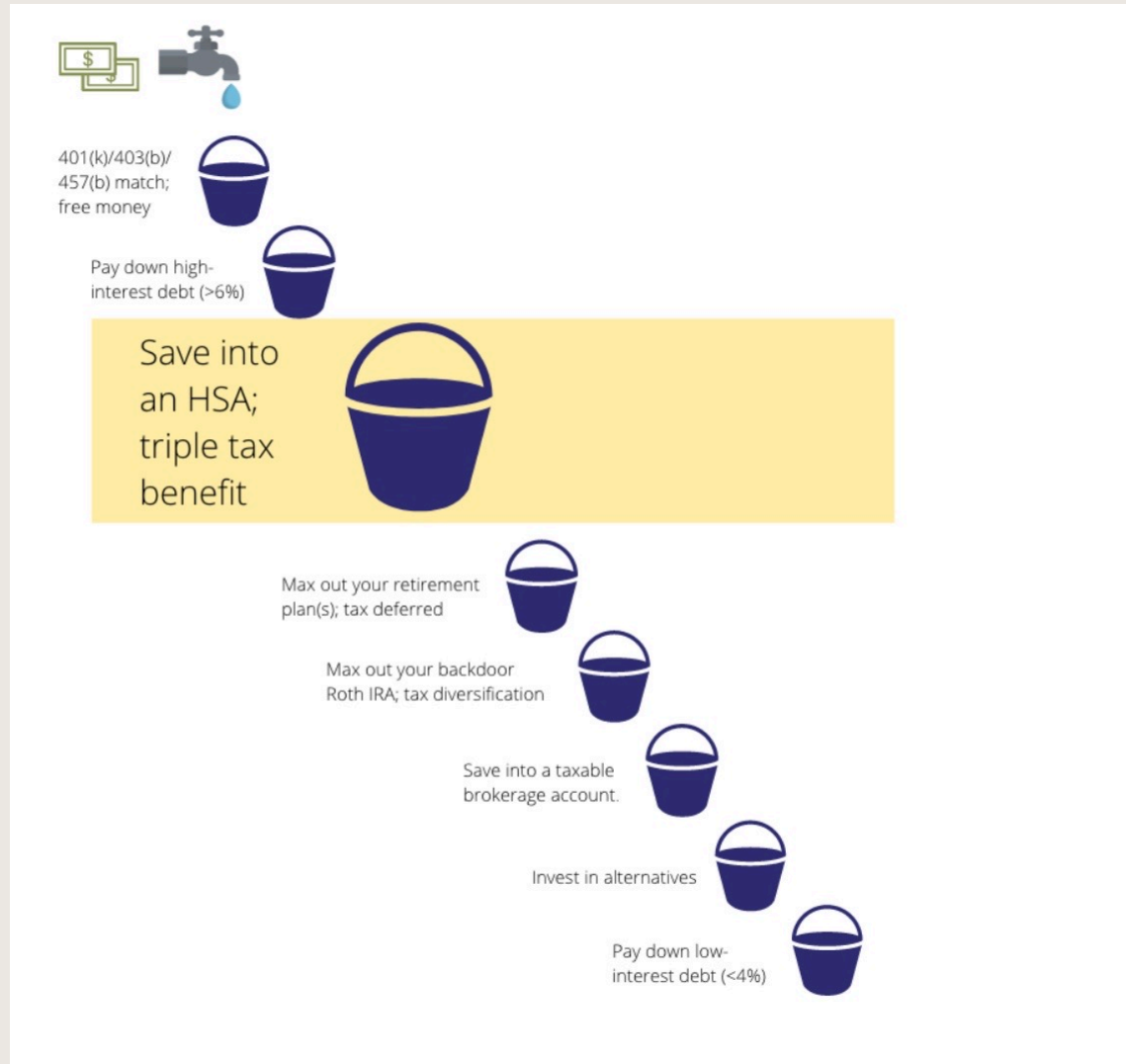


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# Save into an HSA for its triple tax benefit



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# Finish maxing out your employer retirement plans



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# Max out your Roth IRA for tax diversification

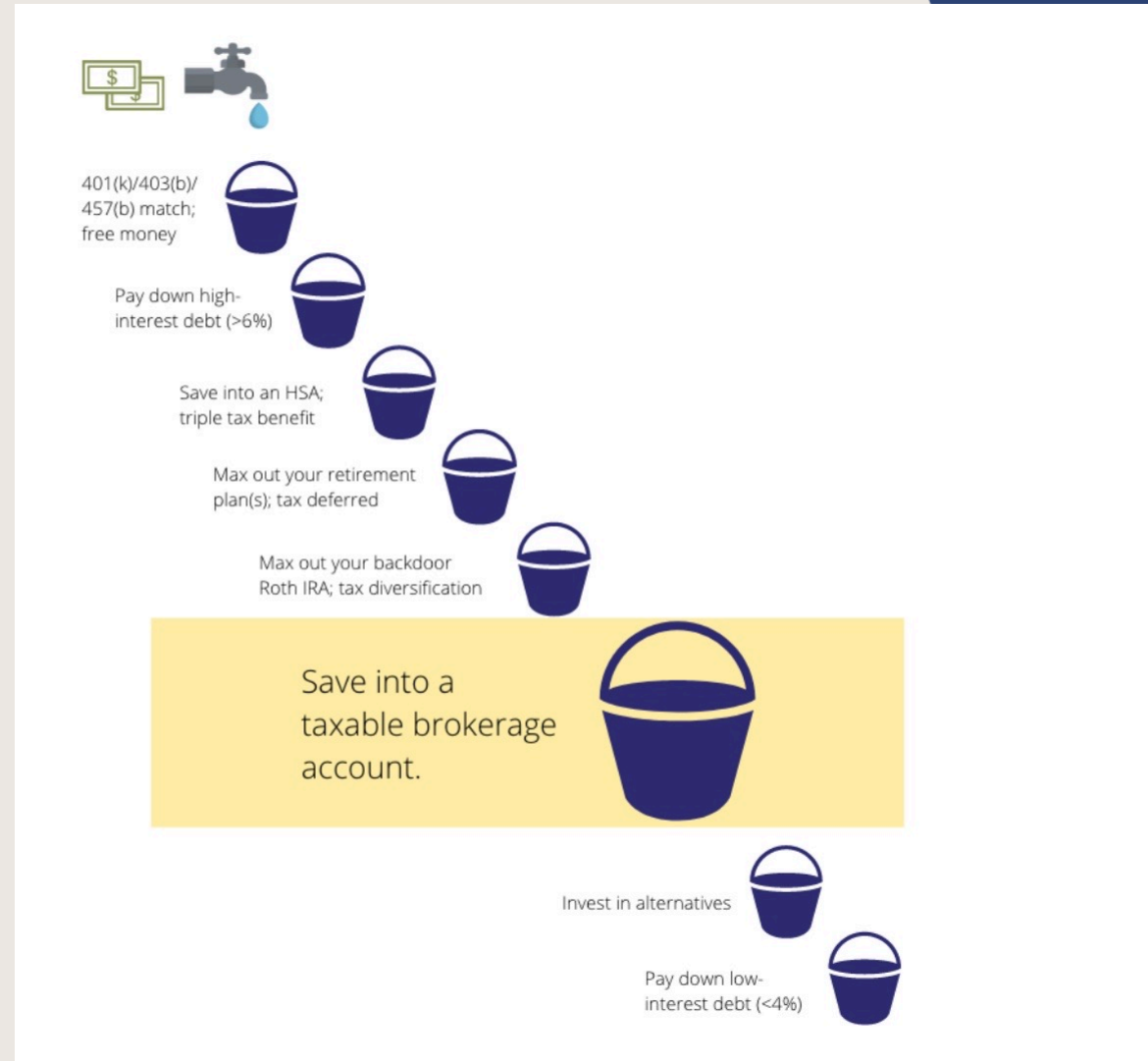


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# Save into a taxable brokerage account

Solve for how much more needs to be saved and break down into a monthly amount. Set a monthly auto-draft into your brokerage account of that amount and set the account to auto-invest into mutual funds.

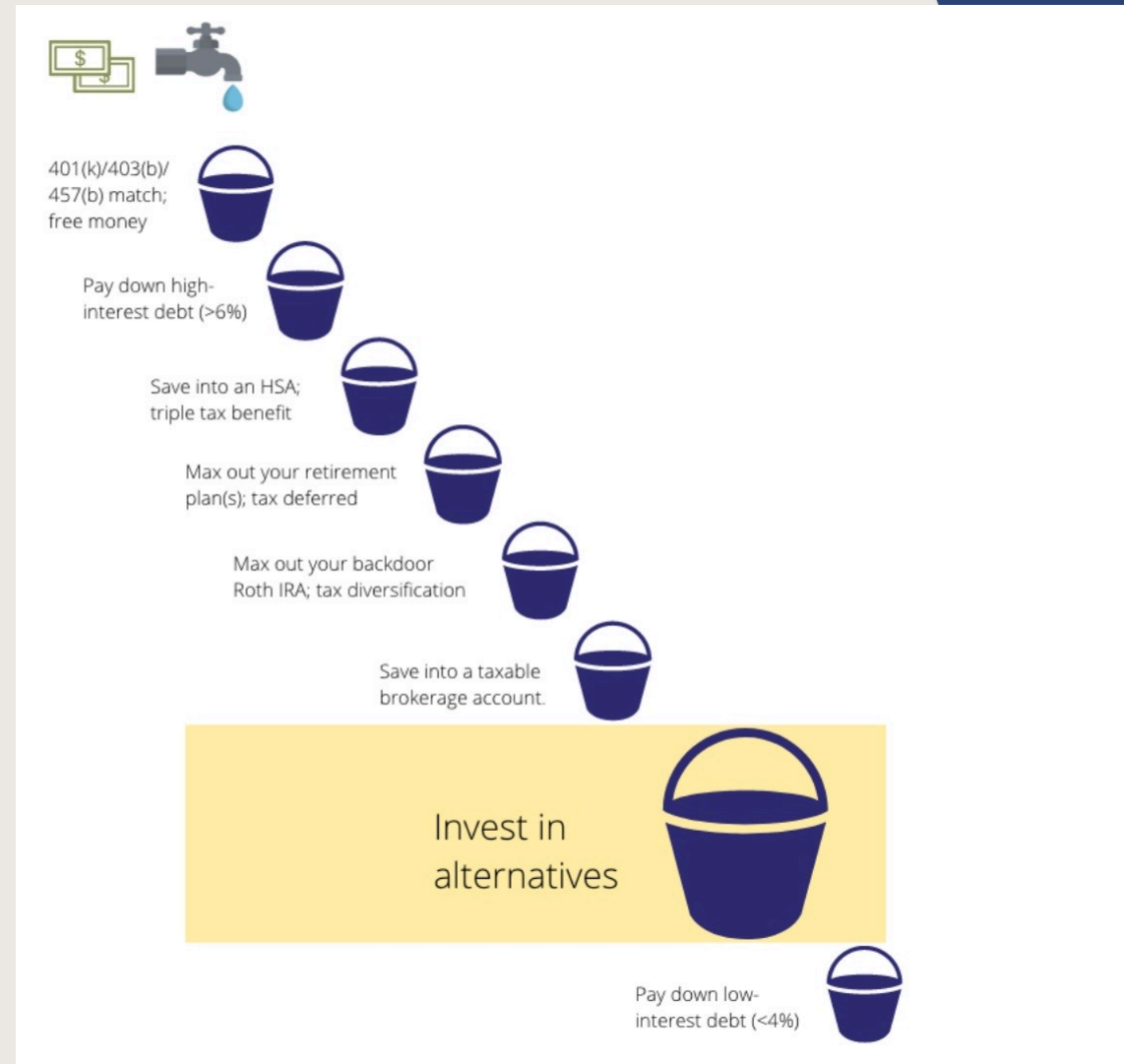


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Invest in alternatives  
(i.e. NQDCs, real  
estate, venture capital,  
etc.)

Assuming you have additional  
savings than what you need to  
retire at your desired age, money  
could flow into this bucket.

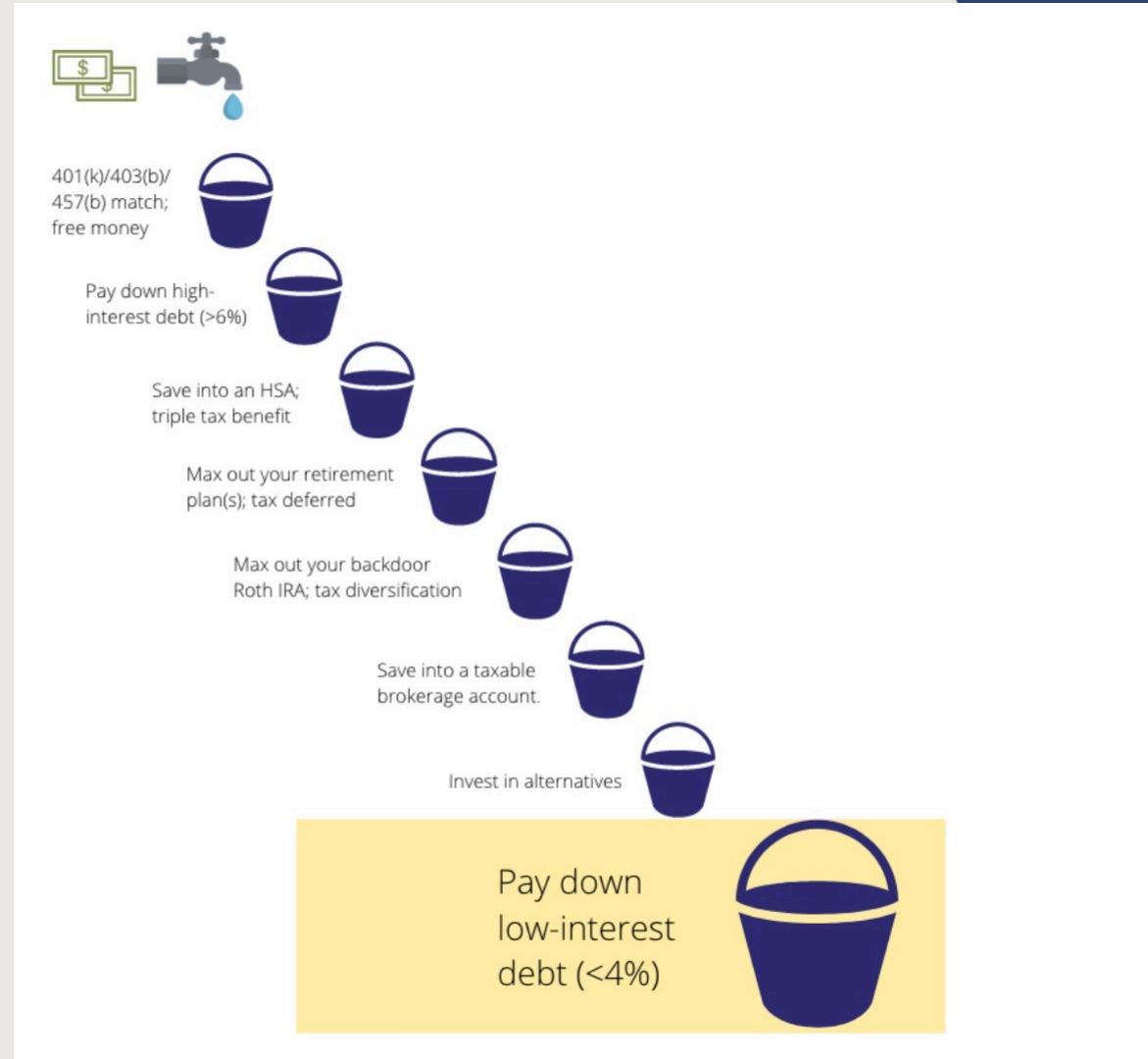


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# Pay down low-interest debt (i.e. home mortgages)

If you have additional savings, even if your home has a low interest rate, you could put extra money toward the mortgage each month.



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# Giveaway!

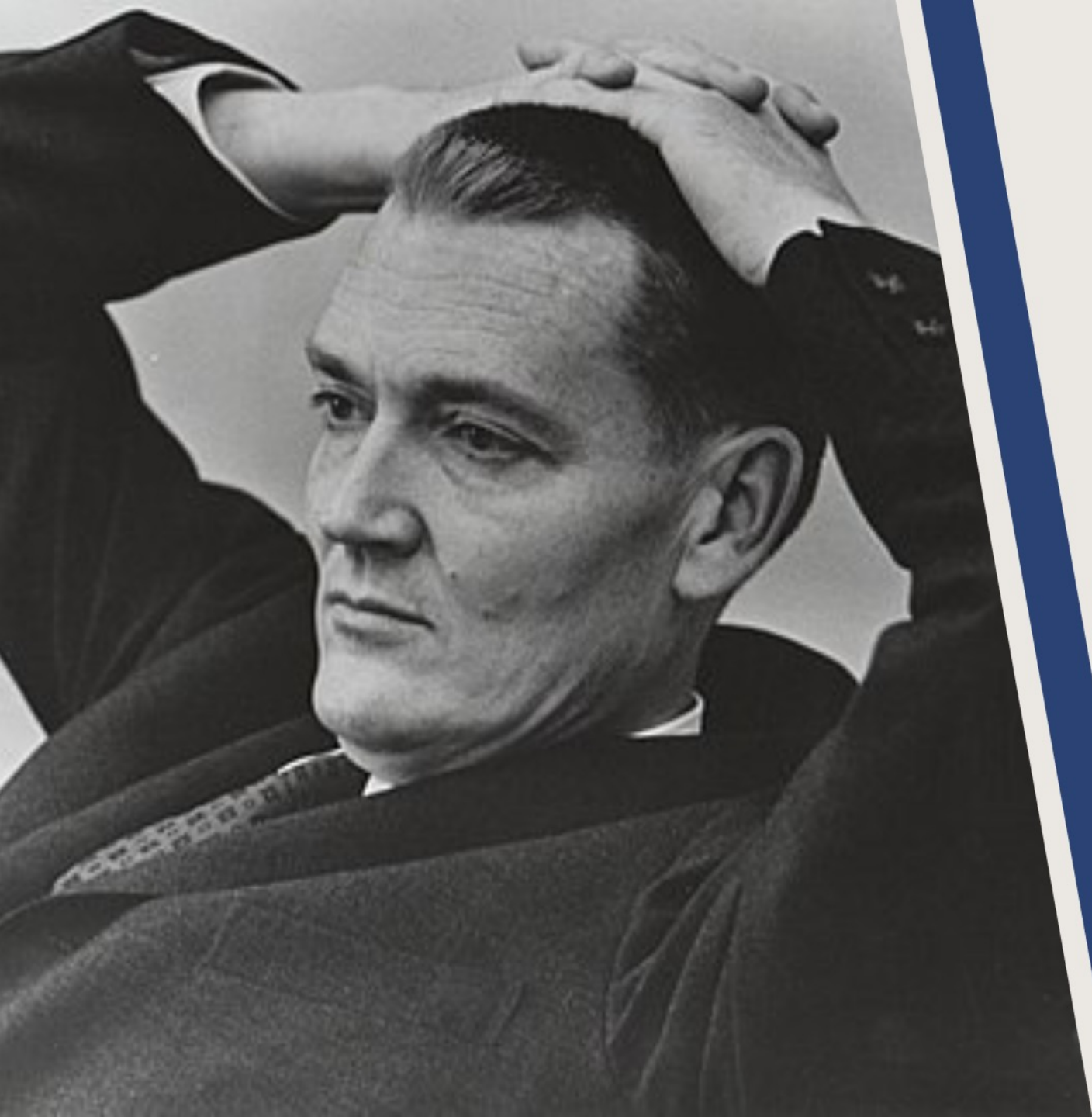
Send any questions or  
feedback to  
[sc@aptusfinancial.com](mailto:sc@aptusfinancial.com)



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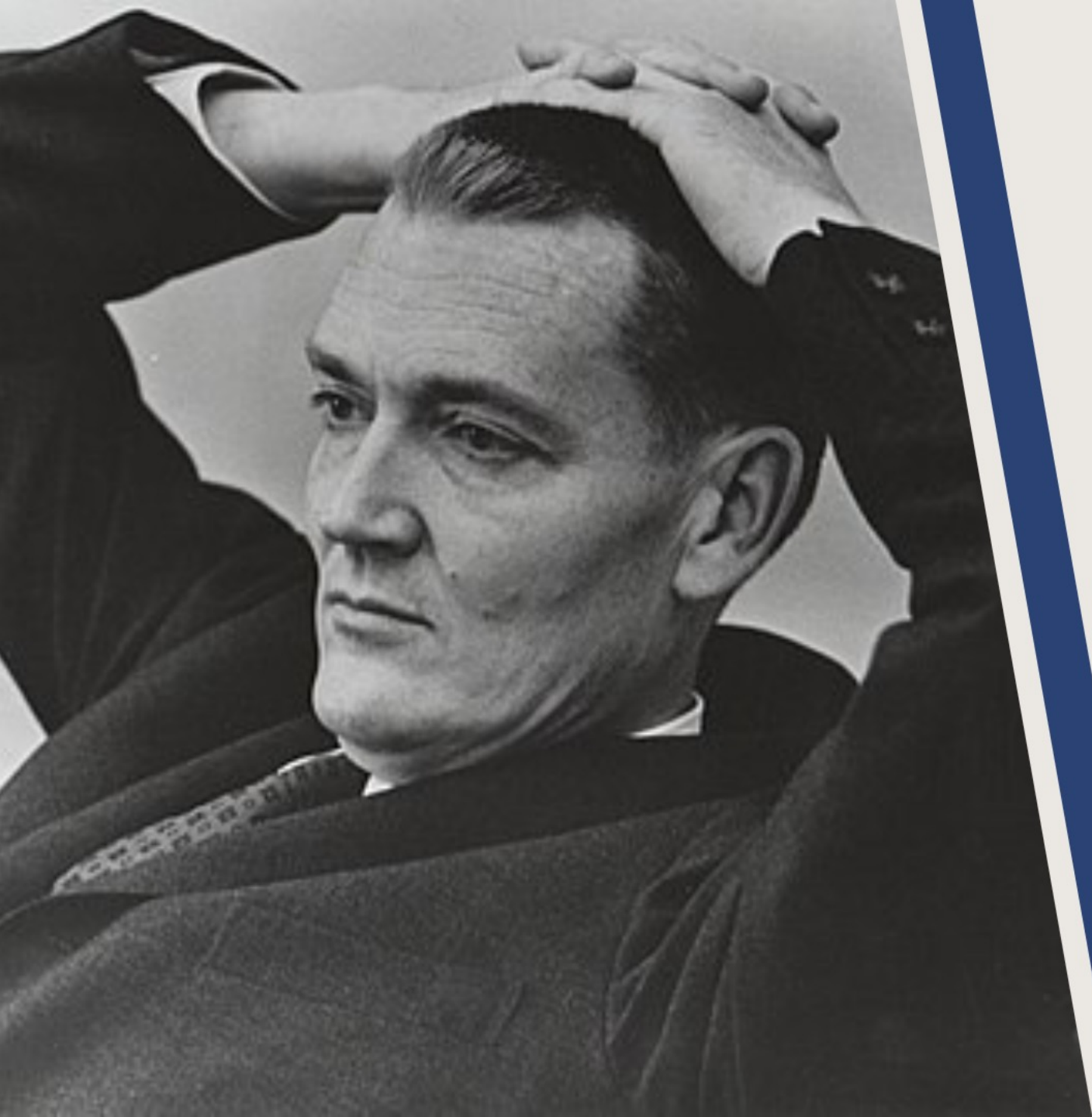
# Thank You!

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# Q&A with Faculty



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