

Mitch Tuchman

Born and raised – Indianapolis Indiana.

Boston University, Harvard Business School

- 1982 – 1999. Atari then Silicon Valley entrepreneur.
Built and sold 3 companies as founder / investor.
- 2000 – 2007. Apex Capital – portfolio manager, ran venture fund, as activist director of 4 public cos.
- 2008 – 2011. MarketRiders – first robo service
- 2011 + Co-Founder , Managing Director Rebalance

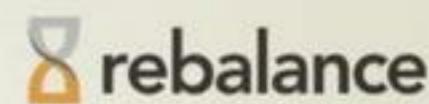


CNBC, Forbes, CNN, Wall Street Journal, PBS

Happily married 25 years, with three children

So Many Sales Pitches – So Many Firms

- Stocks and bonds and funds
- Annuities and life insurance
- Angel investments
- Venture funds, hedge funds, private equity funds
- Rental real estate
- Gold, land, timber



Morgan Stanley



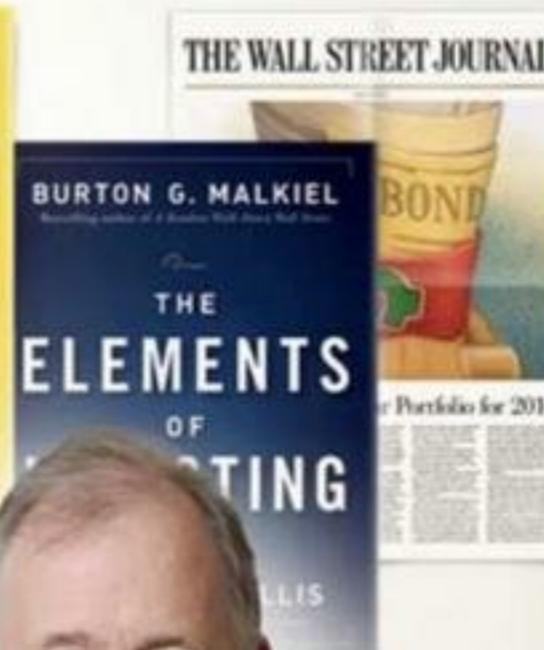
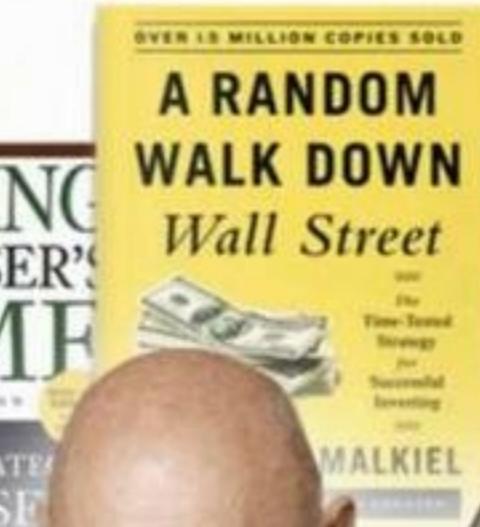
Fiduciaries: Spoke a Different Language

Yale



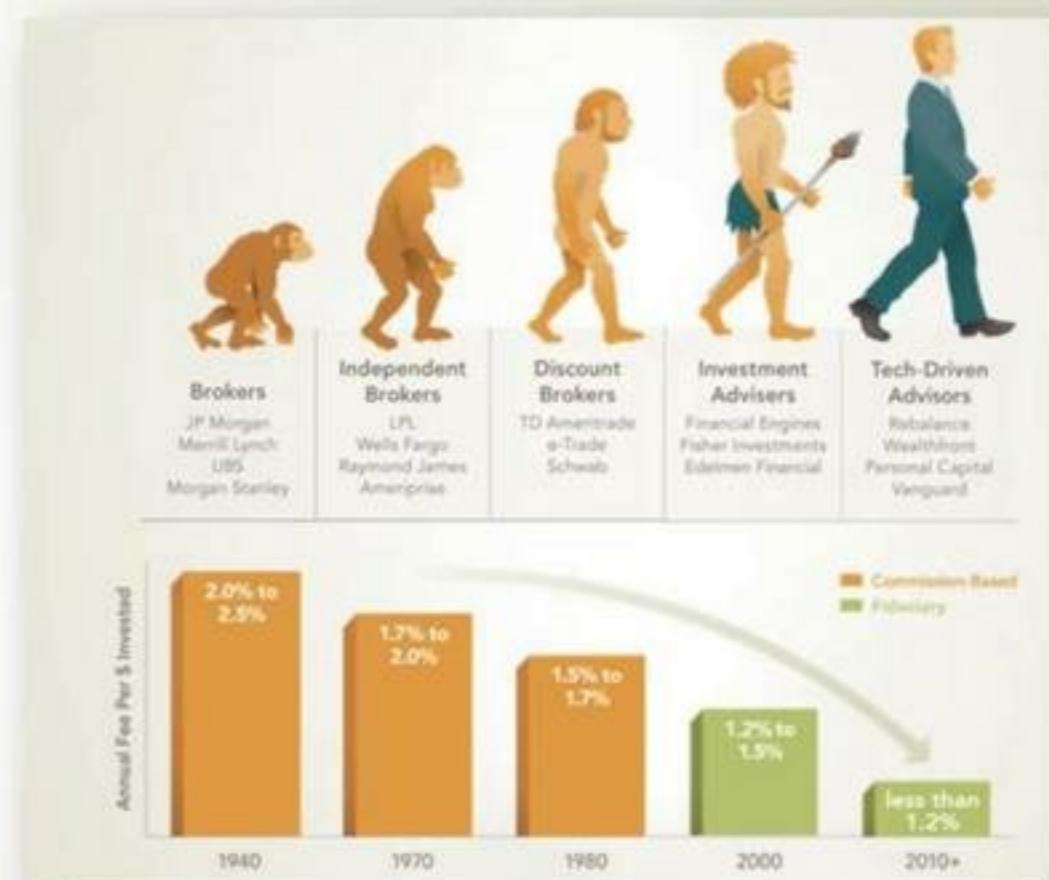
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Rebalance: A Record of Results

- Firm manages about \$800 million of individual client savings*
- Most Innovative Wealth Management – Technology + Human Advisors
- Investment Management – All Index Funds. Low Fees. Modern Portfolio Theory
- “Ivy League” Investment Committee with best and brightest in finance



* As of 12/31/2019



2018 Most Innovative US Investment Firm



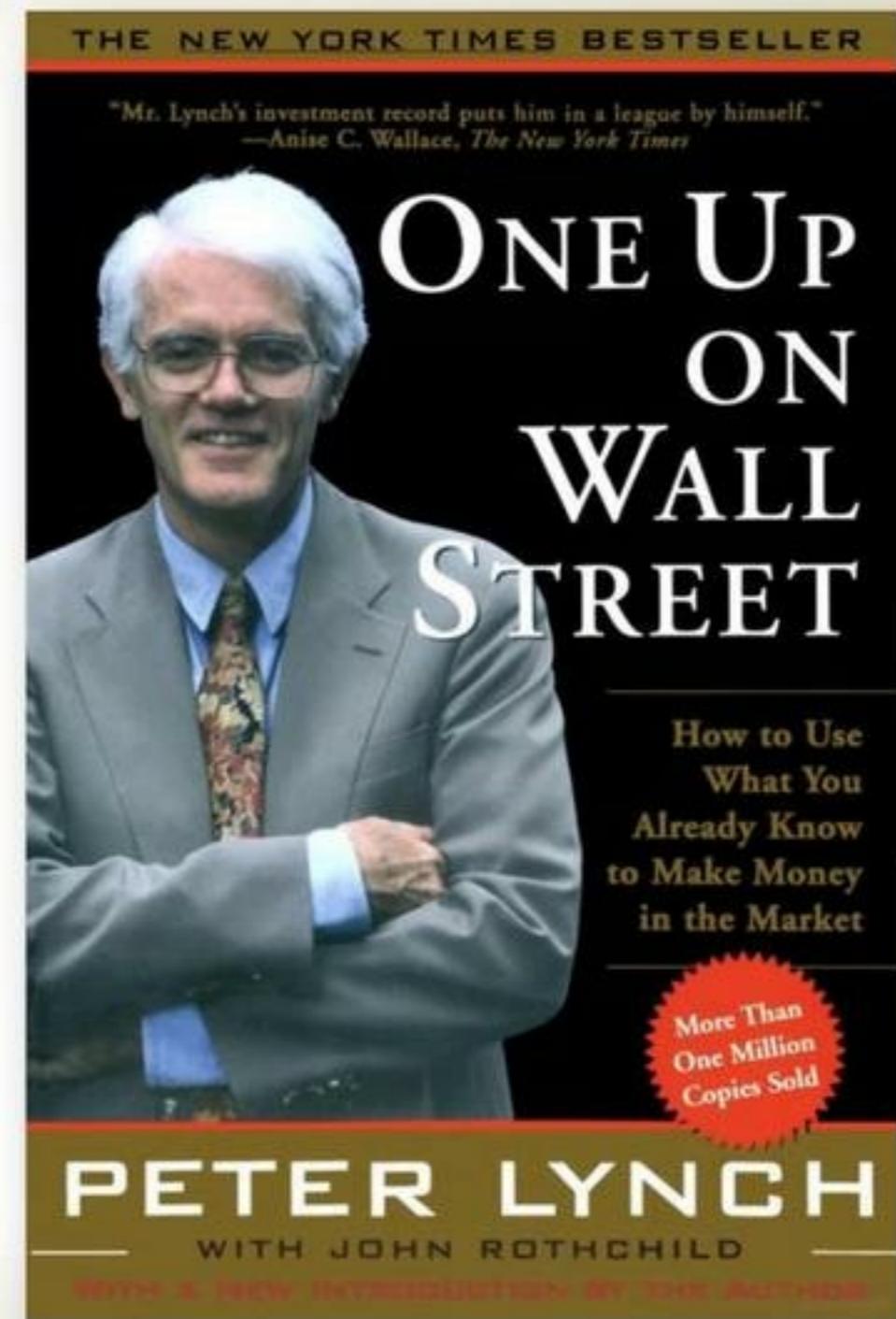
Two “Academy Awards”
yearly – Independent
Advisors

7500 firms managing
\$1.7 Trillion

Unlike Barron's and
Forbes Lists – 100%
Independent judges

Many Individual Investors Used to Beat the Pros

Thesis (1989): Amateur investors can reap exceptional rewards from mundane, easy-to-understand companies they encounter in their daily lives.



Advice To Do-It-Yourself Investors:

Ray Dalio – Bridgewater Associates – May 2020

You're outclassed from the start and don't even realize it. You probably won't be able to play the game well. You will not be able to decide how to move in and out of things.

In order to be successful in the market, it's more difficult than getting a gold medal in the Olympics. You wouldn't think about competing in the Olympics, but everybody thinks they can compete in the markets.

The problem is that there's much more money competing in those trades than you realize. Hundreds of millions of dollars coming and going from these same stocks,

The worst thing you can do is think you can time all these movements. I guarantee it's a tough game to time. Even experienced investors will get confused and do the opposite of what they should — and that quickly gets dangerous.

The greatest mistake of all investors is to think that what has done well lately is a better investment rather than more expensive. And what has done worse lately is the worst investment — get me out of it! — rather than it's cheap. Unless you know how to deal with the differences of those, which most people don't, you are going to be in trouble.



Ray Dalio - Global Macro Investor, NYC

Pricing of Stocks and Bonds is Efficient

Factors Driving Efficiency	1960	2020
Trading by Institutional Investors	9%	99%
Daily NYSE shares traded	2 million	8-10 billion
Professional Firm Concentration	Nil	50 = 50%
Derivatives	0	> Cash Market
CFA's (Certified Financial Analysts)	0	300,000 global
# Analysts at major Wall Street firms	10-15	Up to 500
Inside Information	Whispers	Reg FD
Computer Trading	Nil	Algorithmic, quants, computing power
Other Players	None	Hedge funds, Private equity
Information and Research Dissemination	Paper, Ticker Tape	Internet, E-mail, "Seeking Alpha"
Bloomberg Terminals	0	345,000
Artificial Intelligence	0	Pervasive

Best Advice For Individual Investors

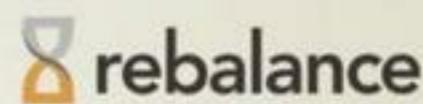
1. Obsess about Compounding
2. Only Own Index Funds
3. Focus on Investment Mix
4. Measure
5. Know Thyself

The Rule of 72

Return % $\div 72 =$
years to double \$



Years of Fees, Mistakes, Taxes, Inflation Interrupts Compounding. Reduces Your Wealth.



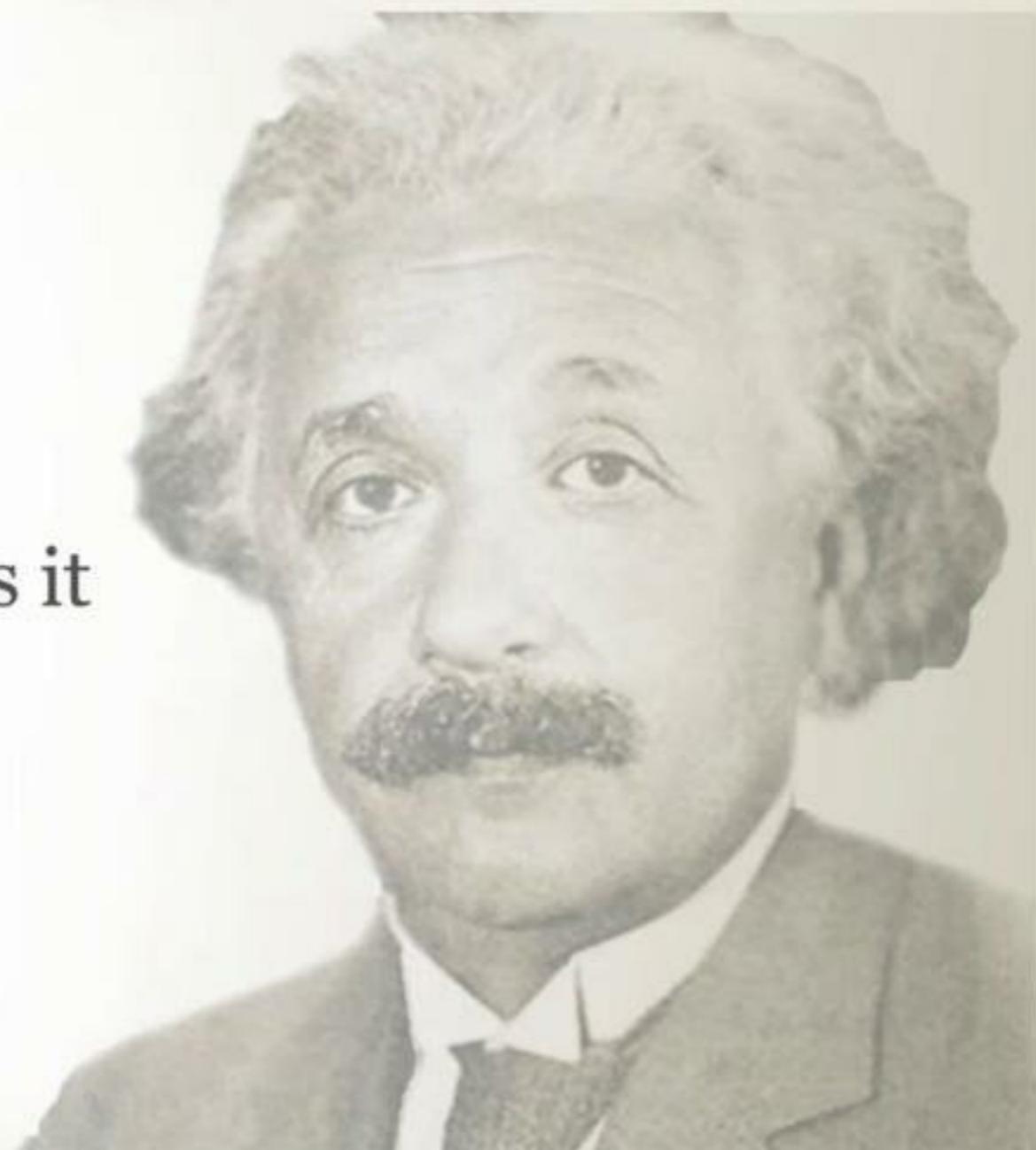
Years	2%	4%	6%	7%	-2% = Inflation
10	1.2	1.5	1.8	2.0	82%
15	1.3	1.8	2.4	2.8	74%
20	1.5	2.2	3.2	3.9	67%
25	1.6	2.7	4.3	5.4	60%

"Rule No. 1: Never lose money. Rule No. 2: Never forget rule No. 1." --Warren Buffett

Compounding

“Compound interest is the eighth wonder of the world.
He who understands it, earns it
... he who doesn't ... pays it.”

Albert Einstein



Success Driver #2: **Only Own Index Funds**

Is There A Wizard of Oz?

 rebalance



Two Investment Religions



0.67%

Actively Managed
Mutual Fund



0.16%

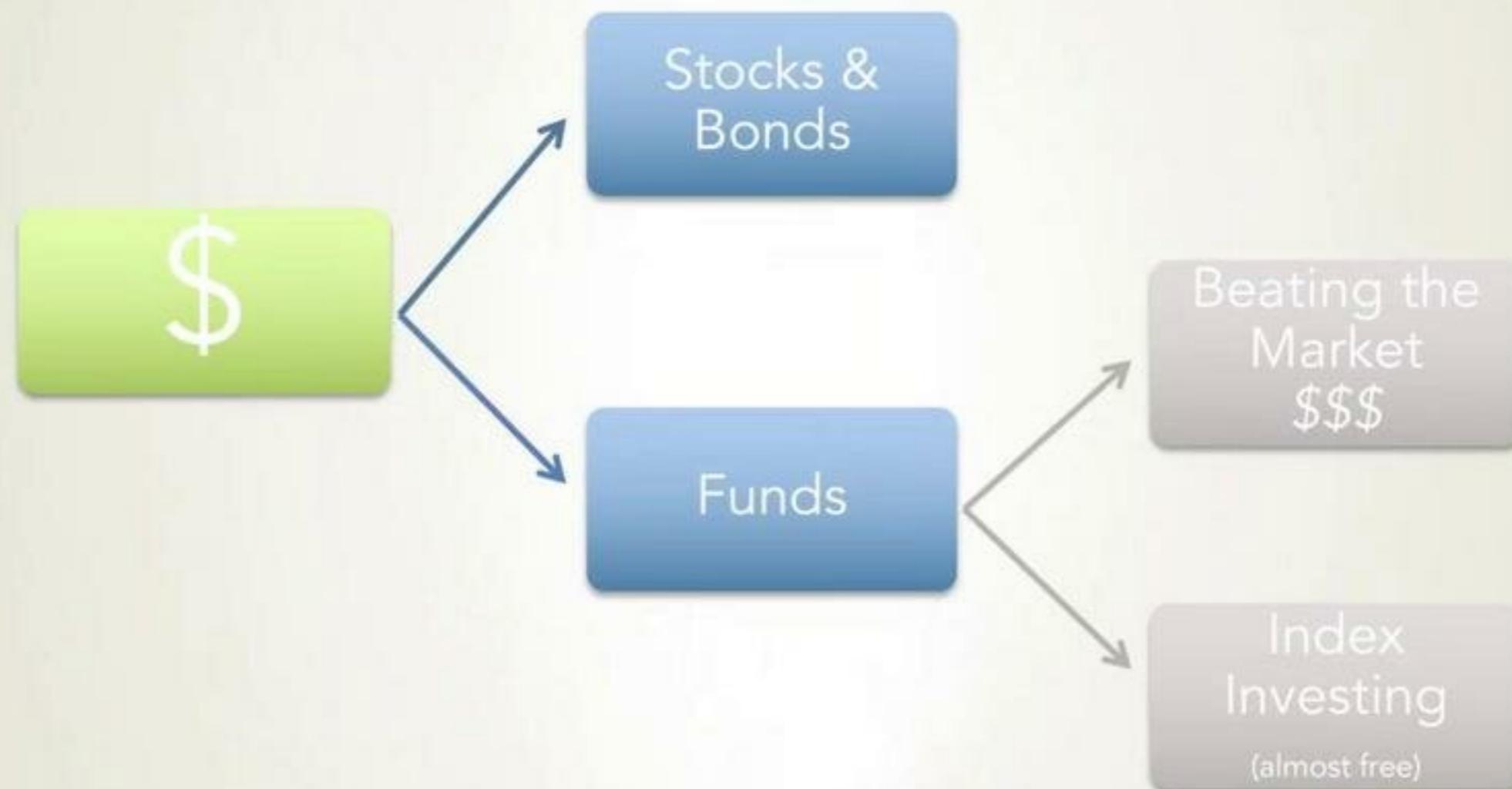
Passively Managed
Index Fund



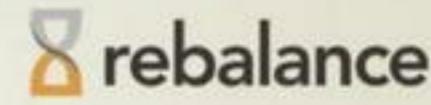
Risks of Active Management

- 50% - 80% chance of underperforming in every asset class
- Money managers make mistakes
- Fees of 1% can reduce returns (1% of 6% is 16.6%)
- Realizing gains increases taxes in taxable accounts

What Is An Index Fund?



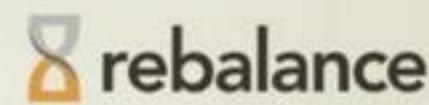
The S&P 500 In One Fund – VOO - .03%



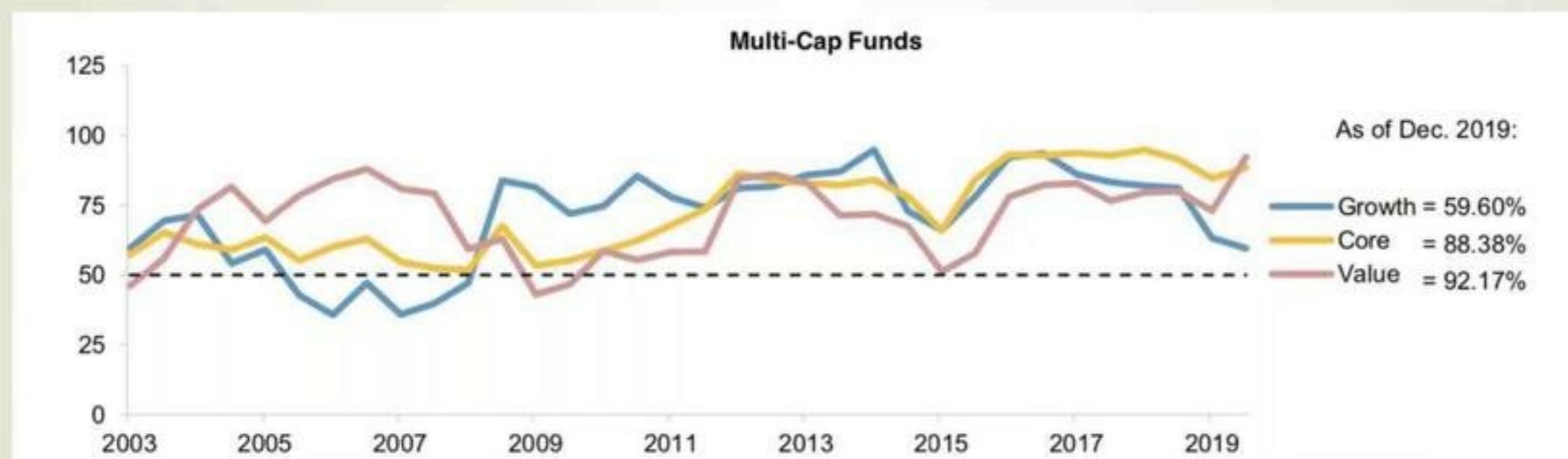
\$30 to invest \$100,000 in the 500 largest US stocks



S&P Dow Jones Scorecards: U.S Funds



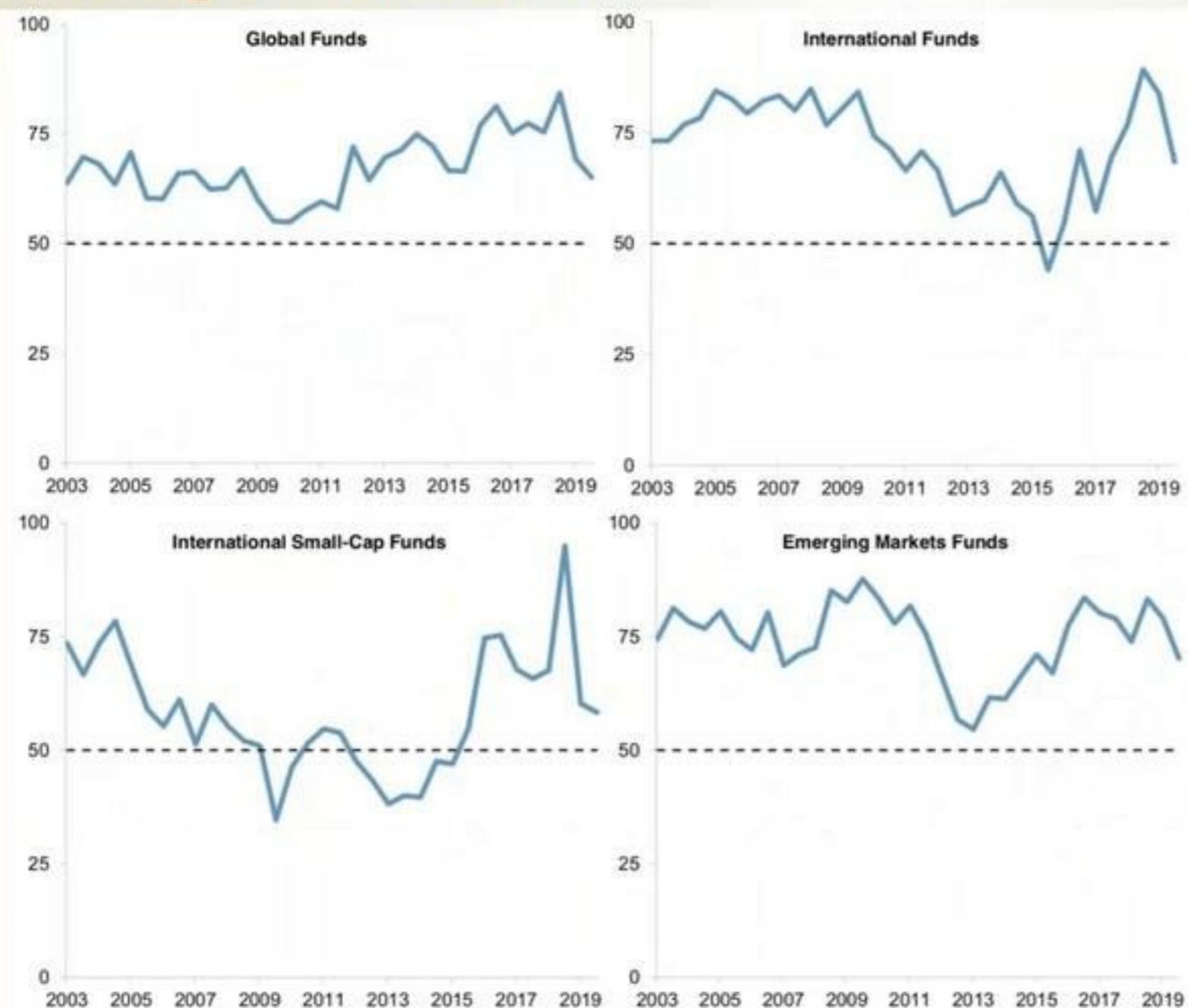
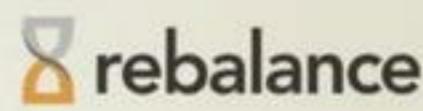
Rolling 3-Year Returns



- S&P Dow Jones – the SPIVA Scorecard - de facto scorekeeper
- Survivorship bias, style consistency, asset-weighted returns, data cleaning, etc.

S&P Dow Jones Scorecards: Int'l funds

Rolling 3-Year Returns



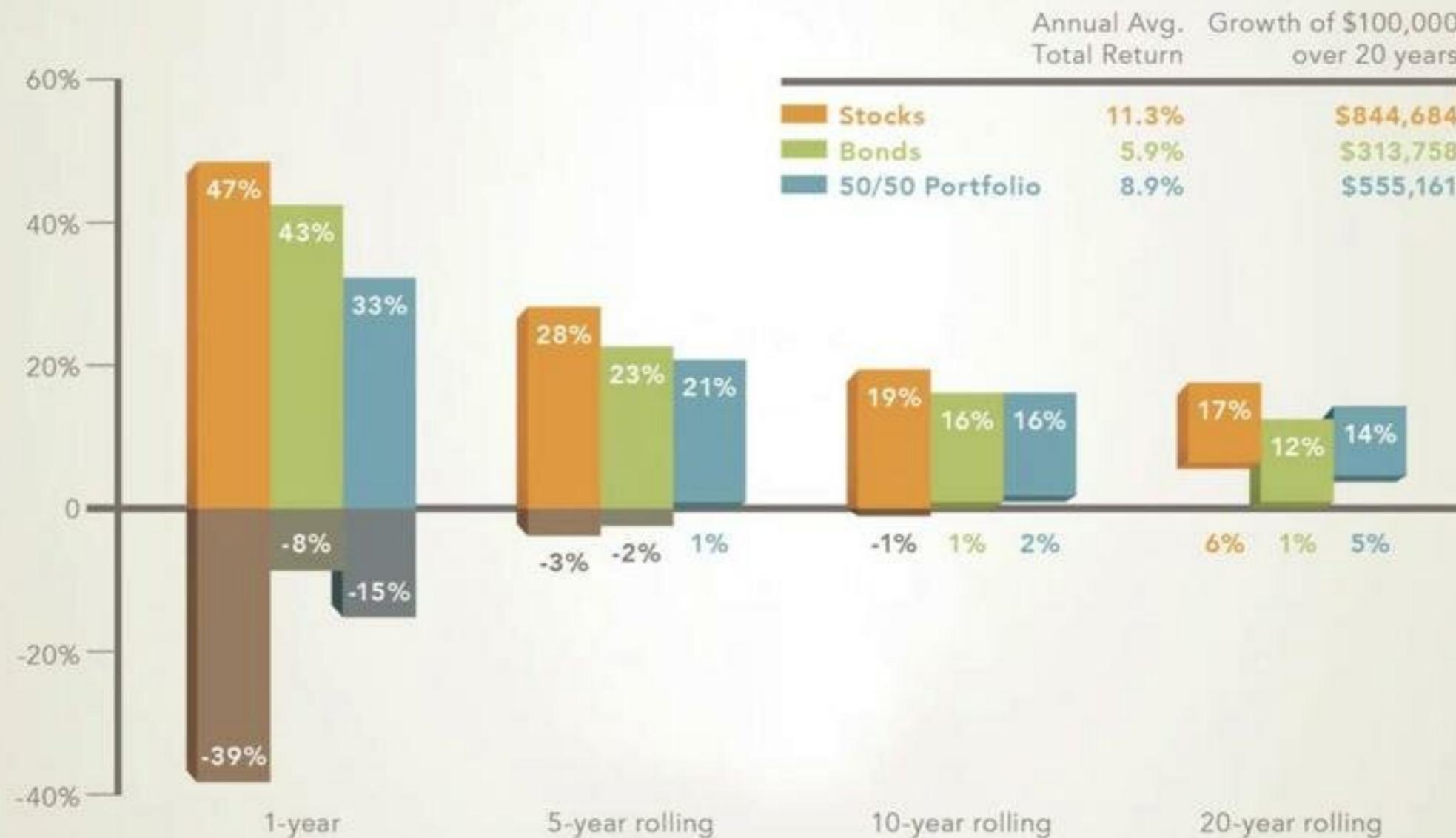
<https://www.spglobal.com/assets/documents/corporate/us-spiva-report-11-march-2019.pdf>

Source: S&P Dow Jones
Indices - SPIVA

Indexes = Highly Predictable Returns

Range of Stock, Bond, and Blended Total Returns

Annual total returns, 1950 - 2019



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the rules
OF LONG BETS

bets & predictions
ON THE RECORD

make a
PREDICTION

about
LONG BETS

FAQ
& ANSWERS

THE ARENA FOR ACCOUNTABLE PREDICTIONS

A LONG BET:

BET 362

DURATION 10 years (02008-02017)

"Over a ten-year period commencing on January 1, 2008, and ending on December 31, 2017, the S&P 500 will outperform a portfolio of funds of hedge funds, when performance is measured on a basis net of fees, costs and expenses." [DETAILED TERMS »](#)



PREDICTOR
Warren Buffett

CHALLENGER
Protege Partners, LLC

STAKES \$2,222,278

will go to *Girls Incorporated of Omaha* if Buffett wins,
or *Friends of Absolute Return for Kids, Inc* if Protege Partners, LLC wins.

"A lot of very smart people set out to do better than average in securities markets. Call them active investors. Their opposites, passive investors, will by definition do about average. In aggregate their positions will more or less approximate those of an index fund. Therefore the balance of the universe—the active investors—must do about average as well. However, these investors will incur far greater costs. So, on balance, their aggregate results after these costs will be worse than those of the passive investors. Costs skyrocket when large annual fees, large performance fees, and active trading costs are all added to the active investor's equation.... A number of smart people are involved in running hedge funds. But to a great extent their efforts are self-neutralizing, and their IQ will not overcome the costs they impose on investors."

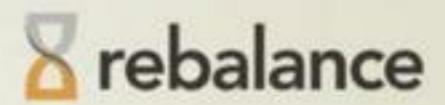
Investors, on average and over time, will do better with a low-cost index fund than with a group of funds of funds."

“A low-cost index fund is the most sensible equity investment for the great majority of investors. The know-nothing investor can actually outperform most investment professionals.”

Warren Buffett



Can you resist the Siren Song?

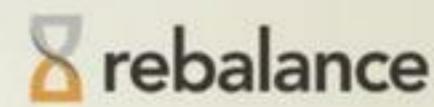


If not, let's make a bet! More later...

BlackRock CEO, Letter to Shareholders

3/29/2020*

*"Over the last decade,
investors increasingly
recognized that
portfolio construction,
not security selection,
drives the majority of
returns."*



Security selection = looking for needles

Portfolio construction = owning haystacks



*Larry Fink, Chairman and CEO of BlackRock - world's largest asset manager with \$7.4 trillion as of 12/31/2019.

Success Driver #3:

Focus on Investment Mix

Science of Portfolio Construction



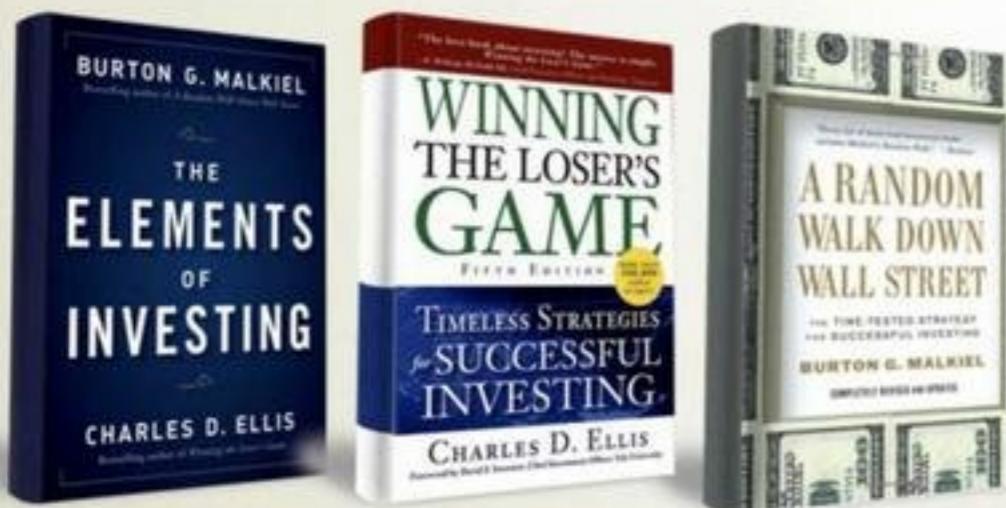
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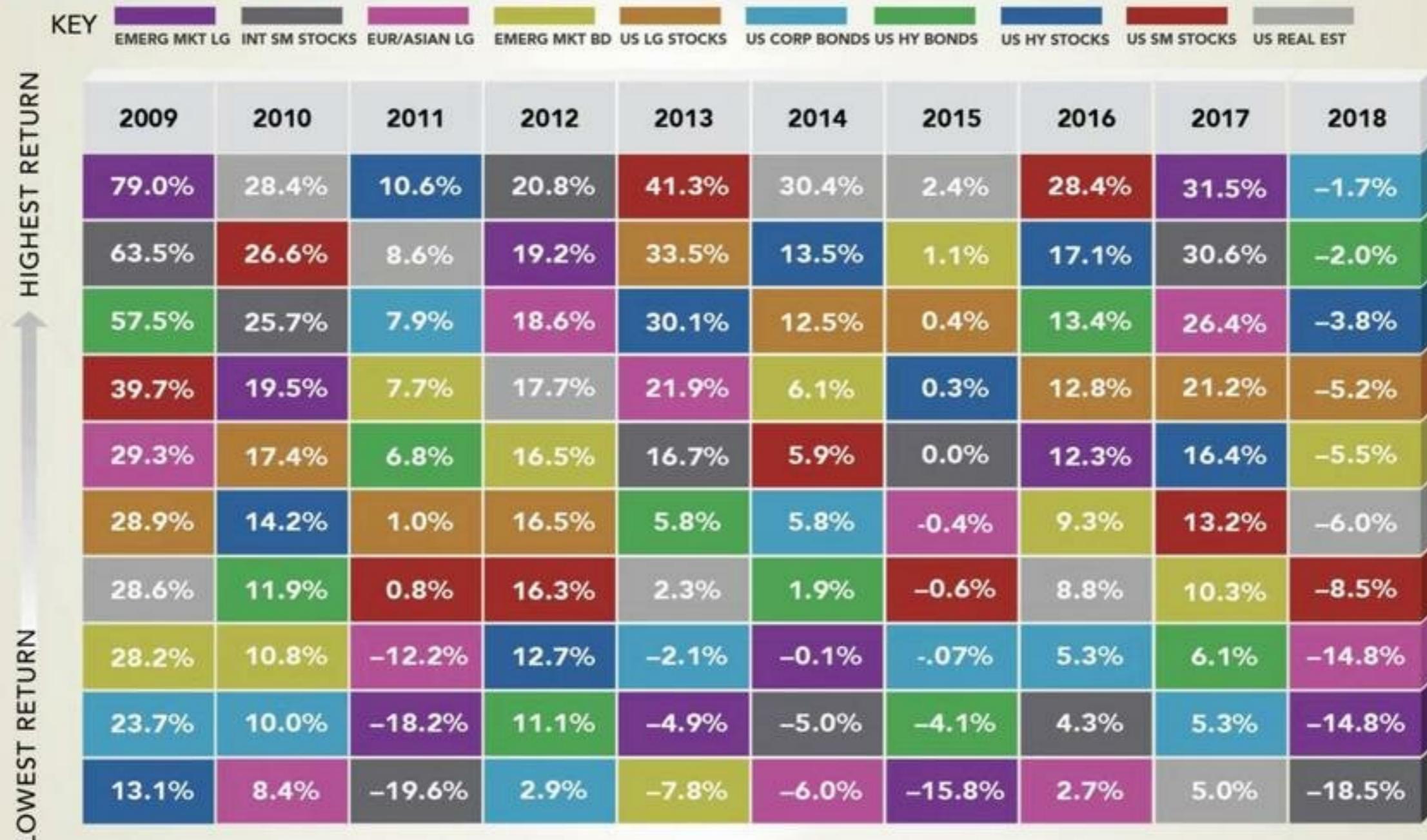
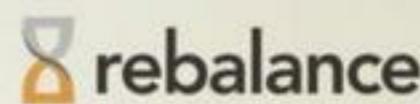
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Vanguard®



Charles Ellis Jay Vivian
Burton Malkiel

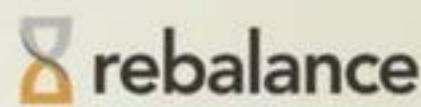
Asset Class Selection



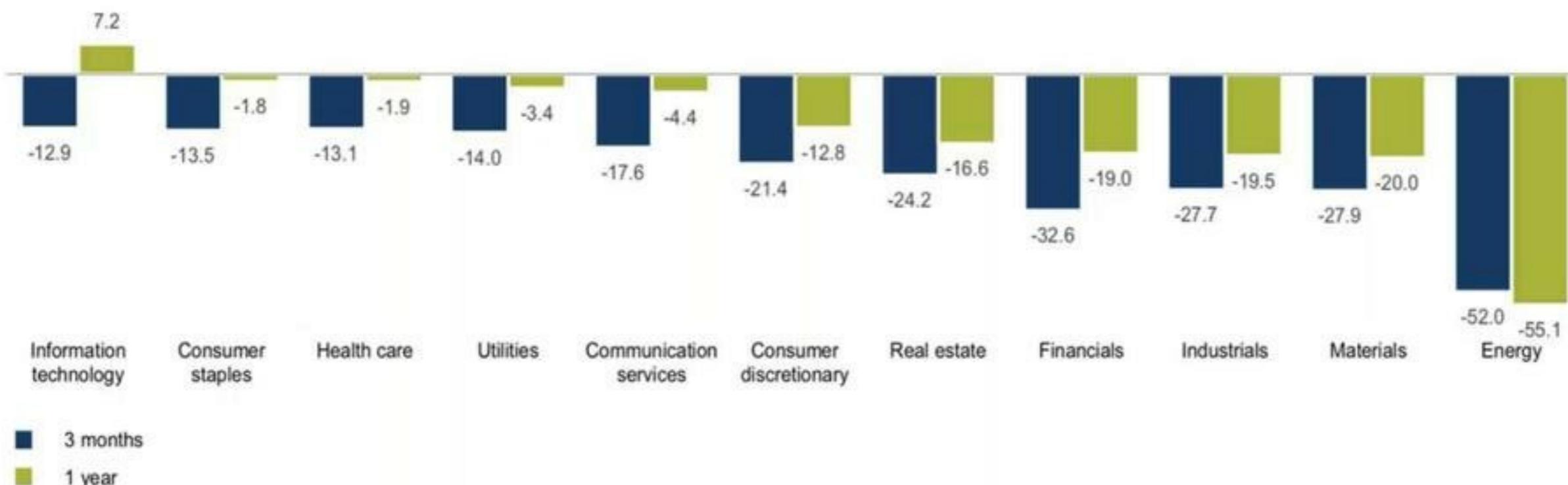
Data sources: Returns represent the yearly price change and dividends generated from Exchange Traded Funds (ETF) that are managed to track the returns of their respective 10 asset classes. The Vanguard ETFs and their benchmarks are: Total US Stock Market (VTI), US High Dividend Yield Stocks (VYM), Intermediate Term Corporate Bond (VCIT), FTSE Emerging Markets (VWO), FTSE Developed Markets (VEA), FTSE All-World ex-US Small-Cap (VSS), US Real Estate (VNQ). iShares ETFs and their benchmarks are: iShares Core S&P Small-Cap (IJR), High Yield Corporate Bond (HYG), USD Emerging Markets Bond (EMB). This chart is to illustrate the varied movement of asset classes over time and should not be used for making decisions about investing in any specific asset classes or funds.

Past performance is no indication of future results. Diversification strategies do not assure a profit and do not protect against losses in declining markets.

Sectors and Industries are not Asset Classes



U.S. equity sector returns as of March 31, 2020 (%)



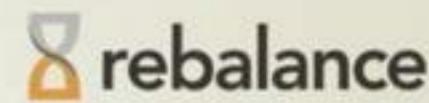


Asset Classes: Correlations and Risk

Asset Class	US	Em. Mkt	Dev. X US	US Bonds	High Yield	US Corp.		Returns	Risk
US Stock Market		0.79	0.89	-	0.73	0.28		9%	15%
Emerging Stock Markets	0.79		0.88	0.14	0.69	0.36		3%	22%
Developed Stock Markets x US	0.89	0.88		0.14	0.75	0.39		2%	18%
Aggregate US Bonds		0.14	0.14		0.36	0.83		4%	4%
High Yield US Bonds	0.73	0.69	0.75	0.36		0.65		5%	11%
High Grade US Corporate Bonds	0.28	0.36	0.39	0.83	0.65			6%	7%

Index Selection

Russell 2000 versus S&P Small Cap 600



Over 20 years:

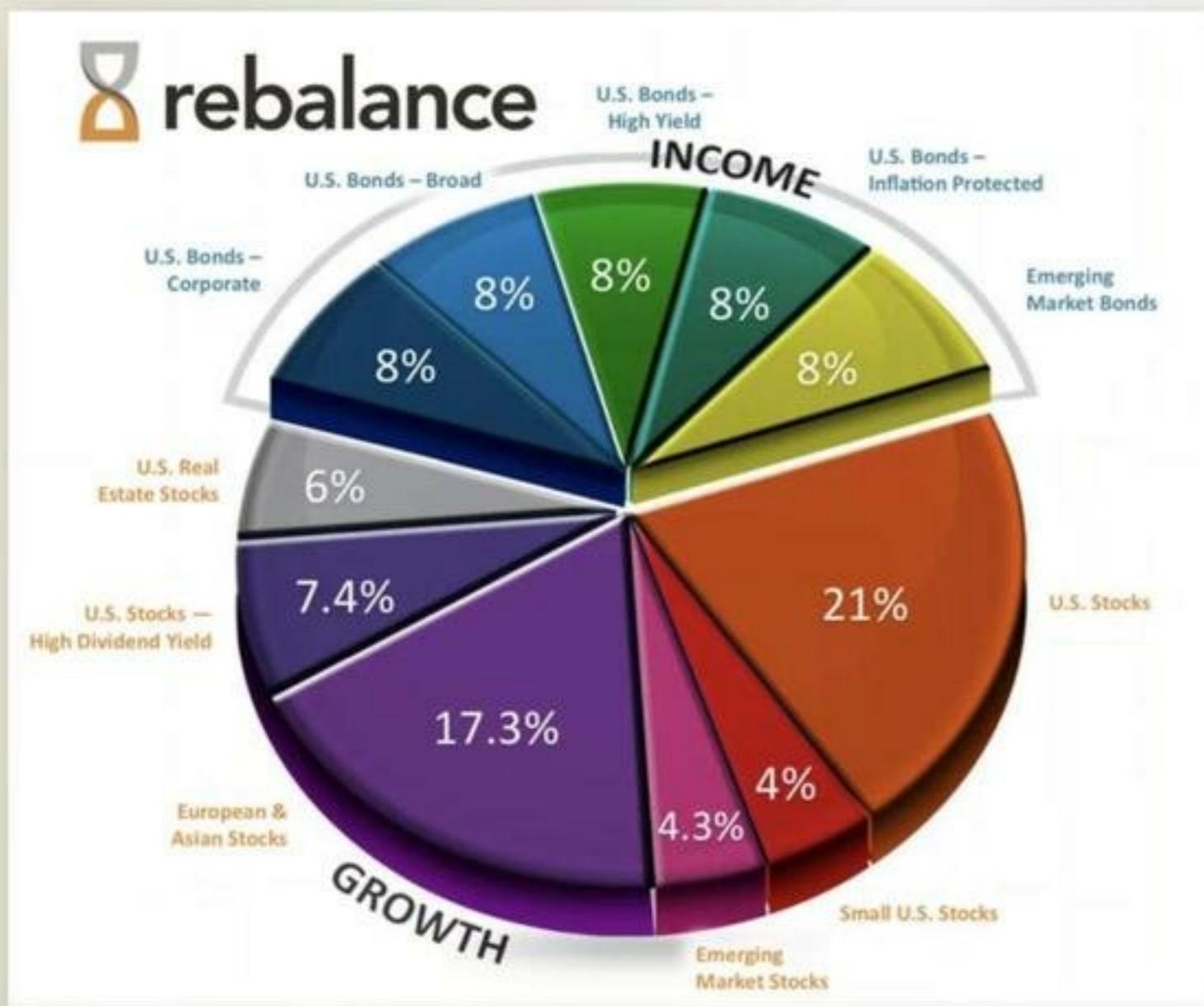
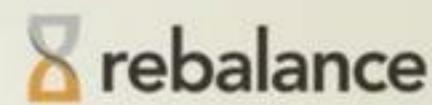
S&P Small
Cap 600 was
up 2.6x

Russell 2000
up 1.67x.

Wrong Index –
36% loss

Portfolio Construction

Match Risk with Return



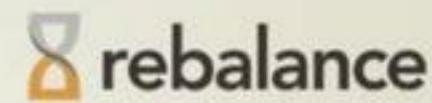
Rebalancing

"We all wish that we had a little genie who could reliably tell us to 'buy low and sell high.' Systematic rebalancing is the closest analogue we have."

Professor Burton G. Malkiel
"A Random Walk Down Wall Street"
10th edition © 2011



COVID-19 Market Collapse S&P 500 and US Bonds since March 1st



Rebalancing



fig. A

Based on various factors, including risk tolerance and retirement objectives, an ideal asset allocation and target percentages are developed.



fig. B

As the market fluctuates, the percentages are rigorously maintained. This is where rebalancing comes in.



fig. C

If an asset class rises, we trim the gains and add them to underperforming classes, restoring your target allocations.

Princeton Study – Return Impact

Jan 1996 to Dec 2013	Average Annual Return
Rebalanced Annually @ 60% Stocks / 40% Bonds	8.41%
Not Rebalanced @ 60% Stocks / 40% Bonds	<u>8.14%</u>
Positive Impact from Rebalancing	0.27% + per year

* Stocks represented by a Russell 3000 total stock market fund. Bonds represented by a Lehman U.S. Aggregate total bond fund. Taxes not considered in analysis.

Source: Burton G. Malkiel, Professor of Economics, emeritus, Princeton University

Princeton Study – Volatility Impact

Jan 1996 to Dec 2013	Risk (volatility)*
Rebalanced Annually @ 60% Stocks / 40% Bonds	11.55%
Not Rebalanced @ 60% Stocks / 40% Bonds	<u>13.26%</u>
Positive Impact from Rebalancing	(12.9%) reduction in volatility

* Standard deviation of return.

Source: Burton G. Malkiel, Professor of Economics, emeritus, Princeton University

Success Driver #4: Measure Returns

Princeton Study – Volatility Impact

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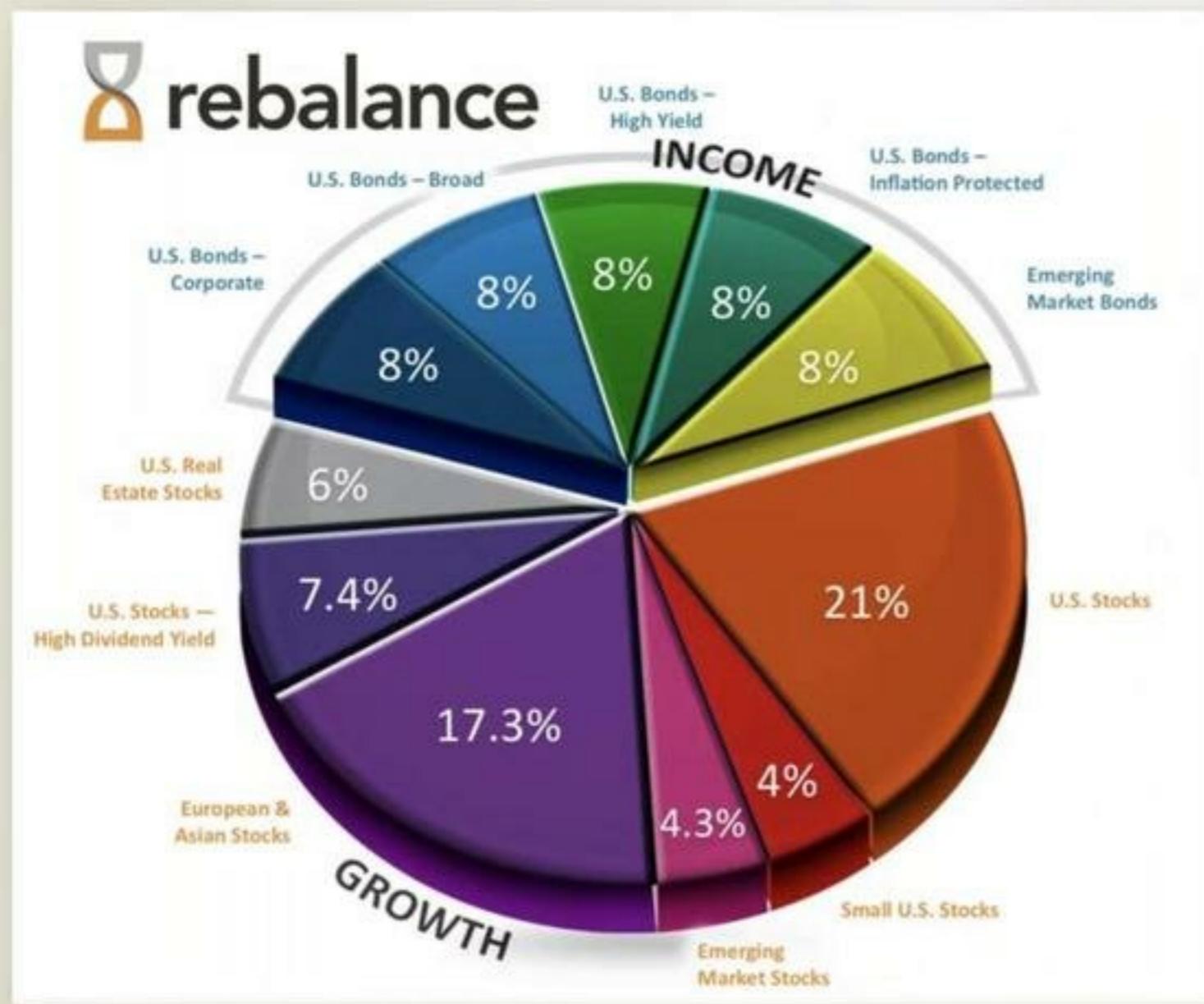
* Standard deviation of return.

Source: Burton G. Malkiel, Professor of Economics, emeritus, Princeton University

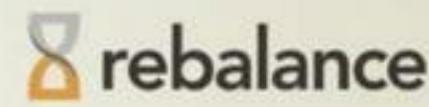
Success Driver #4: Measure Returns

Portfolio Construction

Match Risk with Return



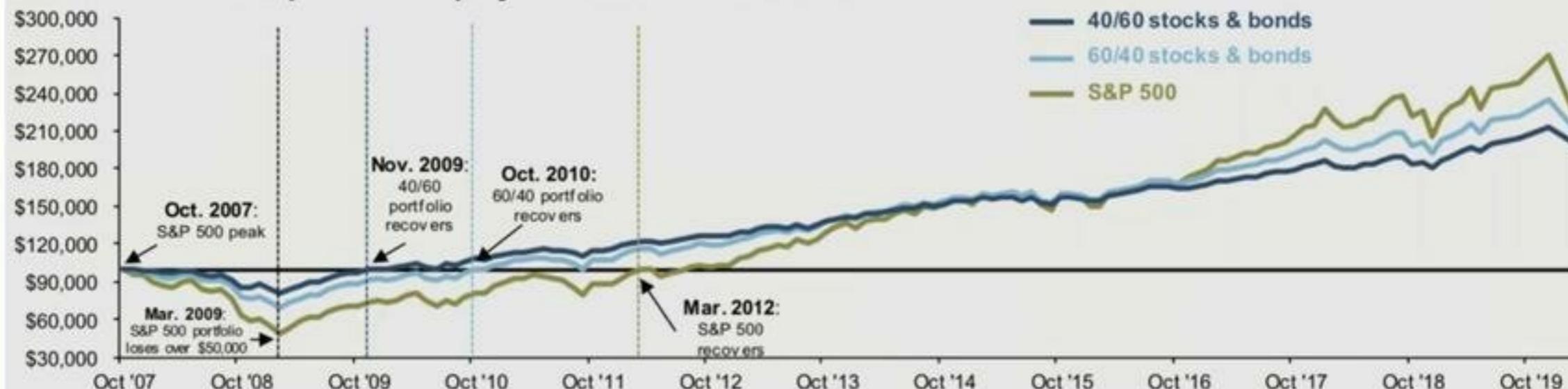
COVID-19 Market Collapse S&P 500 and US Bonds since March 1st



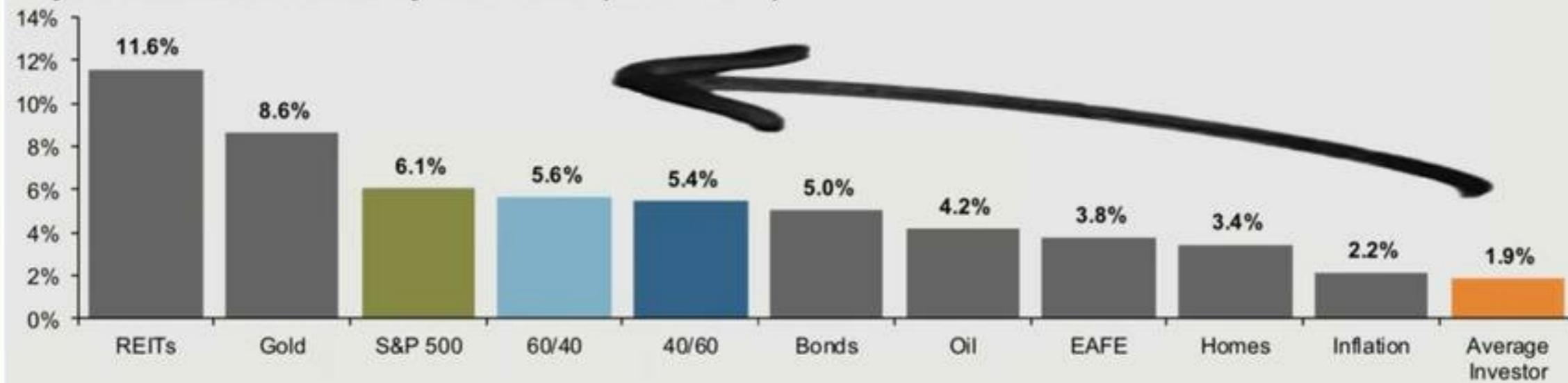
Success Driver #4: Measure Returns

Are you an “Average Investor”?

Portfolio returns: Equities vs. equity and fixed income blend



20-year annualized returns by asset class (1999 – 2019)



INVESTOR GAP

1.9%
5.2%



Performance Calculation Mistakes

- No time-weighting or adjustments for “ins and outs”
- Lack holistic allocation targets: multiple accounts, varied allocations
- “Apples-to-Oranges” comparisons with S&P 500 and the Dow
- Taxes or “risk-adjustments” not applied to returns
- Flawed broker statements – e.g. reinvested dividends to cost basis
- Don’t really want to know

Ideas for Measuring

- Consolidate accounts down to what is needed
(401ks, IRAs, Trusts, bank accounts)
- Consolidate at one custodian
- Determine the right benchmarks for your allocations
- Plant a “benchmark” in each account

Planting A Benchmark

	\$ Invested	\$
Stocks		
Stock #1	\$ 24,895	
Stock #2	\$ 12,345	
Stock #3	\$ 65,489	
Stock #4	\$ 123,546	
Stock #5	\$ 166,589	
Stock #6	\$ 122,150	
Stock #7	\$ 58,987	
Stock #8	\$ 23,215	
Stock Mutual Fund #1	\$ 64,040	
Stock Mutual Fund #2	\$ 82,545	
Stock Mutual Fund #3	\$ 987,952	
Stock Mutual Fund #4	\$ 12,354	
Total	\$ 1,744,107	67%
Fixed Income and Cash		
Bond Fund #1	\$ 561,561	
Bond Fund #2	\$ 6,548	
Bond Fund #3	\$ 32,158	
Bond Fund #4	\$ 216,665	
Cash	\$ 56,400	
Total	\$ 873,332	33%
Total Portfolio Value	\$ 2,617,439	

	\$ Invested	\$
Stocks		
Stock #1	\$ 24,895	
Stock #2	\$ 12,345	
Stock #3	\$ 65,489	
Stock #4	\$ 123,546	
Stock #5	\$ 166,589	
Stock #6	\$ 122,150	
Stock #7	\$ 58,987	
Stock #8	\$ 23,215	
Stock Mutual Fund #1	\$ 64,040	
Stock Mutual Fund #2	\$ 82,545	
Stock Mutual Fund #3	\$ 970,511	
Stock Mutual Fund #4	\$ 12,354	
VT - All World Index Fund	\$ 17,441	
Total	\$ 1,744,107	67%
Fixed Income and Cash		
Bond Fund #1	\$ 561,561	
Bond Fund #2	\$ 6,548	
Bond Fund #3	\$ 32,158	
Bond Fund #4	\$ 216,665	
Cash	\$ 47,667	
AGG - Aggregate US Bonds	\$ 8,733	
Total	\$ 873,332	33%
Total Portfolio Value	\$ 2,617,439	

1. Track from beginning value - \$26,174 (1%)
2. Reinvest dividends VT, AGG
3. Adjust for withdrawals and deposits.
4. Rebalance with portfolio.
5. Withdraw tax payments from taxable accounts.

Success Driver #5: Know Thyself



What Not To Do

[REDACTED]
Date: January 13, 2016 at 9:00:49 PM EST

To: Sally Brandon - Rebalance IRA <sbrandon@rebalance-ira.com>

Subject: IRAs

Sally,

The market has plunged over the latter half of 2015 and early 2016 by 20+ percent. Even those companies with good earnings reports and revenues have been slammed along with everything else. The bull mkt appears to be over. There aren't even any bounce backs to speak of.

I think it's time to get out and save what [REDACTED] and I have left in our IRAs. I would like to sell everything and be in cash. Please sell everything in fairly short order.

Thanks for taking care of this.

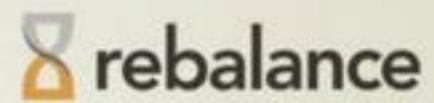
Regards,

[REDACTED]

1/13/16 – 5/15/20
S&P up 52% + dividends



Market Meltdowns – Bad time to learn about yourself



"This is going to get a lot worse. I'm baffled that the market keeps going up."

"I want to sit this out until things get more clear."

"Until I understand what's going on I'm out of the market."

"We've never seen anything like this before."

"I can't stand losing money every day."



Emotions, Hunches Gut-Feel = Disaster

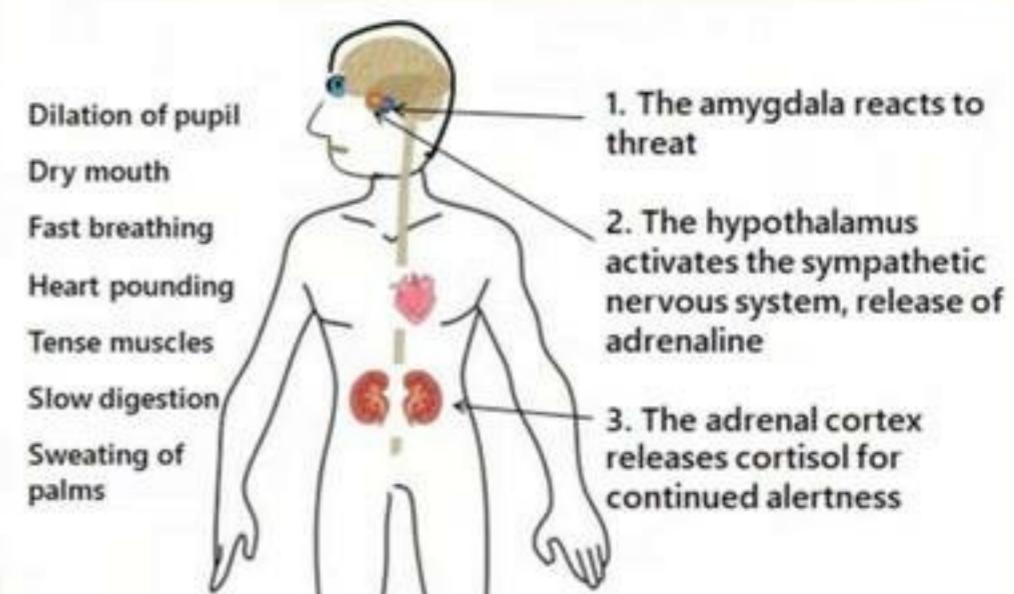


Will I Run Out of Money?

It's in our DNA: The
"Fight or Flight"
Response



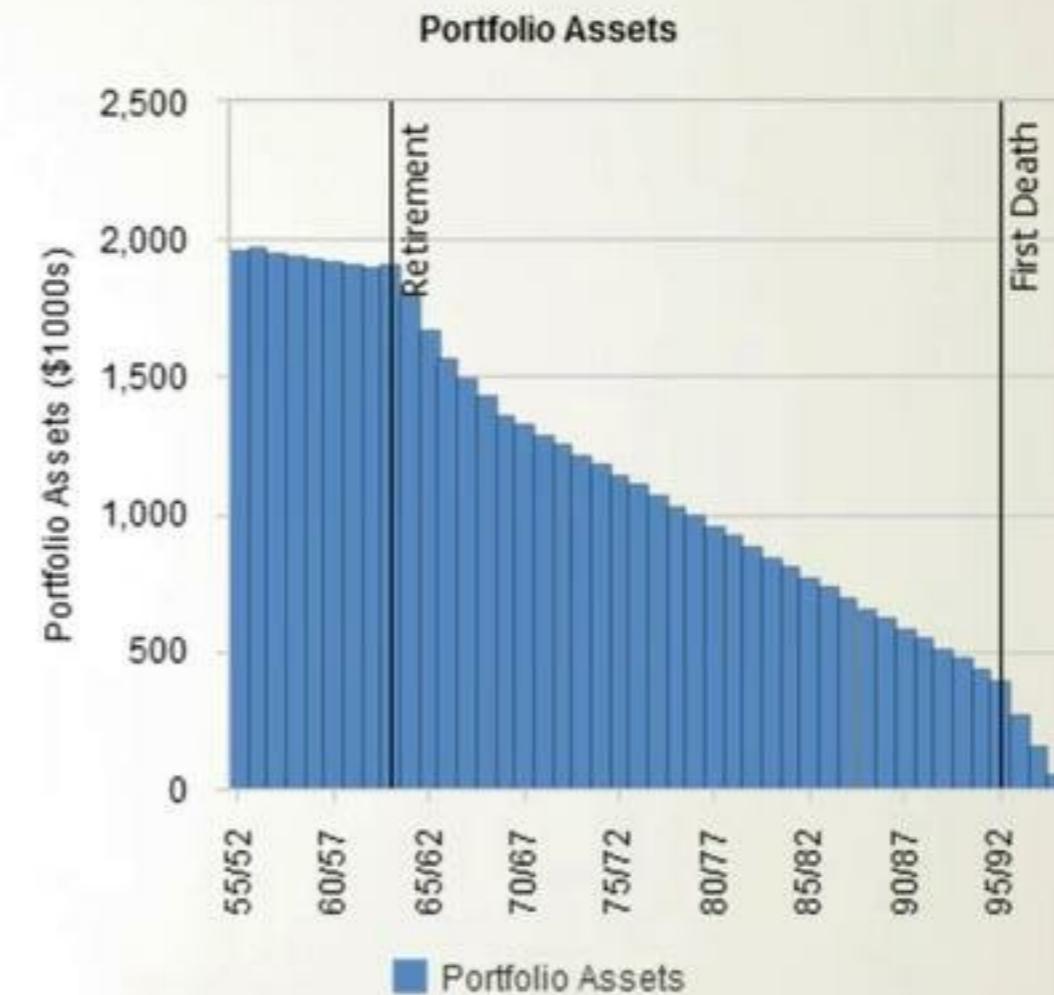
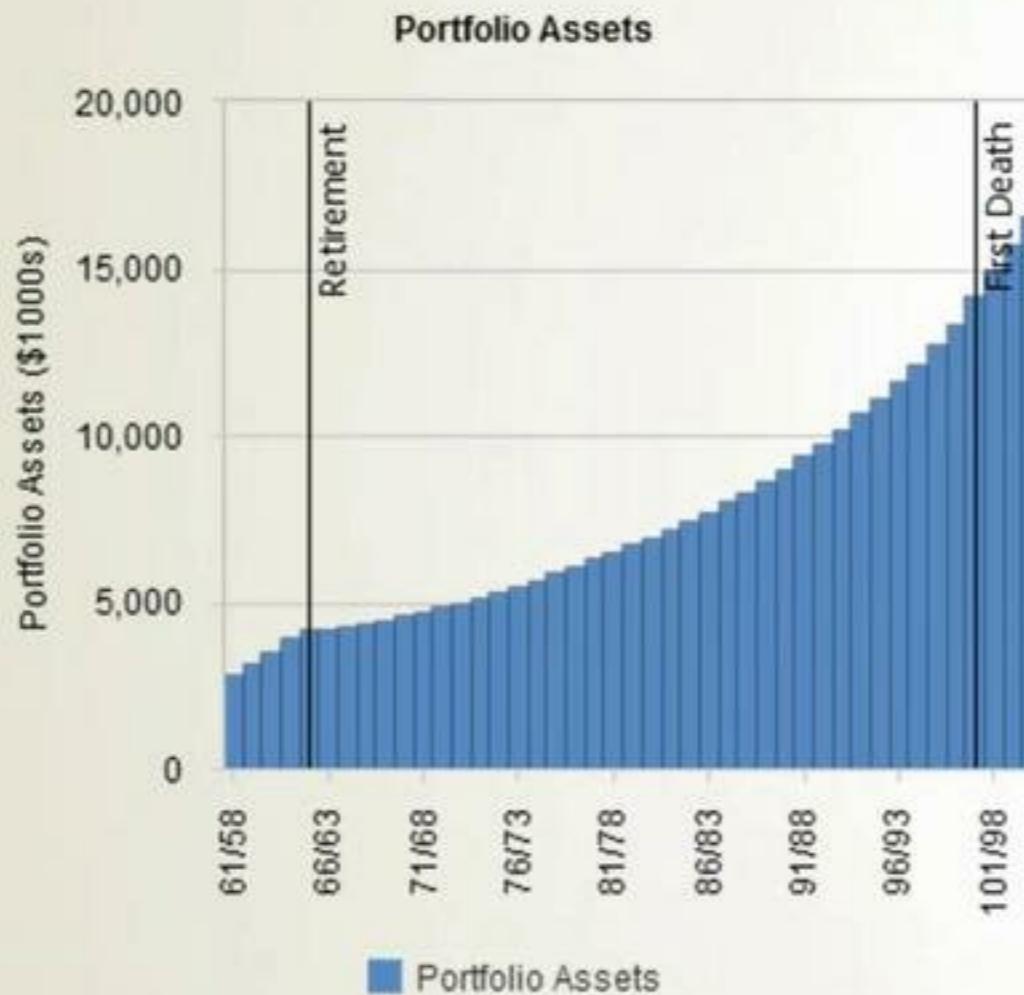
Panic is not an investment strategy



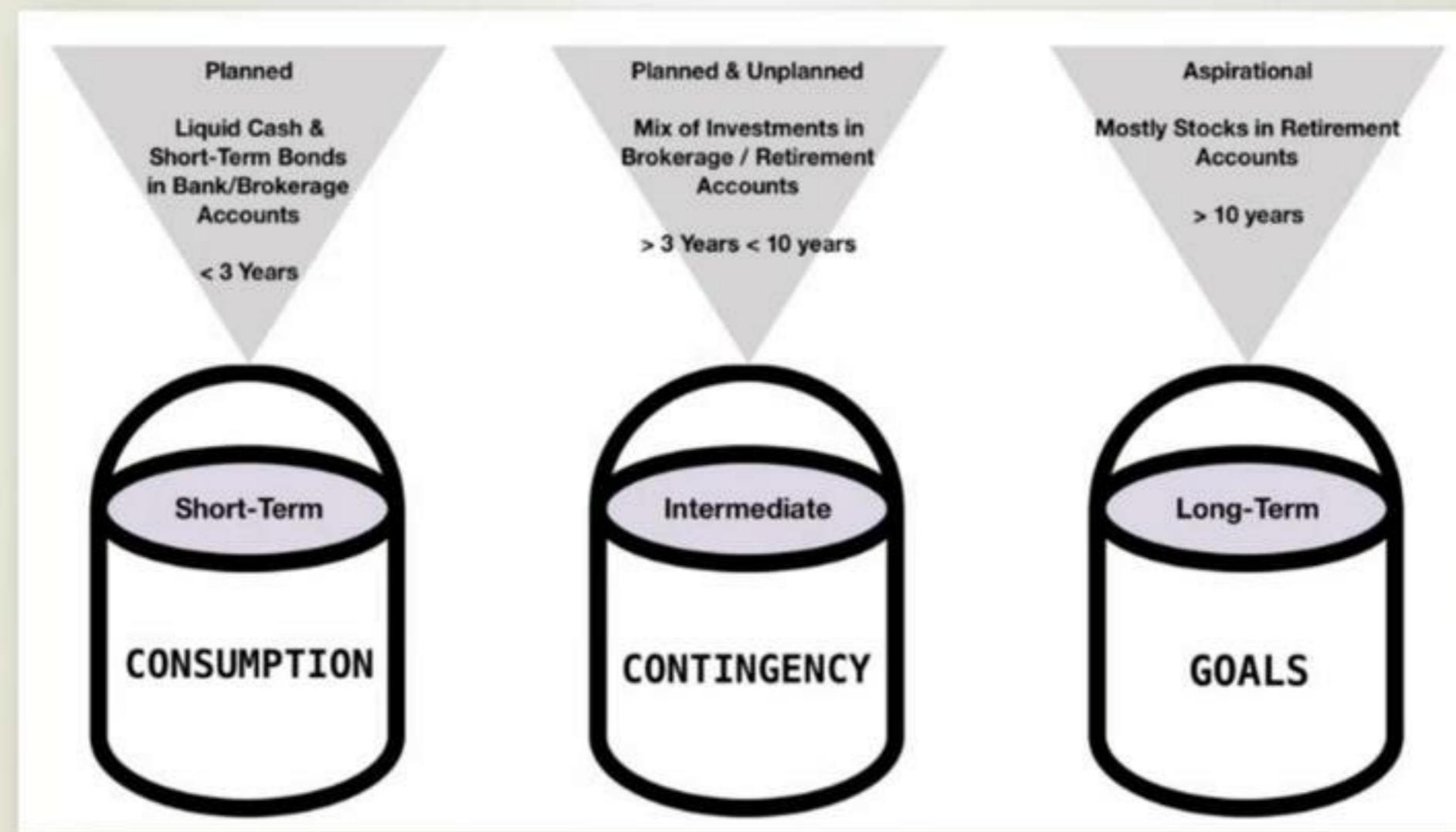
Build a Great Custom Financial Plan

- House
- Retirement accounts
- Income projections
- Future inheritance
- Investments
- Income property
- Cash, annuities
- Social security
- Federal / state taxes
- Expense projections
- Pensions
- Bucket list items
- Parental support
- College

A Great Plan Answers: “What Does It Take To Not Run Out?”



Financial Plan: Your Money in Buckets



Best Advice For Individual Investors

1. Obsess about Compounding
2. Only Own Index Funds
3. Focus on Investment Mix
4. Measure
5. Know Thyself

Should You Buy Advice?

Investing requires:

- Time
- Interest
- Knowledge



Are you adding to your estate or engaging in expensive entertainment?

What is the cost of advice versus the benefit?

Avoid Commission-Based Advisors

Fiduciary
(Good)

Broker
(Bad)

VS.

Avoid Commission-Based Advisors

**Fiduciary
(Good)**

Advice Driven

Pricing Transparency

Priority:
Client's Interests

Low Fees

**Broker
(Bad)**

Sales Driven

Hidden Fees

Priority:
Commission

High Fees

VS.

rebalance360

Three powerful services, one transformative approach.



invest360

Invest360 offers the same low-fee, tax-efficient, globally diversified portfolios used by the investing elite, but designed for everyday life. To help grow your wealth for the long term, short term, and everything in between.

[LEARN MORE ▶](#)



plan360

Our **Plan360** service provides a simple, powerful financial roadmap, tailored to your specific goals, showing how much money you can spend on your journey and how much you'll have left when you arrive.

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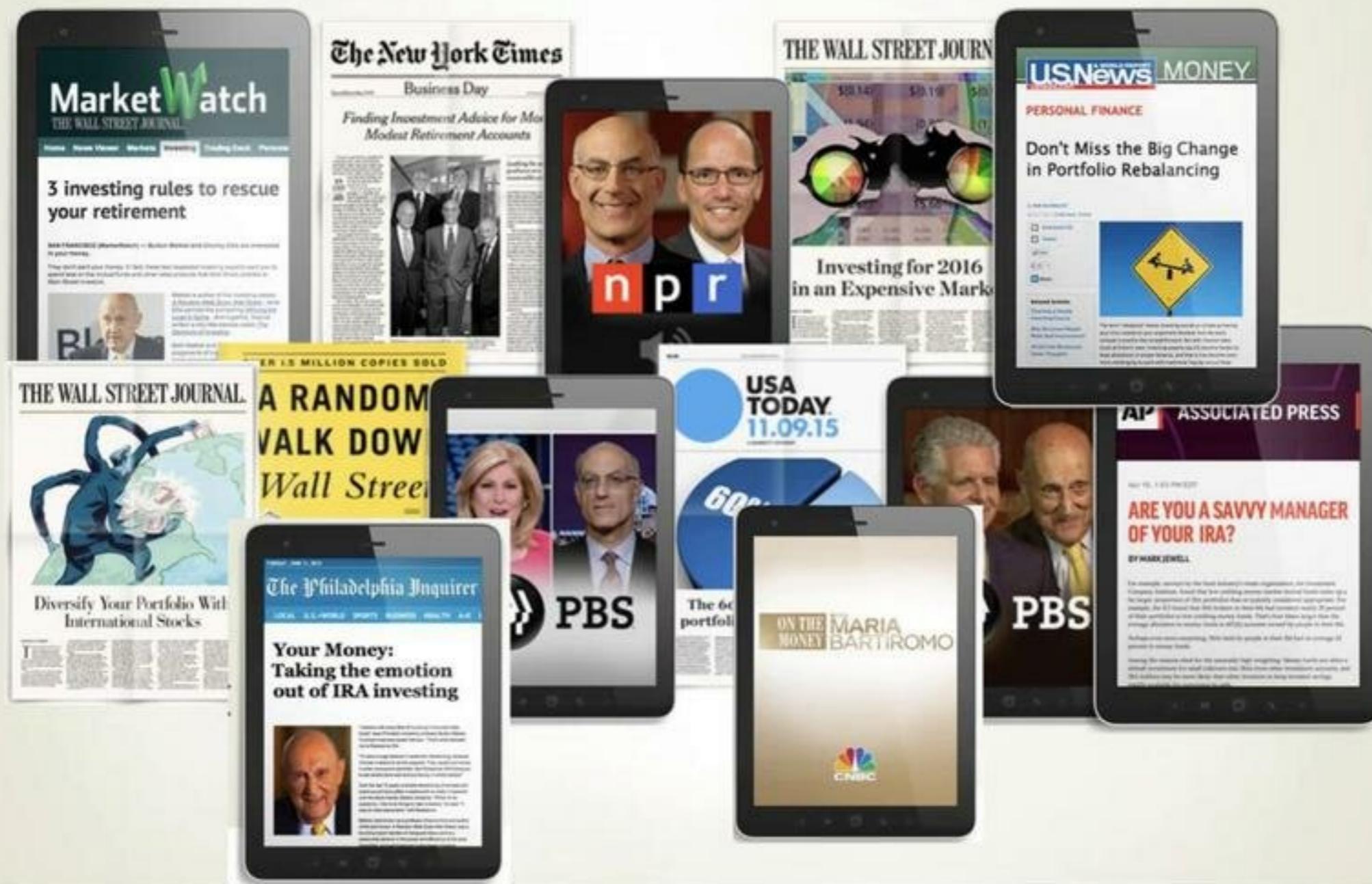
Our **Advise360** services draw from our deep bench of great industry minds to help make sense of even the most complex of financial decisions – empowering you to navigate your specific life with confidence.

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What do you get when you combine world-class investing, financial planning, and decision-making together with low fees and best-in-class advisors?

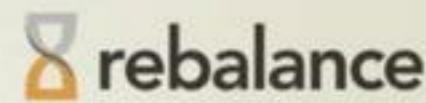
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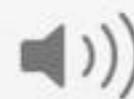


Over a ten-year period commencing on July 1, 2020, and ending on June 30, 2030, a Rebalance portfolio of up to 10 index funds all held for 10 years and rebalanced back to their original target allocations yearly will outperform an actively managed portfolio of stocks, bonds, options, or funds with a similar allocation.

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Question & Answer



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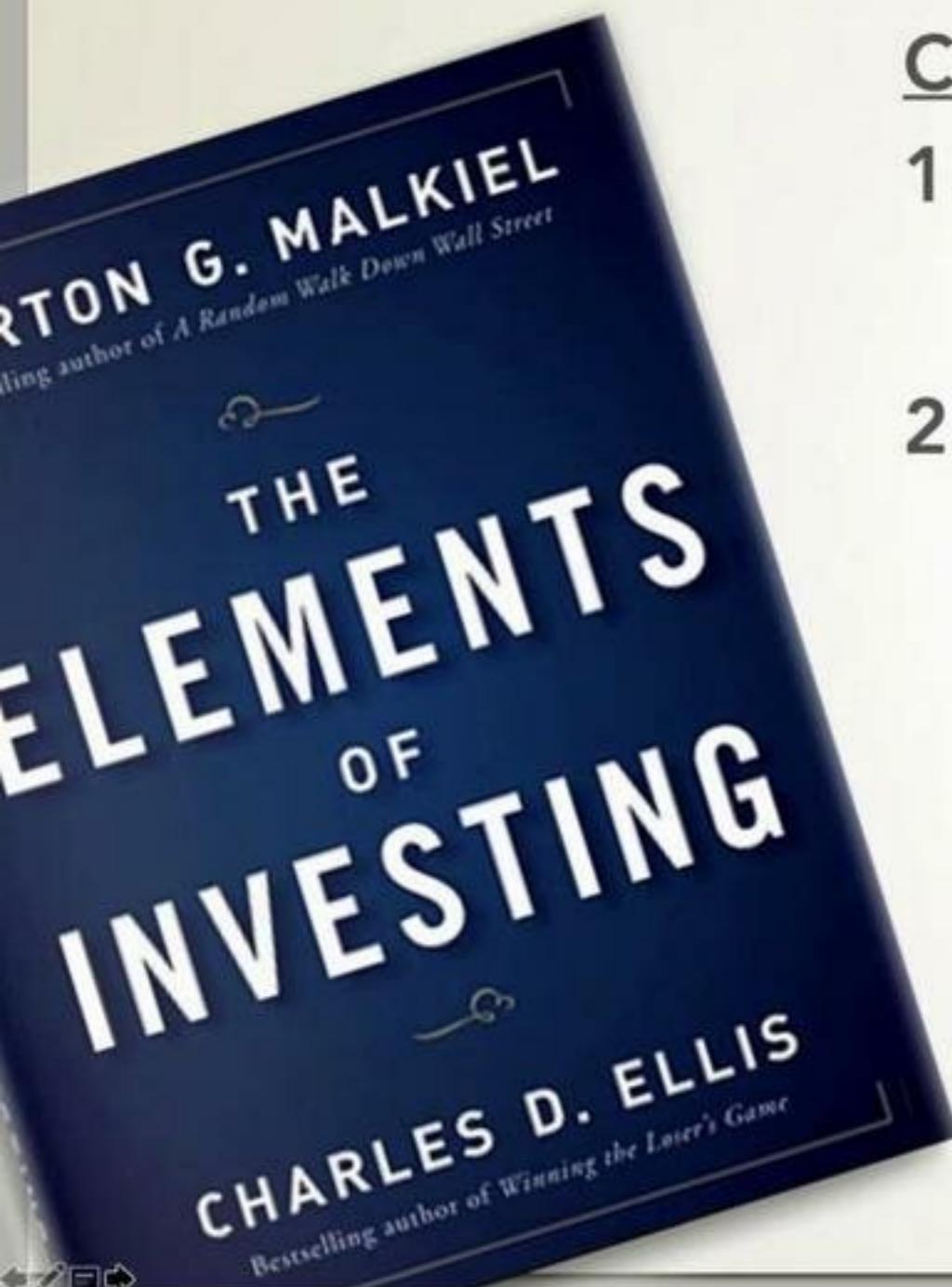
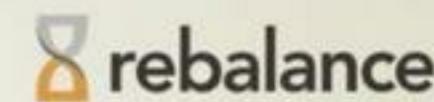


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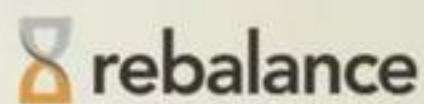
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