

Investment Portfolio

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Period 1

Risk Level: 5



Investor Profile

Brett Hancock is a 42 year old man who has been a science teacher for 15 years under the Elk Grove Unified School District and has an annual income of \$71,000. He graduated from California State University, Sacramento with a B.S. degree in Chemistry. His parents paid for his tuition, so he has no student debt.



He is currently married to Miranda, a 41 year old nurse at Sutter Health, making \$95,000 a year. Like her husband, Miranda has no student debt due to many scholarships and grants as well as some financial assistance provided by her family.



They have a 15 year old son named Malcom and a 13 old daughter named Jennifer. The two will be attending college in a few years, so Brett and Miranda are preparing to pay for the tuition costs. Since they both still have about 20 more years to work, the couple wants to start making riskier but stable investments for retirement and to deal with the burden of their children's student loans.



Brett had originally been a finance major at Sac State, but dropped out after one semester. He is a common reader of Money Magazine and Wall Street Journal, but has learned little about investment from his parents. As such, he has a minimal amount of financial education. He has the general basics of investing and wants to take some risk with his money, but also doesn't feel

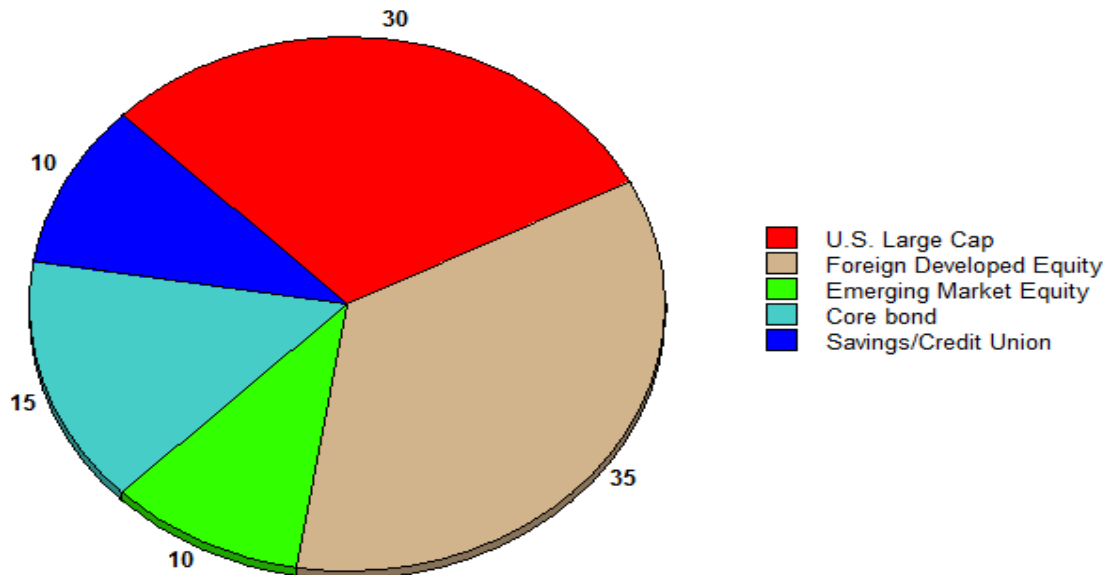
experienced enough yet to jeopardize his family's financial well-being.

The Hancocks live in a two-story house located in a large suburban neighborhood. They have \$240,000 fixed rate mortgage at 3.875% with 27 years remaining. The monthly mortgage payment is \$2100 per month. They've additionally been careful with their spending and have no credit card debt.

Due to how many years Brett has worked for EGUSD, his job provides a pension of 65% at 62 years old which will be approximately \$58,800 a yearly retirement. The Hancocks will also receive Social Security income they are estimating to be approximately \$43,764 per year combined. Miranda is contributing to her employer sponsored 401k and is contributing the maximum amount the IRS allows per year. In 2018 she contributed \$18,500 and at the current contribution rate, with expected returns of 8% per year, her estimated balance at retirement is \$1,800,000. If she withdrawals 4% of her balance per year at retirement, they will have additional income of \$72,000 per year.



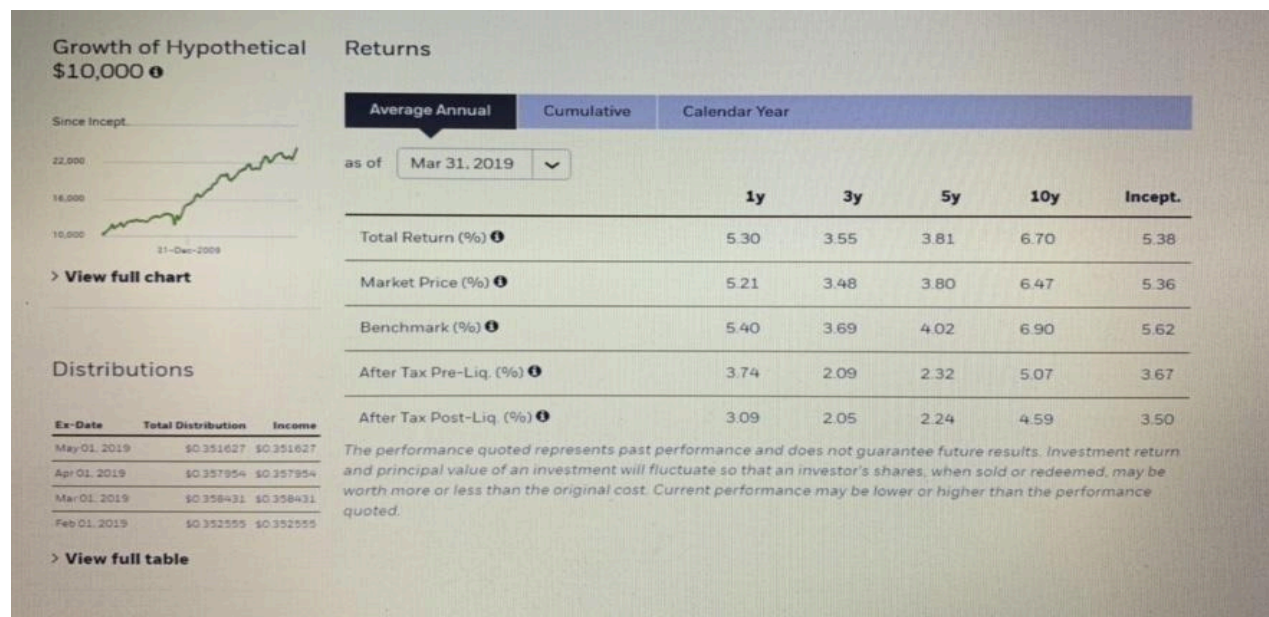
Brett's Investment Breakdown (as %)



Bonds

The necessity for the investment has risen considerably with the increasing economic crisis in the economy. The prospective investors generally foregoes their present leisure and investment their earnings and anticipate to reap benefits for the same. Evaluating the investment portfolio is a significant task for investors. This is particularly true if the investment advisor can manage the money and take into account the reins. The investment portfolio provides the greatest specified profile to an investor's needs. The investment should be cautiously evaluated to elude numerous risks such as loss of capital and buying of non-lucrative securities.

The best core bond catered to Brett's need for diversification would be iShares iBoxx \$ Invst Grade Crp Bond. This bond provides Brett with broad exposure to the investment-grade area of the bond market through investments in a wide variety of market segments, especially since this functions as his only investment grade bond fund covering all the bases.



We took some inspiration after Swensen's portfolio as it admonishes a wider range of asset classes. His suggestions of bonds that establish a stable corporate bond was important as Brett's income didn't feed too much into seeking a riskier high-yield bond. Also we had to sacrifice Swensen's proposal of possessing real estate via minimal -fee fund for establishing a savings account and credit union in the case he has to provide for an emergency. Additionally he advises investors U.S traditional Treasury bonds to have Treasury inflation-protected securities.

Bogle's Model Portfolio Displayed his retirement rewards has changed towards a 50/50 allocation, that is has 50% as equities while 50% to be bonds, which is much distance from the recommended of 60/40 which he observed for many years. Lastly, he complied on the three-fund method which is total -market of U.S stock index fund VTSMX, -0.67% ,U.S bond -index of total market VBTLX, +0.00% and international -stock index ,total market fund VGTSX, -0.79%. Above that ,Bogle stated that he does not the need of any other kind of investments or the asset classes to attain appropriate diversification. Besides his personal retirement portfolios also invest in the vanguard balanced index for his grandkids.

Tai's model portfolio deals wider on diversification than other individuals' investors usually achieve. He really believes about a more flexibility approach as for the traditional aged-centered principle to bond allocation considered to be more appropriate. Therefore, Tai's considered portfolio is a good approach till ones reach retirement age.



Credit Union and Savings Account

We also believe that Brett Hancock should file an educator's account with the California Credit Union (CCU). Being a teacher, this organization offers a multitude of advantages for Brett, such as their summer savings program. This program would assist him in better managing his money throughout the year, so that he may better save money for his kids' college education. Filing an account with them also provides great assistance to Brett's career, as they offer many grants catered specifically to teachers. These grants offer significant money towards teachers' "dream projects," which would allow Brett to provide the quality education he desires without bounds.



Further, we believe that through this credit union, Brett should open an educator's savings account. Although it may be too late to find great value from this for Brett's 15 year old child's college education, it would be beneficial for his younger child, Jennifer, who still has over half a decade before she will need money for college. In opening an educator's account through CCU, Brett find a significant increase in funds because of the union's



3% APY for educators. Investing money in a much safer source, such as a savings account,

with the intent of raising funds for his Jennifer would be a wise decision as he both does not need this money immediately, and can focus more intensely on the riskier decisions he makes with Malcolm's funds.

Stocks

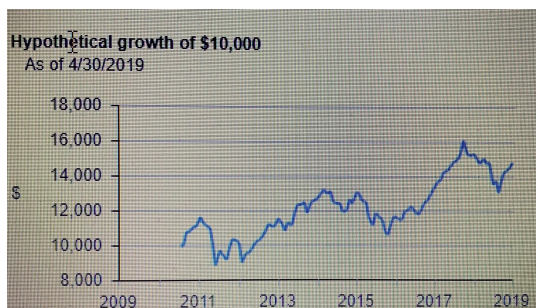
The **Vanguard Total Stock Market Index** provides exposure to the entire U.S. equity market, including small-, mid-, and large-cap growth and value stocks. The fund's key attributes are its low costs, broad diversification, and the potential for tax efficiency. Brett is looking for a low-cost way to gain broad exposure to the U.S. stock market who is also willing to accept the volatility that comes with stock market. We consider this fund his core equity holding and main domestic stock fund. We have also provided Brett with other greater diversified foreign funds to offset the risky unpredictable U.S. Stock market.

After-tax returns—updated quarterly as of 03/31/2019

	1 Year	3 Year	5 Year	10 Year	Since Inception 05/04/1994
Emerging Mkts Stk Idx Inv					
Returns before taxes	-6.94%	9.65%	3.42%	8.45%	6.31%
Returns after taxes on distributions	-7.55%	8.96%	2.71%	7.87%	5.74%
Returns after taxes on distributions and sale of fund shares	-3.81%	7.38%	2.48%	6.84%	5.19%
Average Diversified Emerging Markets Fund					
Returns before taxes	-9.31%	9.11%	2.61%	8.92%	—
Returns after taxes on distributions	—	—	—	—	—
Returns after taxes on distributions and sale of fund shares	—	—	—	—	—

We have decided that the best **Foreign Developed Equity** for Brett and his family would be investing in the **Vanguard Total International Stock Index**. This fund offers investors a low cost way to gain equity exposure to both developed and emerging international economies. The expense ratio is a meager 0.11% compared to the average expense ratio of similar funds at 1.01%. Brett has become more fond of the international market as this fund tracks stock markets all over the globe, with the exception of the United States.

Because it invests in non-U.S. stocks, including those in developed and



emerging markets, the fund can be more volatile than a domestic fund. Despite being liable to more rapid and unpredictable change, Brett has understood with more risk comes more reward. He is more comfortable investing in a a long-term diversified international equity position to add to his portfolio.

The most efficient **Emerging Market Stock** for Brett is **Vanguard Emerging Markets Stock Index Fund**. This fund offers investors a low-cost way to gain equity exposure to emerging markets. The fund invests in stocks of companies located in emerging markets around the world, such as Brazil, Russia, India, Taiwan, and China. Stocks of companies in emerging markets tend to be more prone to rapid change than those in developed countries, which could imply the potential for greater long-term returns. Along with this potential, however, come risks such as currency and political risks. Brett prefer this fund as a long-term, risk-tolerant investor who wants to diversify his international portfolio.



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