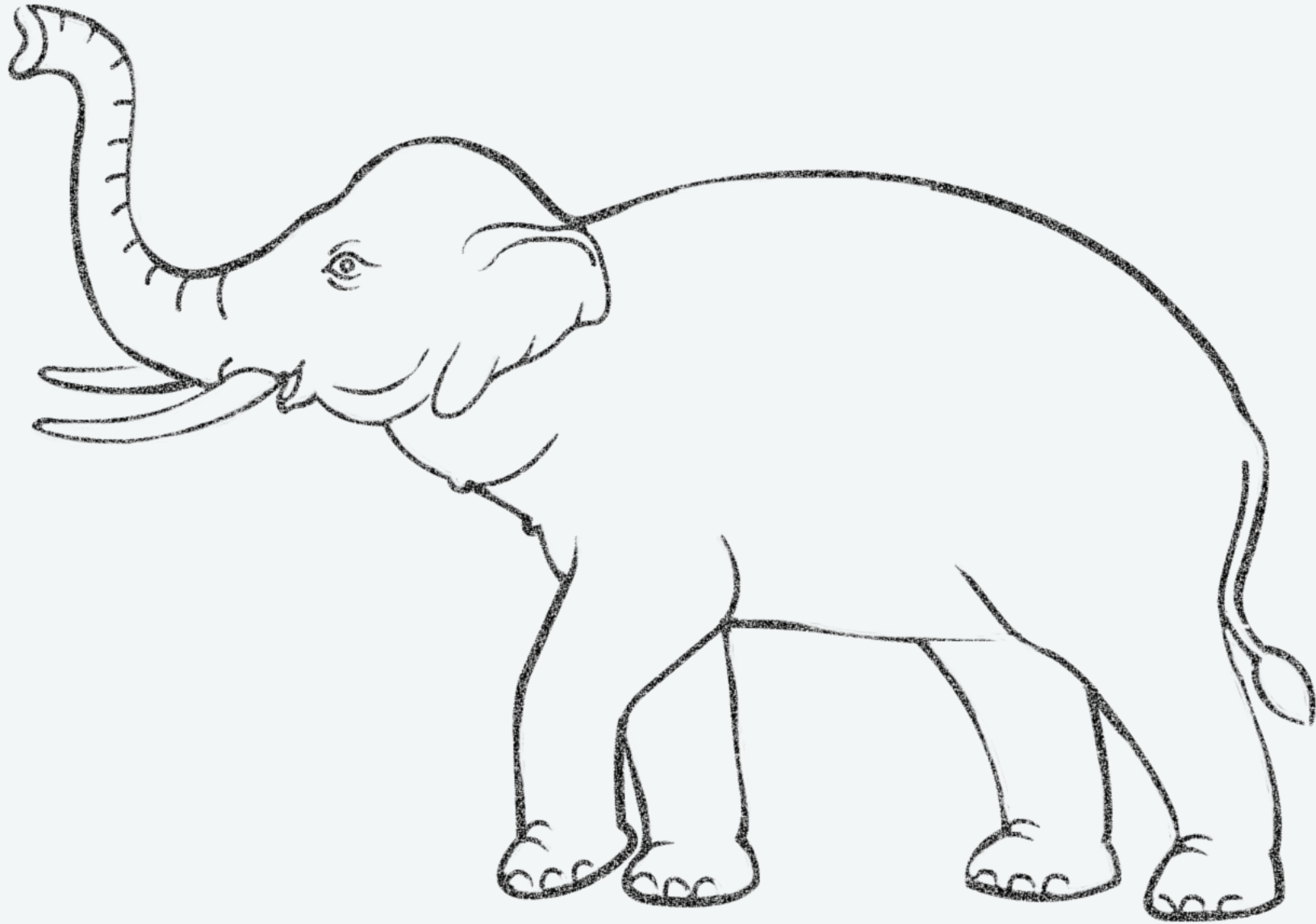


# Stocks: The nuts and bolts





# 5-step process







## Stock basics



# Common stock versus preferred stock

	Common stock	Preferred stock
Ownership stake in the company	Yes	Yes
Dividend payments	Dividend amount may fluctuate. Dividends can be suspended or eliminated at any point without notice.	Dividend amount is fixed and is usually a percentage of the stock's par value. Dividends can be suspended or eliminated at any point without notice.
Priority if the company goes bankrupt	Paid last in the event of bankruptcy or liquidation	Paid before common stockholders but after creditors in the event of bankruptcy or liquidation
Voting rights	One vote per share	Few or no voting rights

# How stocks make money

- Capital appreciation
- Dividends
  - Dividend yield



# Investment strategy

- Quality
- Diversification
- Long-term perspective



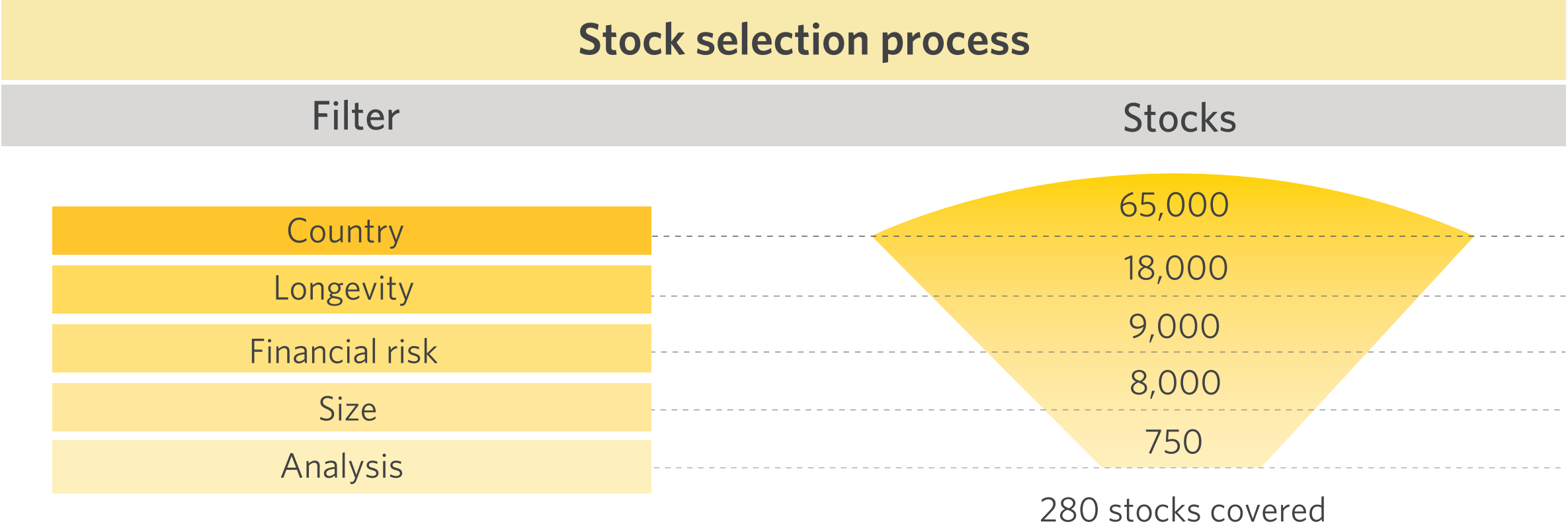




**Quality**



# Selecting stocks: the process matters



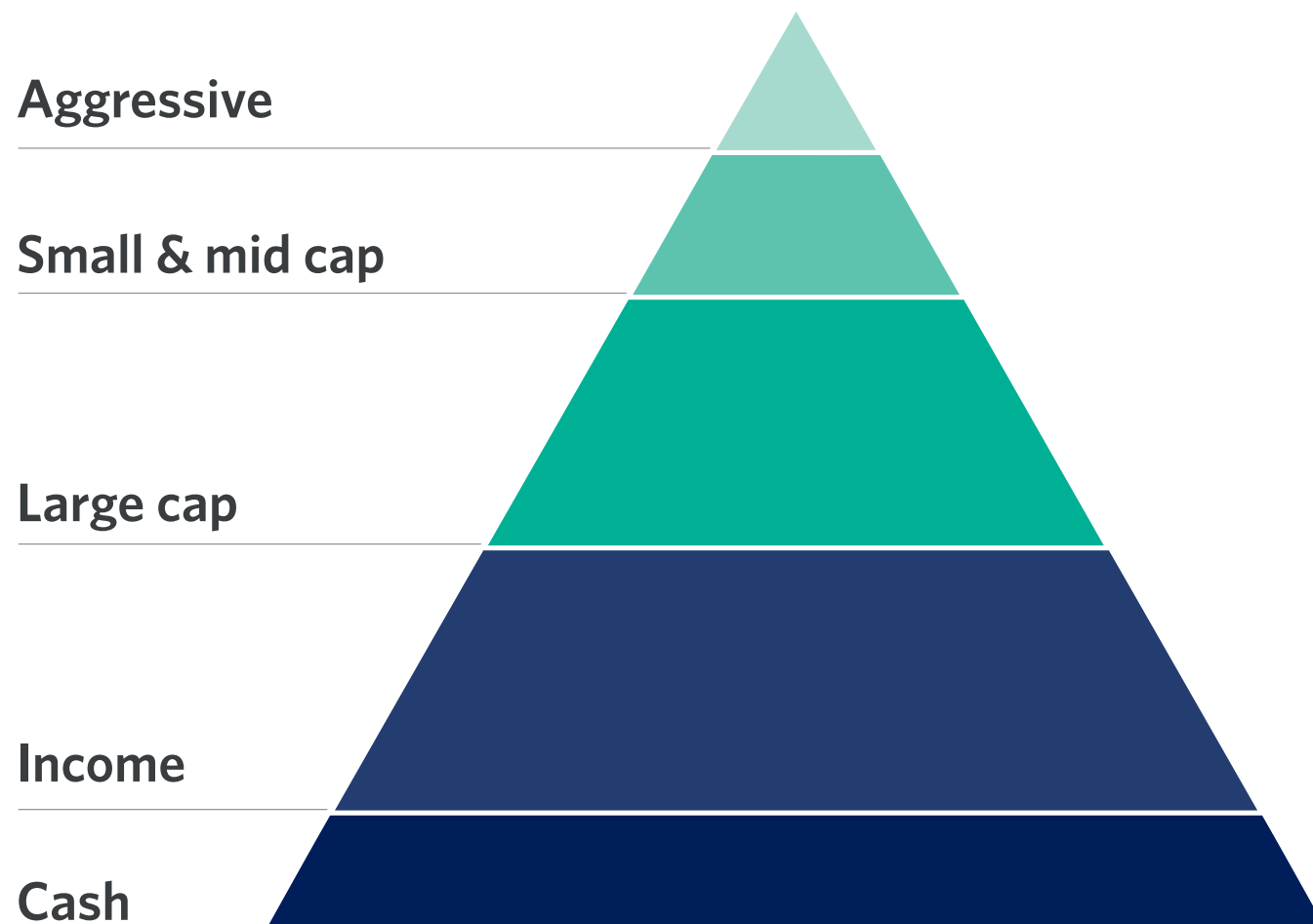




# Diversification

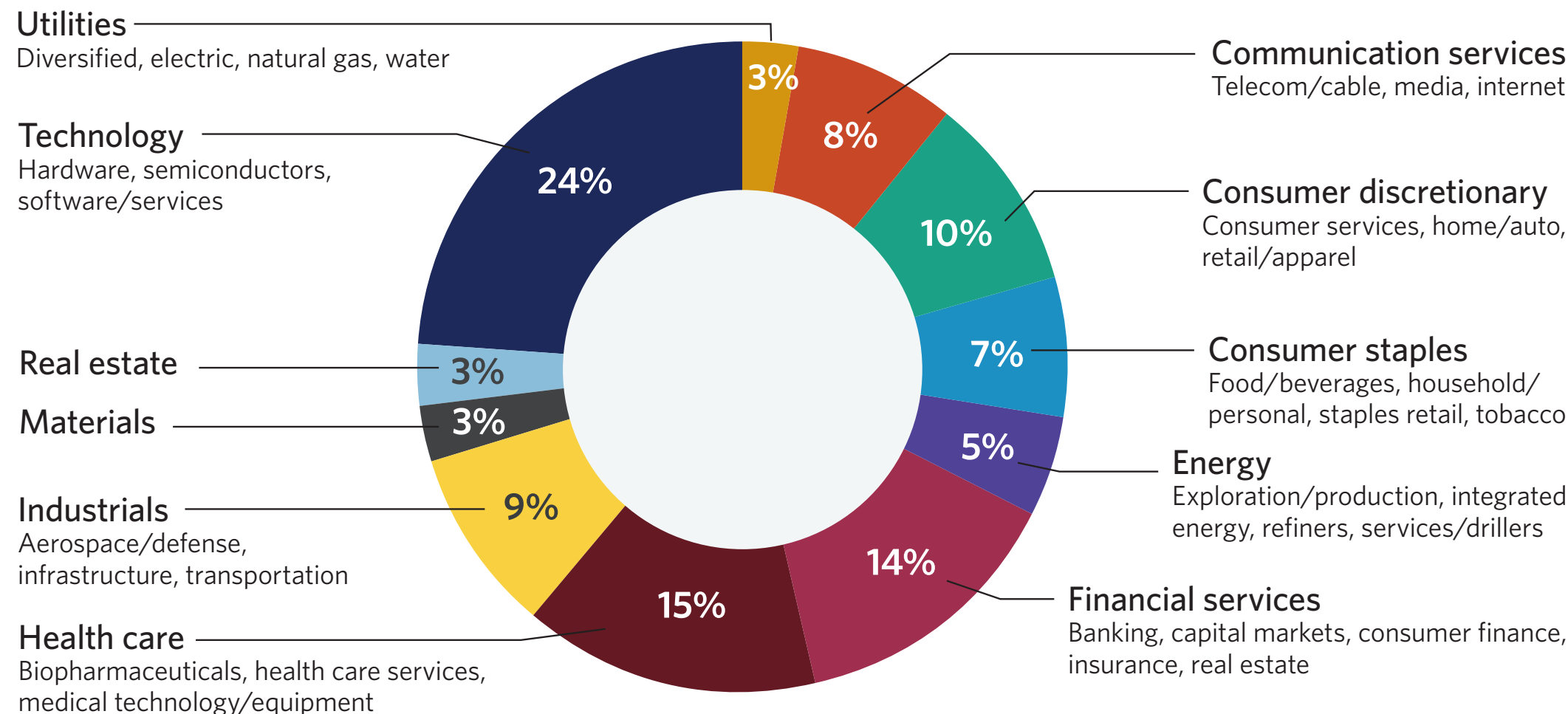


# Investment portfolio



Source: Edward Jones.

# Diversification by sector



As of Feb 22, 2023; shown to the nearest whole %.

# Diversification by company size

While capitalization values move with the market, as of November 2022, they were as follows:



**Giant and  
large cap**

Greater than  
\$35.4 billion



**Mid cap**

\$6.3 billion to  
\$35.4 billion



**Small cap**

\$500 million  
to \$6.3 billion

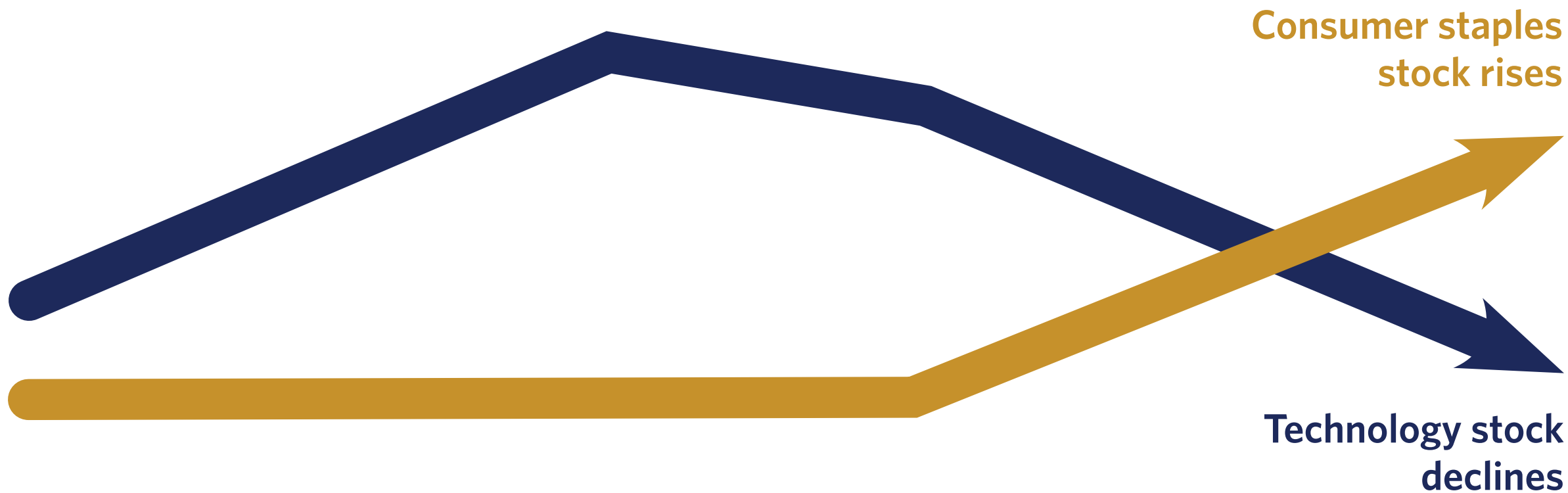


**Microcap**

Less than \$500 million  
Includes stocks trading  
under \$4/share



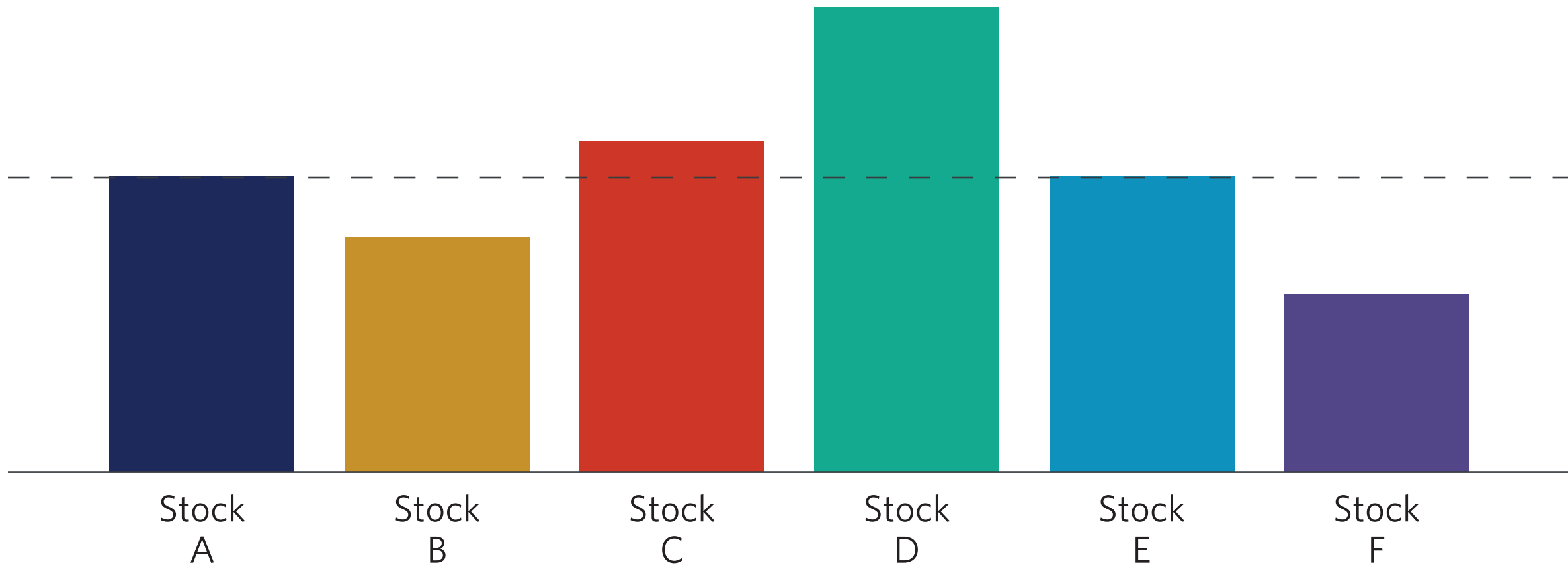
# Diversification example



Diversification does not guarantee a profit or protect against loss in a declining market.

# Diversification example

Stock D outperforming the rest

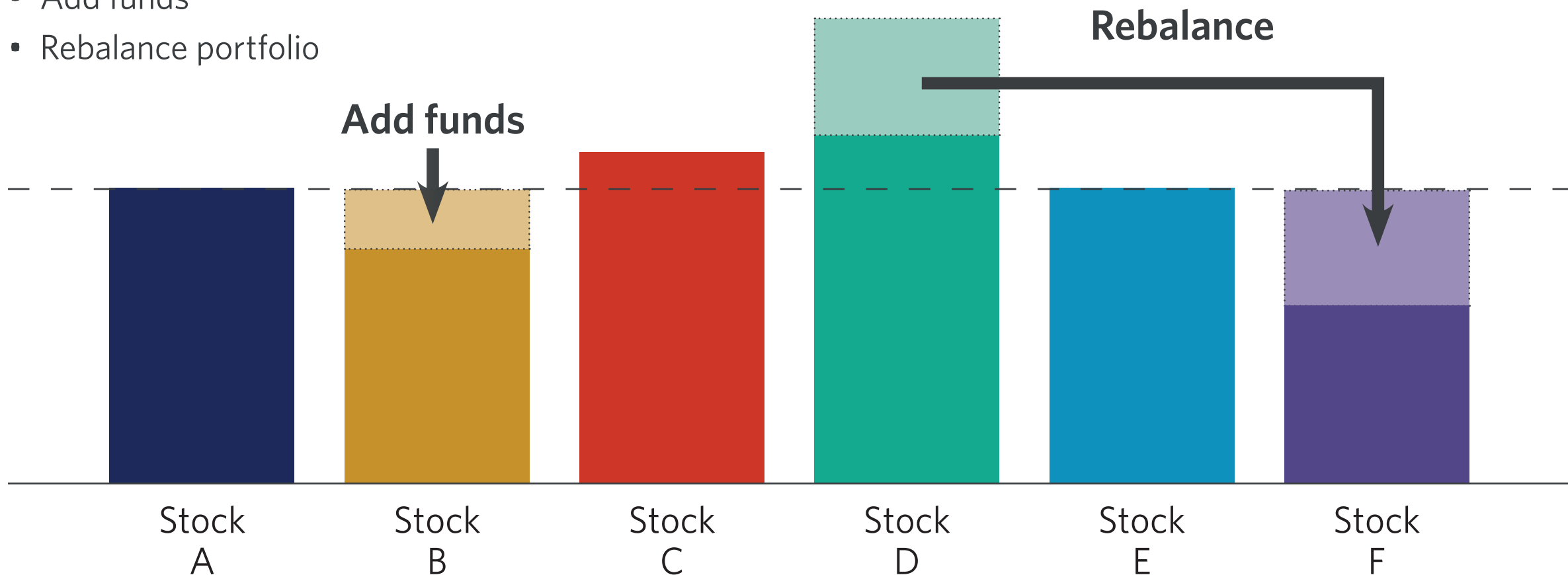


Diversification does not guarantee a profit or protect against loss in a declining market.

# Diversification example

## Solutions





- Add funds
- Rebalance portfolio



Diversification does not guarantee a profit or protect against loss in a declining market.



# Rising income: Combating inflation

				
	Car	Tank of gas (18 gallons)	Month of groceries	Annual health care expenses
1994	\$17,500	\$18	\$351	\$2,376
2019	\$24,100	\$38	\$612	\$7,515
2044 (est.)	\$33,189	\$85	\$1,067	\$23,769

The inflation rate used to calculate 2044 prices is based on historical inflation rates from 1994-2019: Car = 1.3%; Gas = 3.2%; Groceries = 2.2%; Health care = 4.7%. Car: MSRP for automatic transmission Toyota Camry; Gas: National average for unleaded regular gasoline; Groceries: Family of two with moderate cost plan. Healthcare: 2017 data. Median household expenditure for married couple from Consumer Expenditure Survey.

Sources: Bureau of Labor Statistics; U.S. Department of Agriculture; AutoTrader.com.



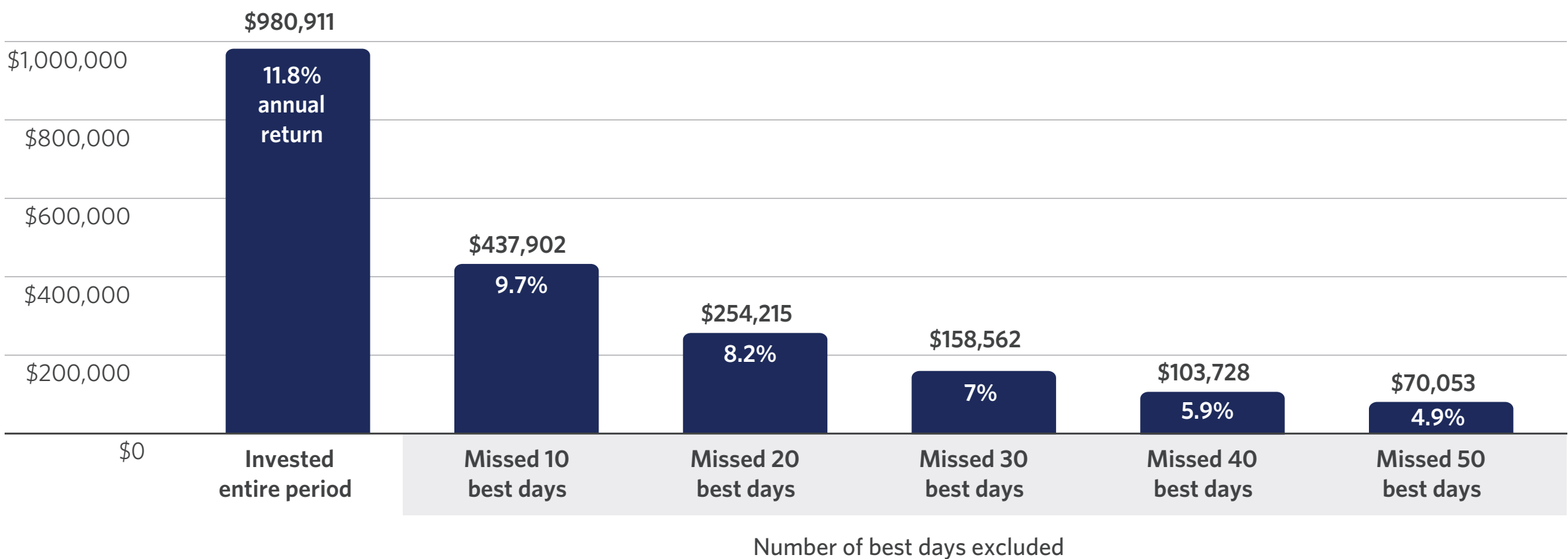


## Long-term perspective



# Time in the market is better than timing the market

Missing the best days — Value of \$10,000 investment in the S&P 500 in 1980



Sources: FactSet and Edward Jones calculations. 1/1/1980-12/31/2021. These calculations assume the best days, as defined as the top percentage gains for the S&P 500 for the time period designated, would not be included in the return. Total return includes reinvested dividends. These calculations do not include any commissions or transaction fees that an investor may have incurred. If these fees were included, it would have a negative impact on the return. The S&P 500 is an unmanaged index and is not available for direct investment. Past performance does not guarantee future results. Dividends can be increased, decreased or eliminated at any point without notice. This is not meant to depict a real investment.

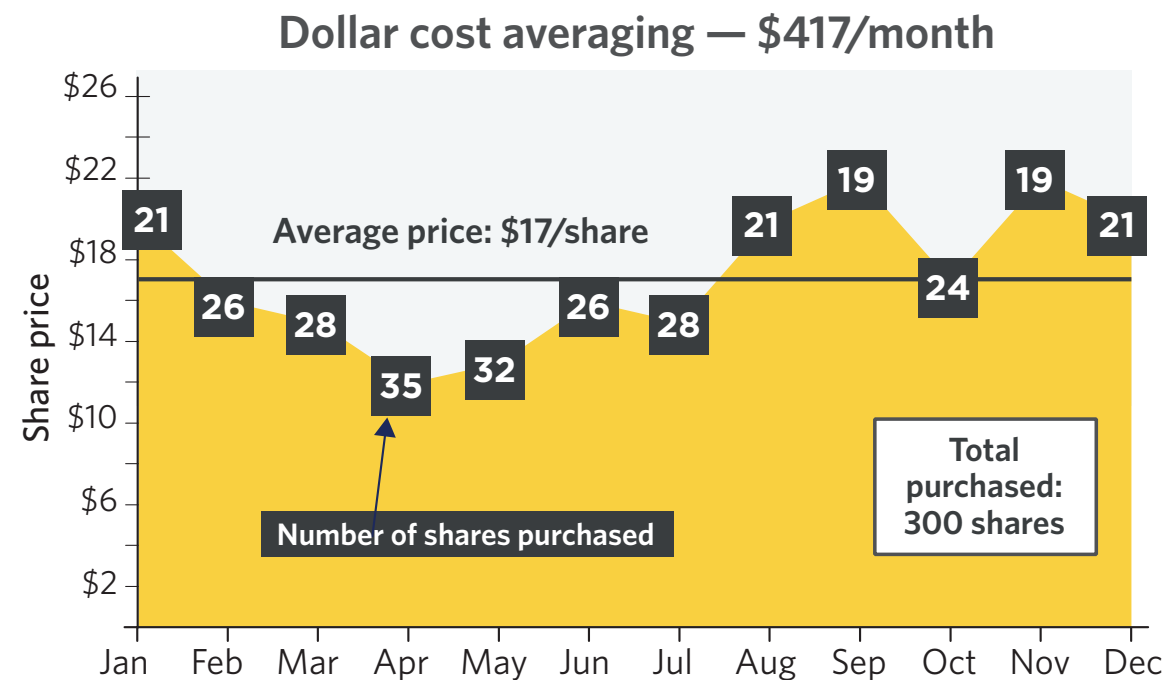
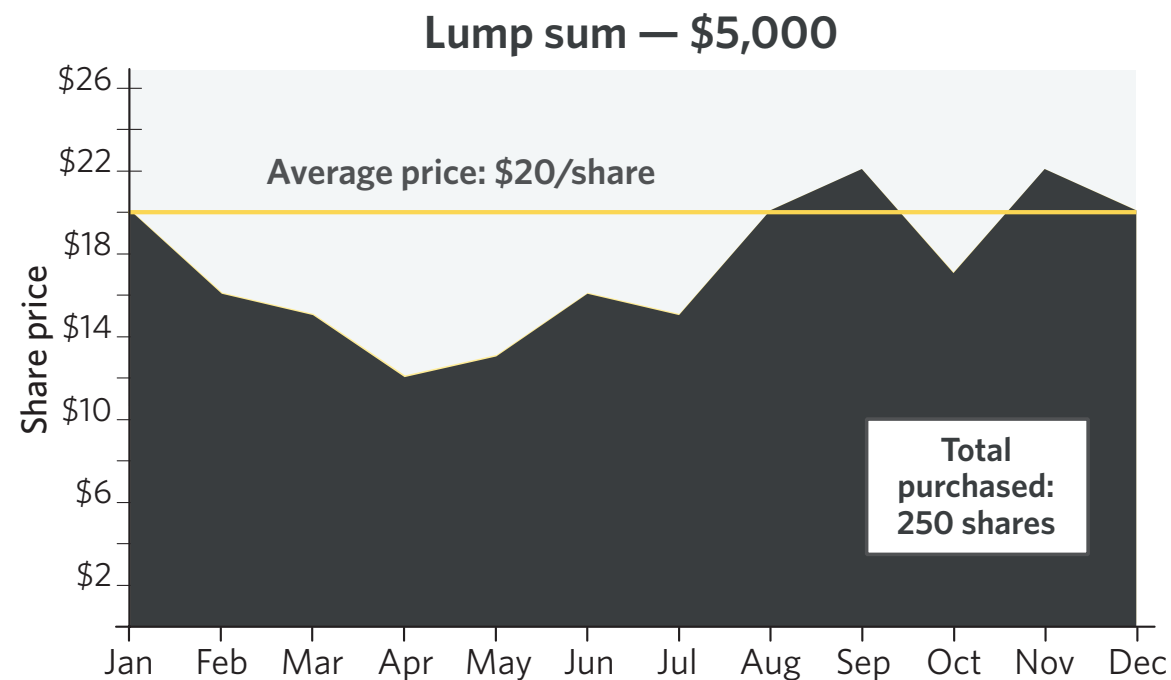
# Disciplined approach

- 5-step process
- Systematic investing



# Systematic investing/dollar cost averaging

## Systematically investing versus lump-sum investment



Source: Edward Jones. These charts are for illustrative purposes only and are not intended to represent the performance of any security. These illustrations do not include commissions or fees. Past performance does not guarantee future results.

Equity investments will fluctuate in value and, when sold, may be worth more or less than the original investment.

Systematic investing does not guarantee a profit or protect against loss in a declining market. Such a strategy involves continual investment in securities regardless of fluctuating price levels of such securities. You should consider your financial ability to continue the purchases through periods of low price levels.



# Other ways to own stock

- Mutual funds
- ETFs



# Passive versus active: Benefits and trade-offs

Consideration	Lean passive	Lean active
Performance objectives	Want to match the returns of the market	Want to try to outperform the market
Sensitivity to costs	Focused on minimizing costs of investment products	Willingness to pay a relatively higher cost to pursue a higher return
Tax situation	Taxable accounts	Tax-deferred accounts

# Recap

## Stock basics

## How to make money with stocks

- Dividends
- Capital appreciation

## Principles of stock investing

- Quality
- Diversification
- Long-term perspective

# Any questions?

