



Why Avoiding Big Losses Matters

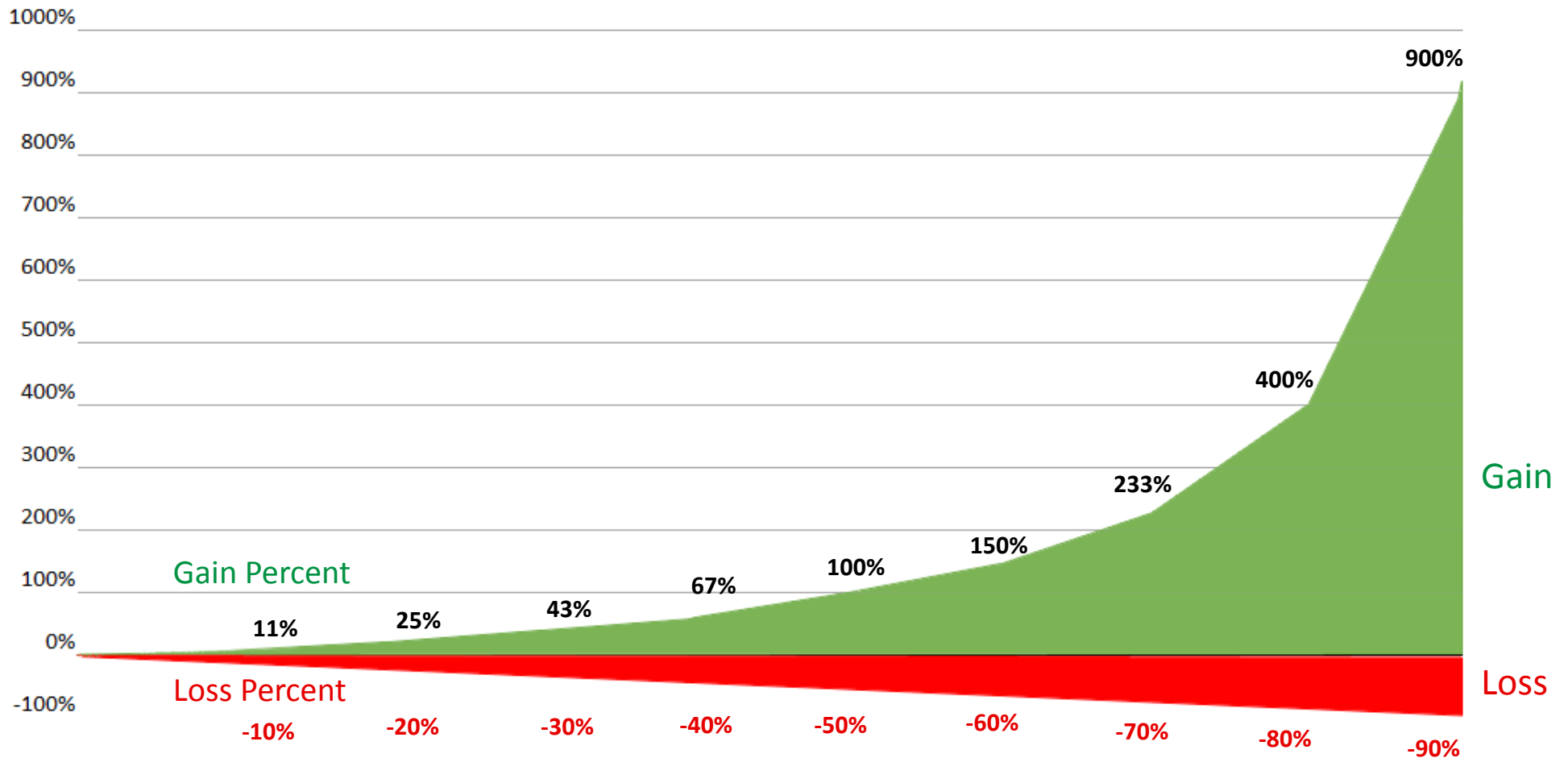
The Math Behind Investment Returns

Math Matters Series



The Math Behind Investment Losses

Gains Needed to Recover from Losses



Wealth Accumulation Phase

Primary Objective: Grow the Account

Goals: retirement, children's education, care for parents, etc.

Many believe seeking big returns is the best way to achieve big goals.

Big returns often come with big risks.

Am I better off forgoing some big gains in order to avoid big losses?



Avoiding Big Losses Matters in Wealth Accumulation Phase

	Option A			Option B					
	Years	Return	Account Balance		Return	Account Balance			
Option A big gains and big losses.			\$ 1,000,000			\$ 1,000,000	Option B smaller gains and smaller losses.		
	1	19%	\$ 1,190,000		9%	\$ 1,090,000			
	2	9%	\$ 1,297,100		4%	\$ 1,133,600			
	3	-16%	\$ 1,089,564		-3%	\$ 1,099,592			
	4	23%	\$ 1,340,164		11%	\$ 1,220,547			
	5	13%	\$ 1,514,385		6%	\$ 1,293,780			
	6	15%	\$ 1,741,543		7%	\$ 1,384,345			
	7	19%	\$ 2,072,436		10%	\$ 1,522,779			
	8	-17%	\$ 1,720,122		-3%	\$ 1,477,096			
	9	-37%	\$ 1,083,677		-5%	\$ 1,403,241			
	10	13%	\$ 1,224,555		5%	\$ 1,473,403			
	11	19%	\$ 1,457,220		9%	\$ 1,606,009			
	12	9%	\$ 1,588,370		4%	\$ 1,670,250			
	13	-16%	\$ 1,334,231		-3%	\$ 1,620,142			
	14	23%	\$ 1,641,104		11%	\$ 1,798,358			
	15	13%	\$ 1,854,447		6%	\$ 1,906,259			
	16	15%	\$ 2,132,614		7%	\$ 2,039,697			
	<i>Sum of Returns are the same: 82%</i>	17	19%	\$ 2,537,811		10%		\$ 2,243,667	<i>The final account balances are different.</i>
		18	-17%	\$ 2,106,383		-3%		\$ 2,176,357	
19		-37%	\$ 1,327,021		-5%	\$ 2,067,539			
20		13%	\$ 1,499,534		5%	\$ 2,170,916			
		82%			82%				



Withdrawal Phase

Primary Objective: Sustain the Account

For those near or in retirement, the goal broadens beyond growth to include ensuring the money lasts through retirement. (20-30+ years)

Avoiding big losses now becomes critical.

Don't run out of money.

How does forgoing some big gains in order to avoid big losses help later in life?



Avoiding Big Losses REALLY Matters in Withdrawal Phase

Option A

Account Change

Option B

Account Change

Years	Return	\$ 1,000,000	Withdrawal	Balance	Return	\$ 1,000,000	Withdrawal	Balance
1	19%	\$ 1,190,000	(\$40,000)	\$ 1,150,000	9%	\$ 1,090,000	(\$40,000)	\$ 1,050,000
2	9%	\$ 1,253,500	(\$40,800)	\$ 1,212,700	4%	\$ 1,092,000	(\$40,800)	\$ 1,051,200
3	-16%	\$ 1,018,668	(\$41,616)	\$ 977,052	-3%	\$ 1,019,664	(\$41,616)	\$ 978,048
4	23%	\$ 1,201,774	(\$42,448)	\$ 1,159,326	11%	\$ 1,085,633	(\$42,448)	\$ 1,043,185
5	13%	\$ 1,310,038	(\$43,297)	\$ 1,266,741	6%	\$ 1,105,776	(\$43,297)	\$ 1,062,479
6	15%	\$ 1,456,752	(\$44,163)	\$ 1,412,589	7%	\$ 1,136,852	(\$44,163)	\$ 1,092,689
7	19%	\$ 1,680,980	(\$45,046)	\$ 1,635,934	10%	\$ 1,201,958	(\$45,046)	\$ 1,156,911
8	-17%	\$ 1,357,825	(\$45,947)	\$ 1,311,878	-3%	\$ 1,122,204	(\$45,947)	\$ 1,076,257
9	-37%	\$ 826,483	(\$46,866)	\$ 779,617	-5%	\$ 1,022,444	(\$46,866)	\$ 975,577
10	13%	\$ 880,967	(\$47,804)	\$ 833,163	5%	\$ 1,024,356	(\$47,804)	\$ 976,553
11	19%	\$ 991,464	(\$48,760)	\$ 942,704	9%	\$ 1,064,442	(\$48,760)	\$ 1,015,683
12	9%	\$ 1,027,548	(\$49,735)	\$ 977,813	4%	\$ 1,056,310	(\$49,735)	\$ 1,006,575
13	-16%	\$ 821,363	(\$50,730)	\$ 770,633	-3%	\$ 976,378	(\$50,730)	\$ 925,648
14	23%	\$ 947,879	(\$51,744)	\$ 896,134	11%	\$ 1,027,469	(\$51,744)	\$ 975,725
15	13%	\$ 1,012,632	(\$52,779)	\$ 959,853	6%	\$ 1,034,269	(\$52,779)	\$ 981,489
16	15%	\$ 1,103,830	(\$53,835)	\$ 1,049,996	7%	\$ 1,050,194	(\$53,835)	\$ 996,359
17	19%	\$ 1,249,495	(\$54,911)	\$ 1,194,583	10%	\$ 1,095,995	(\$54,911)	\$ 1,041,083
18	-17%	\$ 991,504	(\$56,010)	\$ 935,495	-3%	\$ 1,009,851	(\$56,010)	\$ 953,841
19	-37%	\$ 589,362	(\$57,130)	\$ 532,232	-5%	\$ 906,149	(\$57,130)	\$ 849,019
20	13%	\$ 601,422	(\$58,272)	\$ 543,149	5%	\$ 891,470	(\$58,272)	\$ 833,198
	82%		(\$971,895)		82%		(\$971,895)	

Assumes: one-time, annual withdrawal of \$40,000, adjusted 2% per year for inflation.



“By actively seeking to not lose big, we believe that investors will be better off in the long run.”

- Randy Swan, CEO and Lead Portfolio Manager



Celebrating **20** *years*
1997 - 2017
Swan Defined Risk Strategy



swanglobalinvestments.com



Swan Global Investments, LLC. is a SEC registered Investment Advisor that specializes in managing money using the proprietary Defined Risk Strategy (DRS). Please note that registration of the Advisor does not imply a certain level of skill or training. Further information may be obtained by contacting the company directly at 970-382-8901 or www.swanglobalinvestments.com. Swan Global Investments, LLC, Swan Global Management, LLC, and Swan Capital Management, LLC are affiliated entities. Sources: Swan Global Investments, Zephyr StyleADVISOR, and Morningstar; all information is provided "as is" without warranty of any kind. Swan assumes no responsibility for typographical errors, inaccuracies or other errors which may occur.

This presentation is for information purposes only and does not constitute any investment advice or tax advice.

The charts and graphs contained herein should not serve as the sole determining factor for making investment decisions. To the extent that you have any questions regarding the applicability of any specific issue presented or discussed, you are encouraged to consult with Swan Global Investments. All information, including that used to compile charts, is obtained from sources believed to be reliable, but Swan Global Investments does not guarantee its reliability. The example does not represent an actual trade or investment. There is no guarantee that such hypothetical investments would have been, or will be, profitable for, or executed by, Swan.

131-SGI-040418

