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Investing On A Global Scale

Key Aspects – Risk vs. Reward

A. Risks

- 1. Loss of Principal – Prevailing fear, Great Depression based.**
- 2. Loss of Purchasing Power – Inflation, hidden danger**
 - a. U.S.A. historic 3% (220 years)**
 - b. U.S.A. last forty years 4%**
 - c. Sr. Citizens 5% due to health care expenses**
- 3. Loss of Income**
- 4. Liquidity**
- 5. Tax Risks and Rewards**
- 6. Emotional Risk, “Sleep Test”**

B. Rewards

- 1. Historic Yields**
 - a. Equities 10%+ NYSE 12-14% Growth stocks**
 - b. Fixed Income Long term U.S. Govt. bonds 6%**
 - c. Fixed Income Long term municipals 5%**
 - d. Fixed Income Short term U.S. Govt. 3%, munis 2.5%**

.C. Protection Techniques

- 1. Diversification**
 - a. Asset Class**
 - b. Asset Allocation**
 - c. Worldwide markets**
 - d. Fixed Income “ladders”**
 - e. Inefficient markets**
 - f. Five to Ten year “time horizons”**
- 2. Sale of options and derivatives**
- 3. Value Investing – Best performance of all techniques.**
- 4. Contrarian Investing**
- 5. Hire professional investment managers**
 - a. Mutual Funds**
 - b. Personal Portfolios – Registered Investment Advisors**

WORLD WIDE INVESTING

A. Theory – All markets do not move in tandem.

- 1. Economics**
- 2. Investor perceptions**
- 3. Political Upheaval**
- 4. Natural Resources**
- 5. Evolution of “third world countries”**
- 6. Technology**

B. Risks

- 1. Knowledge**
- 2. Politics**
- 3. Economics – interrelated economies**
- 4. Smaller Markets & Liquidity**
- 5. Regulation**
- 6. Accounting Differences**
- 7. Volatility – psychology of markets**
- 8. Government Restrictions**

C. Rewards

- 1. Smaller Economies – larger percentage gains (and risks)**
- 2. Higher technology impacts**
- 3. Cheaper relative prices**
- 4. Undiscovered opportunities**
- 5. Lower Beta (relative volatility) possible**
- 6. Political and Economic Changes**
- 7. Higher dividend and interest yields**
- 8. Greater diversification opportunities**

D. Worldwide Markets

- 1. Professional management recommended**
- 2. Illiquid markets**
- 3. Higher growth potential**
- 4. Infrastructure limitations/opportunities**
- 5. Percentage of portfolio abroad (25-40%)**

E. Rapid Changes

- 1. Two-thirds of humans are in third world countries**
- 2. Technology drives the speed of change**
- 3. Birth control**
- 4. Discretionary Income – where will it be spent first?**

