



CHICAGO PARTNERS | WEALTH
ADVISORS

Young Investors Series

Investing in Your Future:

Building a Foundational Portfolio





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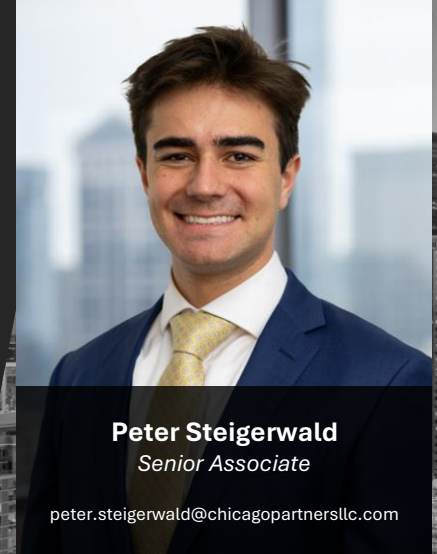
Meet the Team

Today's Speakers:



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Tim Pennino, CFA
Senior Wealth Advisor



What is Chicago Partners?



Peter Steigerwald
Senior Associate

A **Registered Investment Advisor (RIA)**
headquartered in downtown Chicago

Also known as a “**private wealth manager**” for high-net-worth individuals and families

A **fiduciary** advisor, or an advisor always acting in the best interest of the client

Builds financial plans, makes investment recommendations, and provides account oversight

Works with over 2,200 clients and \$5.5 billion in assets under management



Today's Agenda



Peter Steigerwald
Senior Associate

Part I

Optimizing Investment Placement

Part II

Asset Classes

Part III

Portfolio Strategies



Part I

Optimizing Investment Placement

Understanding the Importance of Asset Location



Tim Pennino, CFA
Senior Wealth Advisor





The Account:

Traditional Retirement Accounts

Definition: A tax-advantaged savings vehicle that allows individuals to make pre-tax contributions, which grow tax-deferred until withdrawals are made in retirement, at which point they are taxed as ordinary income.

Examples:

- Traditional 401(k)
- Traditional IRA



Tim Pennino, CFA
Senior Wealth Advisor



The Investment:

Income-Producing Assets



Tim Pennino, CFA
Senior Wealth Advisor

Assets that produce income are ideal for traditional retirement accounts.

Definition: An asset that generate regular income, typically through dividends or interest payments. Can also be referred to as “fixed income” securities.



Tax-Deferred Growth

- Income generated is not taxed in the year it is earned
- Taxes are deferred until you withdraw the money in retirement.



Maximized Compounding

- No tax drag on dividends or interest
- The reinvestment of that income can lead to compounded growth over a long period of time



The Investment:

Target Date Funds



Tim Pennino, CFA
Senior Wealth Advisor

Target date funds are often found in traditional retirement accounts.

Definition: A type of mutual fund or exchange-traded fund (ETF) designed to help investors save for retirement or other future goals. These funds are structured to automatically adjust their asset allocation (the mix of stocks, bonds, and other investments) over time, becoming more conservative as the target date approaches.



“Set It and Forget It”

- Automatically adjust their asset allocation over time, allowing investors to focus on their long-term goals without needing to actively manage their portfolio.



Allocation Aligned With Retirement Goals

- Depending on your investment time horizon (or target retirement date), these funds can provide proper diversification, balance, and risk mitigation

Examples: Target Retirement 2065, etc. (American Funds and Vanguard, etc.)



The Account:

Roth Retirement Accounts



Peter Steigerwald
Senior Associate

Definition: A tax-advantaged savings vehicle that allows individuals to make after-tax contributions, enabling tax-free growth and tax-free withdrawals of both contributions and earnings in retirement, provided certain conditions are met. Roth accounts can be beneficial for young investors who are now in a lower income tax bracket than they will likely be in the future.

Examples:

- Roth 401(k)
- Roth IRA



The Investment:

Long-Term Growth Assets



Peter Steigerwald
Senior Associate

Long-term growth assets are ideal for Roth accounts.

Definition: An asset, typically an equity, that is expected to increase in value over an extended period. Investors in long-term growth securities usually focus on capital appreciation rather than immediate income.



Tax-Free Growth

- All earnings within a Roth account **grow tax-free**
- Never pay capital gains tax or income tax on assets in a Roth account (because you've already paid the tax up front).



No Required Minimum Distributions (RMDs)

- You can hold growth assets in a Roth account as long as you want, giving them more time to appreciate



The Account:

Taxable Brokerage Accounts



Tim Pennino, CFA
Senior Wealth Advisor



Definition: An investment account that allows individuals to buy and sell a variety of securities without tax advantages, with any earnings subject to capital gains and income taxes in the year they are realized.

Examples:

- Individual Account
- Joint Account
- Trust



The Investment:

Depends on Your Goals



Tim Pennino, CFA
Senior Wealth Advisor

Asset Breakdown Depends on Your Unique Objective

The ideal allocation for a taxable brokerage account depends on the investor's objectives for the funds in the account. Long-term investors may favor growth assets, while short-term investors may favor safer, lower-risk assets to preserve capital.



Time Horizon

- Are these funds likely going to be used in the short-term?
(For example: a down payment on a house)



Tax Implications

- When we do need to access these funds, be wary of the taxes to be paid on realized capital gains.



Part II

Asset Classes

Key Components of a Diversified Portfolio



Peter Steigerwald

Senior Associate





Key Asset Classes



Peter Steigerwald
Senior Associate



U.S. Equity

Represents ownership in a U.S. company, potential for capital appreciation and dividends

- Large Cap
- Mid Cap
- Small Cap
- Micro Cap



Non-U.S. Equity

Represents ownership in a Non-U.S. company, potential for capital appreciation and dividends

- International
- Emerging



Fixed Income

Debt securities, provide regular interest payments and return of principal at maturity

- Bonds
- Treasuries

Growth Assets

Income-Producing
Assets



U.S. Equity: Large Cap



Peter Steigerwald
Senior Associate



Market Cap: Large-cap companies typically have a market capitalization of over \$10 billion.



Risk: Generally considered lower risk due to their established market presence, stable earnings, and ability to withstand economic downturns.



Examples: Apple (AAPL), Microsoft (MSFT), Amazon (AMZN), Google (GOOGL)



U.S. Equity: Mid Cap



Peter Steigerwald
Senior Associate



Market Cap: Mid-cap companies typically have a market capitalization between \$2 billion and \$10 billion.



Risk: Mid-cap stocks often carry moderate risk; they can offer higher growth potential than large caps but may be more volatile and sensitive to economic fluctuations.



Examples: Etsy (ETSY), Five Below (FIVE), Skechers (SKX)

U.S. Equity: Small Cap



Peter Steigerwald
Senior Associate



Market Cap: Small-cap companies typically have a market capitalization between \$300 million and \$2 billion.



Risk: Small-cap stocks often carry higher risk due to their potential for volatility and less established business models, but they can also offer significant growth opportunities.



Examples: Krispy Kreme (DNUT), Topgolf Callaway Brands Corp (MODG)



U.S. Equity: Micro Cap



Peter Steigerwald
Senior Associate



Market Cap: Micro-cap stocks have market capitalizations between \$50 million and \$300 million.



Risk: They are highly volatile, often face liquidity issues, and have limited research coverage, making them riskier investments.



Examples: Emerging technology, healthcare, and consumer goods companies



Non-U.S. Equity: International Markets



Tim Pennino, CFA
Senior Wealth Advisor



Risk: International equities can involve risks such as currency fluctuations, political instability, economic downturns, regulatory differences, and overall higher volatility.



Examples: Toyota (Japan), Unilever (UK),
Shopify (Canada)



Non-U.S. Equity: Emerging Markets



Tim Pennino, CFA
Senior Wealth Advisor



Risk: Investing in emerging markets can have the same risks as investing in international markets, but with more heightened volatility.



Examples: Companies based in countries that are transitioning to be developed such as Brazil, India, or Taiwan



Fixed Income



Tim Pennino, CFA
Senior Wealth Advisor



Risk: Fixed income investments are considered low-risk but are still affected by interest rates and inflation.



Examples: Government bonds (such as U.S. Treasuries), corporate bonds, municipal bonds



Cash



Tim Pennino, CFA
Senior Wealth Advisor



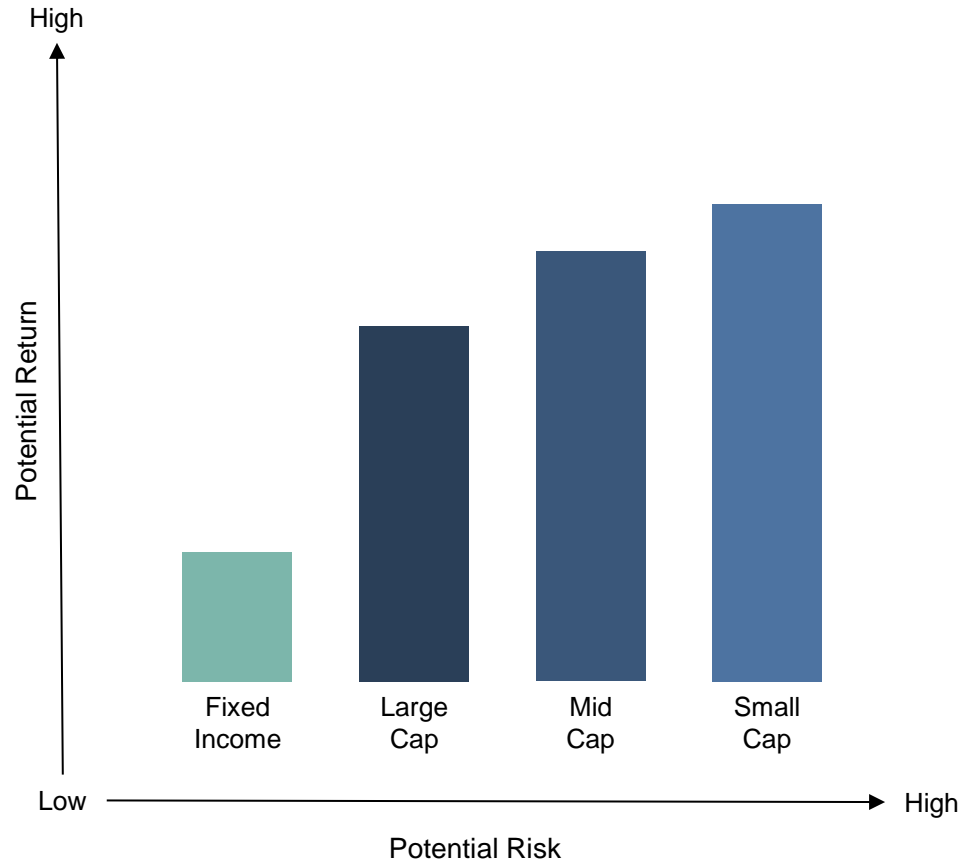
Risk: Cash carries the risk of inflation eroding purchasing power, potentially resulting in lower returns compared to other investment options.



Examples: Savings account, checking account



Risk/Return Profiles of Asset Classes



Note: For illustrative purposes only.



Tim Pennino, CFA
Senior Wealth Advisor



Understanding Your Personal Risk Profile



Tim Pennino, CFA
Senior Wealth Advisor



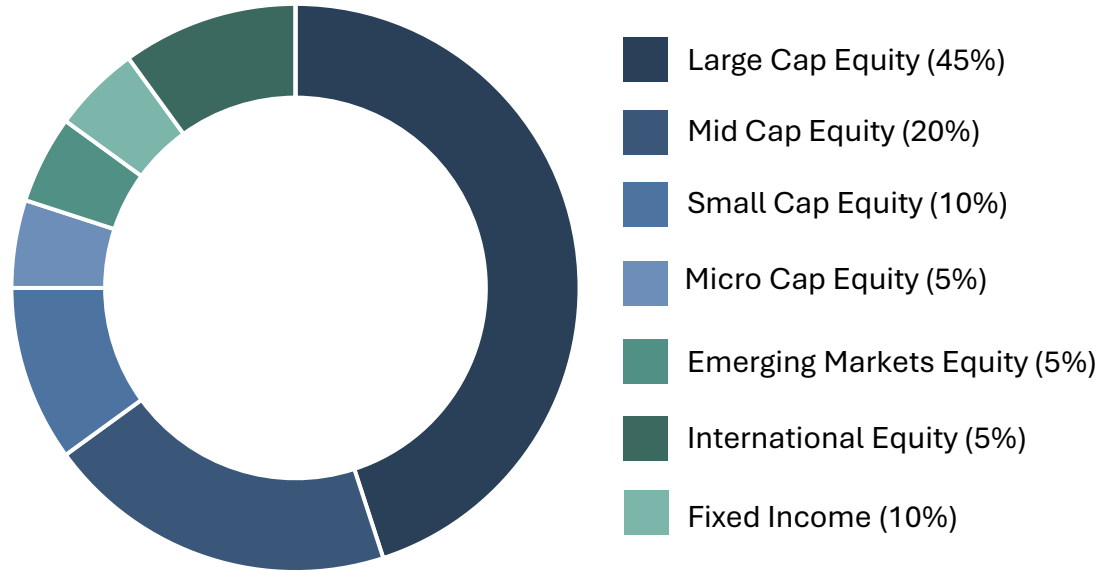
The key to successful investing is managing risk.

- Understand your **ability** and your **willingness** to accept risk.
- Some risk is necessary for investment returns.
- Lower risk can often lead to lower returns.



An Example Portfolio

A well-diversified portfolio.



A good way to achieve strong diversification among these asset classes is to purchase index ETFs or mutual funds.



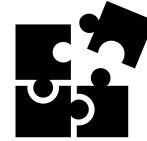
Peter Steigerwald
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Asset Classes as Diversification Tools



Peter Steigerwald
Senior Associate



One size does not fit all.

- Diversification is important.
- Different asset classes should have different weights in your portfolio.
- Important to tailor to your unique financial situation.



Part III

Investment Strategies

Designing Your Portfolio



Tim Pennino, CFA
Senior Wealth Advisor





Offensive Investment Strategies



Tim Pennino, CFA
Senior Wealth Advisor



Retirement Account Growth: Max out your retirement account contributions each year.



Consistent Contributions: Remain disciplined and stick to a consistent plan, contributing regularly to your investment accounts.



Allocation Toward Equities: With a longer time horizon, your portfolio can withstand market volatility, so investing in equities can pay off over the long term.



You may be using an offensive strategy if...



Tim Pennino, CFA
Senior Wealth Advisor





Defensive Investment Strategies



Peter Steigerwald
Senior Associate



Time Horizons & Sustainable Growth: Clearly define your investment objectives/risk tolerance and build your portfolio accordingly.



Protecting Assets for Near-Term Use: If you plan to take out money from your investment accounts soon, it is important to shield your assets from volatility.



Allocation Toward Fixed Income: Lower risk, income-producing assets can be a key part of defensive investment strategies.



You may be using a defensive strategy if...



Peter Steigerwald
Senior Associate





Actionable Steps

Determine which accounts you already own, and which you want to open.

Decide how much you want to contribute to your account, and how often.

Discover your risk profile and develop a long-term plan.

Know the investment options available to you. Diversification is your friend!



Peter Steigerwald
Senior Associate



Q&A

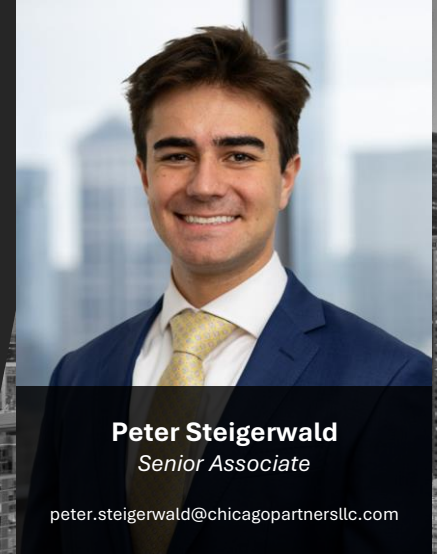
Thanks for attending!

Stay tuned for our next installment!



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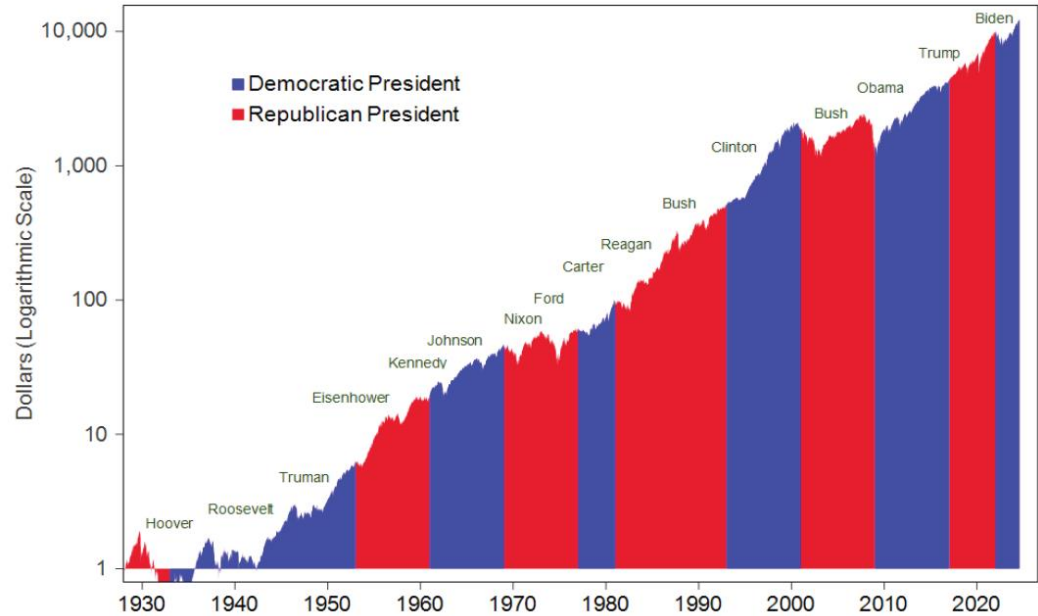
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Will the Election Impact My Portfolio?

Growth of a Dollar Invested in the S&P 500
January 4, 1928 – July 31, 2024

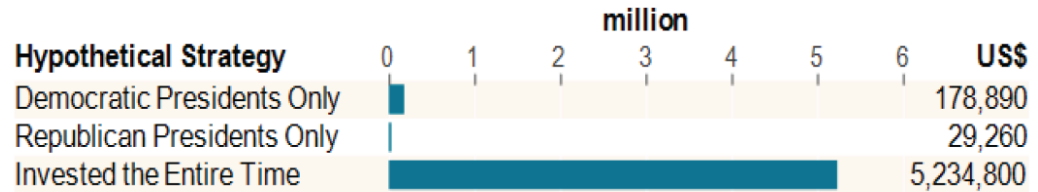


Sources: GW&K Investment Management, Standard & Poors, and Macrobond



Will the Election Impact My Portfolio?

Returns Since Truman's Inauguration (1945):
\$1,000 Invested in the S&P 500



Note: Hypothetical returns of holding the S&P 500 Index and reinvesting dividends during administrations of a preferred party, or switching to cash otherwise.

Sources: GW&K Investment Management, Bloomberg, and Macrobond



Q&A

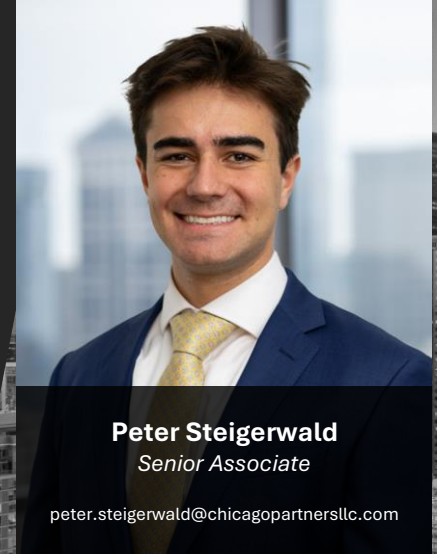
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