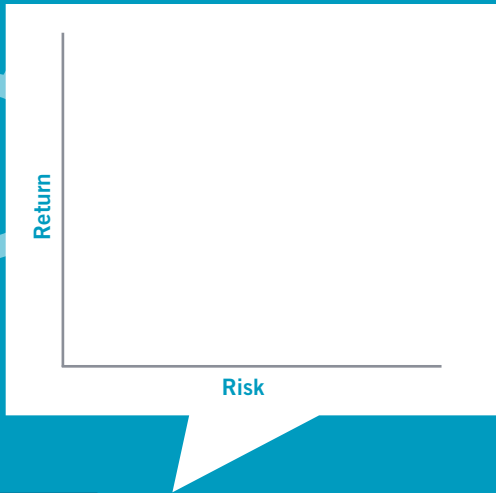
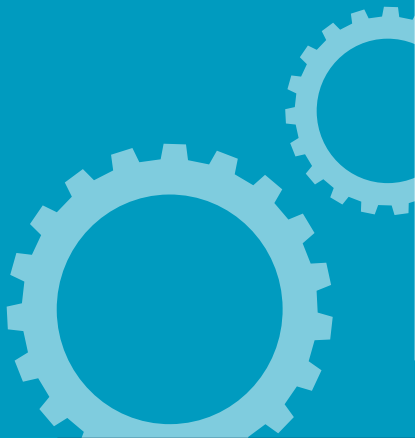


# RISK PERCEPTIONS



Draw a line between risk and return.



But More Risk  $\neq$   
More Return

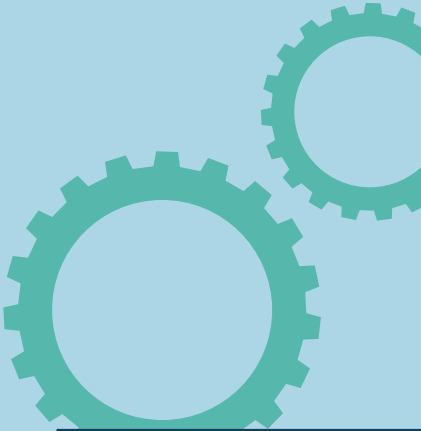
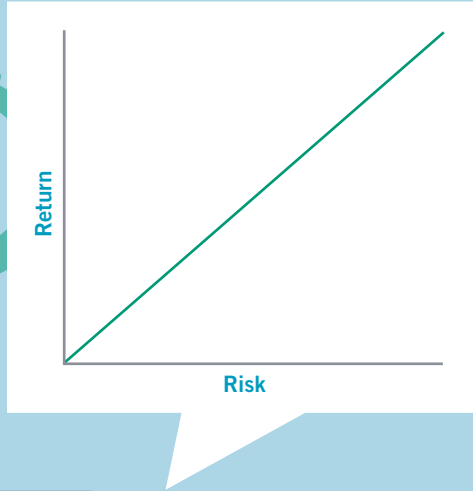


Think About  
Potential Outcomes



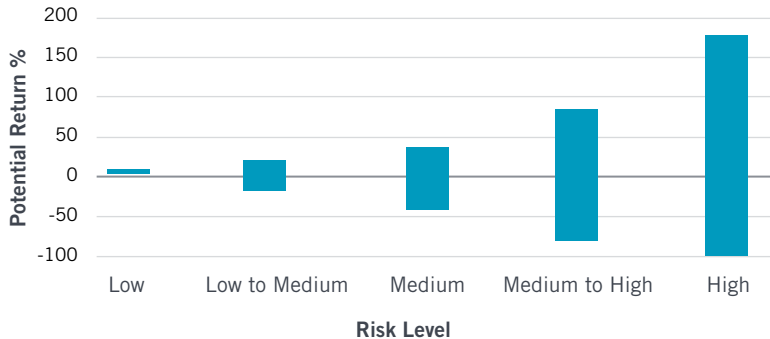
A Range of Possibilities

# PERCEPTION OF RISK & RETURN



# REALITY OF RISK & RETURN

More Risk Doesn't Necessarily Mean More Return



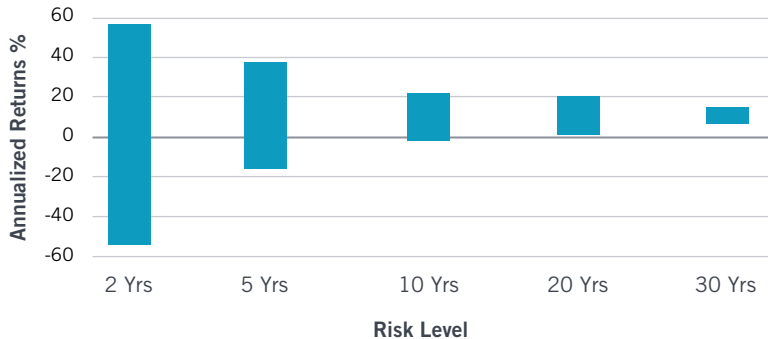
- Risk/Return Relationship Not Linear; Outcomes May Vary
- Think of Risk as Potential to Lose Money Over the Long Term
- High Risk May Bring High Returns or Big Losses

**SIMPLE  
MISPERCEPTION  
EMOTIONAL**



# RISK TENDS TO DIMINISH OVER TIME

Range of Total Returns for U.S. Stocks Over Various Rolling Periods (1926 – 2015)



- Short-Term Stock Returns Were “Risky”
- Potential for Losing Money in Stocks **Decreased** with Time
- Stocks Became Less “Risky” Over the Long Term



NUANCED  
THOUGHTFUL  
RATIONAL



## REALITY OF RISK & RETURN

Source: Inspired by Marks, Howard. *The Most Important Thing: Uncommon Sense for the Thoughtful Investor*. New York: Columbia University Press. 2011. Hypothetical illustration. Does not represent the performance of any specific investment. Actual results will vary.

## RISK TENDS TO DIMINISH OVER TIME

Source: S&P Dow Jones Indices, as of 12/31/15. U.S. stocks represented by the S&P 500 Index. The launch date of the S&P 500 Index was March 4, 1957. All information prior to the index launch date is back-tested. Back-tested performance is hypothetical and not actual performance. The back-test calculations are based on the same methodology in effect when the index was officially launched. Returns include dividends but do not reflect effects of taxes or fees. Rolling periods represent a series of overlapping, smaller time periods within a single, longer-term time period. For example, over a 20-year period, there is one 20-year rolling period, eleven 10-year rolling periods, sixteen 5-year rolling periods, and so forth. Past performance is not a guarantee of future results. One cannot invest directly in an index.

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