FINANCIAL
LEGACY
BUILDERS

STEP #9
Investments

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PASSIVE vs. TACTICAL INVESTING

Two different approaches. One goal: better outcomes for your future.

PASSIVE INVESTING

STAY INVESTED. FOLLOW THE MARKET.

WHAT IT IS
A buy-and-hold approach that seeks to match market returns over the long term.

HOW IT WORKS
Invest broadly in index funds or ETFs and stay invested through all market cycles.

GOAL
Capture the long-term growth of the overall market at a low cost.

KEY BENEFITS
- Low costs and fees
- Simplicity and ease
- Tax efficiency
- Works well for long-term wealth building

VS.

TACTICAL INVESTING

BE FLEXIBLE. TAKE ADVANTAGE OF OPPORTUNITY.

WHAT IT IS
An active approach that adjusts investments based on market conditions and opportunities.

HOW IT WORKS
Actively shift between asset classes, sectors, or strategies to manage risk and seek higher returns.

GOAL
Outperform the market while managing downside risk in volatile conditions.

KEY BENEFITS
- Seeks higher returns than the market
- Manages risk by adjusting to market conditions
- Takes advantage of short-term opportunities
- Can reduce drawdowns in bear markets

KEY DIFFERENCES	PASSIVE INVESTING	TACTICAL INVESTING
Approach	Buy and hold	Actively manage and adjust
Market Outlook	Does not try to predict the market	Uses data and analysis to make informed decisions
Cost	Lower fees	Higher fees due to active management
Time Horizon	Best for long-term investors	Can be used for short, intermediate, or long term
Risk Management	Accepts market ups and downs	Seeks to limit downside and capture upside
Investor Role	Set it and forget it	More active and engaged

THE BOTTOM LINE

Passive investing builds wealth by staying the course. Tactical investing aims to improve results by being strategic and adaptive.

The best approach depends on your goals, risk tolerance, and market outlook.

OUTPERFORM BY MANAGING RISK, NOT JUST BEATING THE MARKET.

Tactical management reduces drawdowns, which compounds into higher returns over time.

THE POWER OF DRAWDOWN MANAGEMENT

Large market declines require even larger gains to recover.

By reducing drawdowns, tactical strategies can compound wealth more effectively over the long run.

DRAWDOWN vs. RECOVERY

DRAWDOWN	GAIN NEEDED TO BREAK EVEN
-10%	+11%
-20%	+25%
-30%	+43%
-40%	+67%
-50%	+100%

Lower drawdowns mean less ground to make up—and more wealth kept working for you.

GROWTH OF $100,000 OVER 20 YEARS (2004–2023)

HIGHER END VALUE	LOWER MAX DRAWDOWN	BETTER COMPOUNDING
+46% more wealth	**-35%** less risk	**more** growth kept

*Example based on a hypothetical tactical strategy that moves to lower risk during severe market declines.
Source: S&P 500 Total Return Data (2004–2023). Past performance is not indicative of future results.

WHY MITIGATING DOWNSIDE CAN OUTPERFORM OVER TIME

AVOID DEEP DRAWDOWNS

Tactical strategies aim to limit losses during market declines.

RECOVER FASTER

Smaller losses require less time and lower gains to recover.

COMPOUND MORE EFFECTIVELY

Less time making up losses means more time compounding gains.

STAY IN THE GAME

Managing risk helps investors stay invested and focused on long-term goals.

CONSISTENTLY PURSUE GROWTH

The goal isn't to avoid risk—it's to take the right risk at the right time.

It's not about beating the market every year.
It's about losing less so you can keep more.

Managing risk is the edge that drives real, long-term outperformance.

UNDERSTANDING WHAT REALLY MATTERS

CAGR, Drawdowns, and Volatility—explained simply.

CAGR (COMPOUND ANNUAL GROWTH RATE)

The average annual return of an investment over a specific period, assuming profits are reinvested.

HOW IT WORKS

CAGR smooths out ups and downs to show the average yearly growth rate.

EXAMPLE

If \$10,000 grows to \$26,870 in 20 years, the CAGR is 5%.

CAGR FORMULA

$$\$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)^{\frac{1}{n}} - 1$$

n = number of years

WHY IT MATTERS

It helps compare the long-term growth potential of different investments on an annualized basis.

DRAWDOWNS (MAXIMUM DRAWDOWN)

The largest peak-to-trough decline in an investment over a specific period.

HOW IT WORKS

Measures the biggest drop from a high point to a low point before a new high is reached.

WHY IT MATTERS

Large drawdowns can cause emotional stress and make it harder to stay invested. Smaller drawdowns help preserve capital and speed up recovery.

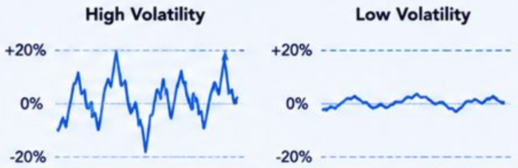
VOLATILITY (STANDARD DEVIATION)

A measure of how much an investment's returns fluctuate around its average return.

HOW IT WORKS

Calculates the degree of variation in returns. Higher volatility = larger swings. Lower volatility = more stable returns.

EXAMPLE



WHY IT MATTERS

Lower volatility often leads to a smoother experience and better long-term results by reducing the impact of extreme highs and lows.

THE BIG PICTURE

High returns mean less if they come with deep drawdowns and extreme volatility. The best outcomes come from growing consistently while protecting your capital.

WHAT TO FOCUS ON

Aim for strong, consistent CAGR with low drawdowns and low volatility. That's how wealth is built and kept.

BENCHMARK vs. ACTIVE PROPRIETARY STRATEGY

Better outcomes come from managing risk, not just chasing returns.

1. REGULAR BENCHMARK (PASSIVE)

Tracks the Market

WHAT IT IS
A market index (e.g., S&P 500) used as a standard for performance comparison.

HOW IT WORKS
Invests across the entire market and stays fully invested regardless of conditions.

FOCUS
Matches the market's return over the long term.

RESULT
Fully exposed to market volatility and large drawdowns.

KEY TAKEAWAY
You get the market return—but endure the full downside along the way.

GROWTH OF $100,000 OVER 20 YEARS (2004–2023)

11%	-55%	20.5%	Full
CAGR	Max Drawdown	Annualized Volatility	Market Exposure

2. ACTIVE PROPRIETARY STRATEGY

Actively Managed with Risk Controls

WHAT IT IS
Actively managed, proprietary strategies that adjust exposures to manage risk and capture opportunities.

HOW IT WORKS
Uses research, data, and proven risk management models to reduce downside and take advantage of uptrends.

FOCUS
Protect capital, reduce drawdowns, and compound wealth more efficiently.

RESULT
Lower drawdowns lead to more consistent compounding and greater long-term growth.

KEY TAKEAWAY
It's not about beating the market every year—it's about losing less so you keep more.

GROWTH OF $100,000 OVER 20 YEARS (2004–2023)

21%	-25%	10.2%	Managed
CAGR	Max Drawdown	Annualized Volatility	Risk Exposure

THE DIFFERENCE THAT MATTERS

LOWER DRAWDOWNS
Smaller losses during market declines protect your capital and your confidence.

FASTER RECOVERY
Less severe drawdowns mean less time and lower returns are needed to recover.

MORE EFFECTIVE COMPOUNDING
Staying invested with less volatility allows your money to compound more consistently.

FOCUS ON WHAT YOU CAN CONTROL
You can't control the market, but you can control risk. That's where long-term results are built.

BETTER OUTCOMES OVER TIME
The goal isn't to beat the market every year—it's to achieve a better result over the full market cycle.

THE EDGE ISN'T IN PREDICTING THE MARKET. IT'S IN MANAGING RISK SO YOU CAN KEEP MORE OF YOUR RETURNS.

History shows that managing downside risk is one of the most powerful drivers of long-term wealth. | Less risk. More consistency. Greater results.

A GREAT PORTFOLIO IS LIKE A PERFECT POT OF CHILI

The right ingredients. The right balance. Better results.

A WELL-BALANCED PORTFOLIO INCLUDES:

EQUITIES
Fuel long-term growth and outpace inflation.

CRYPTOCURRENCY
High-growth potential with low correlation to traditional assets.

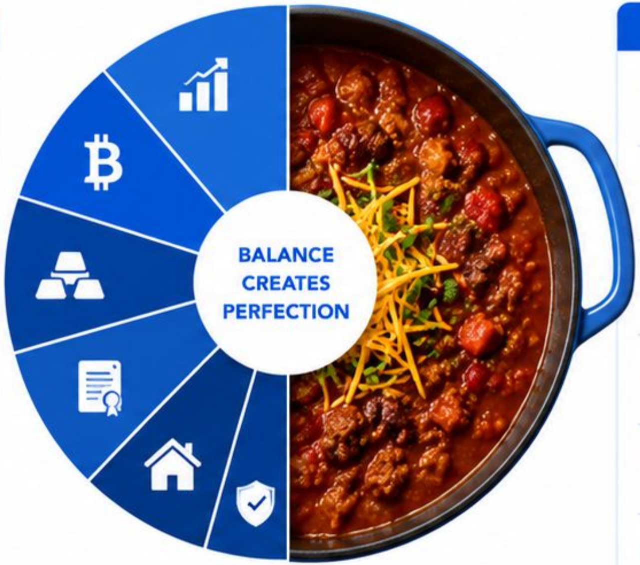
GOLD & SILVER
Store of value and protection during economic uncertainty.

BONDS
Provide stability, income, and help reduce volatility.

REAL ESTATE
Generates income and offers long-term appreciation.

ANNUITIES
Create guaranteed income and protect against longevity risk.

CASH & CASH ALTERNATIVES
Maintain liquidity and provide flexibility for opportunities.



KEY TAKEAWAY
Too much of one ingredient can ruin the pot.
The right balance of different ingredients creates something greater than the sum of its parts.

THE CHILI ANALOGY:

MEAT
The foundation that adds strength and substance.

BEANS
Add consistency, balance, and staying power.

TOMATOES
Bring structure and long-term growth to the mix.

SPICES
Enhance flavor and add the potential for higher returns.

ONIONS
Add depth and complexity that hold everything together.

SALT
A little goes a long way—helps everything work better.

OIL
Brings it all together for a smoother, better experience.

WHY IT WORKS
- Reduces risk
- Increases consistency
- Captures more opportunities
- Helps you stay invested
- Supports long-term success

Diversification isn't about owning everything—it's about owning **the right mix for your goals.**

A balanced portfolio, like a perfect pot of chili, is built with **intention, patience, and the right recipe.**

FIND THE RIGHT RECIPE. STAY COMMITTED.

The right mix, combined with discipline and time, creates lasting results.

THE CHILI METAPHOR

Every ingredient on its own has value.

But the right balance, combined with time and consistency, creates something exceptional.

Too much of one ingredient can ruin the pot.

The key is finding the right recipe—and staying committed to it.

THE RIGHT RECIPE FOR YOUR PORTFOLIO

- **DIVERSIFICATION** A balanced mix of asset classes.
- **RISK MANAGEMENT** Managing downside protects your future.
- **DISCIPLINE** Stay the course through all market cycles.
- **TIME** Give your strategy time to compound and grow.
- **REVIEW & ADJUST** Refine the recipe as needed, not react to noise.

The best results come from the right strategy, proper risk management, and the **patience** to **let it work.**

EXAMPLE: STAYING COMMITTED TO THE RIGHT RECIPE

Performance (08/31/2005 – 02/28/2026)

GVCM Tactical Bull 100	\$10,000 → \$500,324	Risk Score: 96
GVCM High-Octane Strategy	\$10,000 → \$316,629	Risk Score: 73
80/20 Stock (SPY) to Bond (AGG)	\$10,000 → \$62,881	Risk Score: 58

Growth of \$10,000 Over Time

Find the right recipe for your goals. Manage risk. Stay committed. Let time do the rest. | **DISCIPLINE TODAY. FREEDOM TOMORROW.**

Understanding Your Investment Risk

The key to a portfolio that helps you sleep well and reach your goals.

1 Risk Capacity

What you can afford to take.

Your financial ability to take risk based on your income, savings, time horizon, and financial obligations.

Example: A 30-year-old with a long time horizon has a higher capacity for risk than a 65-year-old who relies on retirement income.

2 Risk Tolerance

How much risk you are comfortable with.

Your emotional ability to handle market ups and downs without making impulsive decisions.

Example: Some people stay calm during 30% market declines, while others lose sleep at 10%.

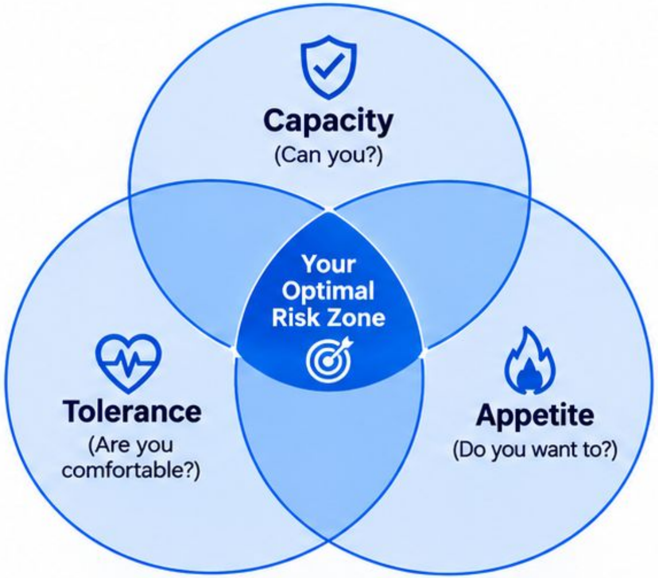
3 Risk Appetite

How much risk you want to take.

Your personal willingness to take risk to pursue greater returns and achieve specific goals and dreams.

Example: You may be willing to take more risk to retire early, fund a legacy, or grow wealth faster.

The Sweet Spot: Aligning All Three



The best investment strategy lives at the intersection of what you **can afford**, what you **can handle**, and what you **want**.

Why It Matters

When Risk Is...	What Happens	The Result
Too Low	You may feel safe, but returns may not keep up with inflation.	Buying power erodes over time.
Just Right	Risk aligns with your capacity, tolerance, and appetite.	Greater potential for long-term success.
Too High	You may take more risk than you can handle.	Emotional stress, poor decisions, and larger losses.
Poorly Matched	Strategy doesn't fit your personal profile.	Higher chance of staying off track.

Key Takeaways

- Risk is not one-size-fits-all.
- Understanding your capacity, tolerance, and appetite helps build a portfolio designed for **you**.
- The right balance helps you stay invested, reduce regret, and achieve your long-term financial goals.

Smart investing isn't about taking the most risk or the least risk.

It's about taking the right amount of risk for you.

Know your risk. Build a strategy. Create a stronger financial future.

UNDERSTAND YOU. MANAGE RISK. ACHIEVE YOUR GOALS.

Your unique position determines the right strategy for you.

THE 5 PILLARS OF A PERSONALIZED STRATEGY

1. YOUR UNIQUE POSITION

Your income, assets, liabilities, time horizon, and responsibilities create your starting point.

2. YOUR RISK PROFILE

Understanding your risk capacity, tolerance, and appetite helps determine how much risk is appropriate for you.

3. YOUR GOALS & PRIORITIES

Your goals, values, and what matters most in life drive every financial decision.

4. YOUR TIME HORIZON

The time you have until you need your money plays a critical role in strategy selection.

5. YOUR PLAN & STRATEGY

A customized plan aligns your position, risk, and goals with the right mix of investments and risk management.

WHY THIS MATTERS

There is no one-size-fits-all investment strategy.
The right strategy for you is the one that aligns with who you are, what you need, and what you want to achieve.

THE RESULT

A strategy built around your unique position, risk, and goals helps you stay invested with confidence and reach your goals.

YOUR RISK SCORE IS

79

Based on the information you provided, your personal Risk Score is 79.

WHAT DOES THAT MEAN?

It means your risk tolerance is high. If you have money invested in risky stocks or funds, you are at high risk for losing significant money if the market experiences a major downturn.

FROM INFORMATION TO IMPACT

ASSESS

Gather the right information about your financial life.

ANALYZE

Understand your risk, goals, and opportunities.

ALIGN

Match the right strategy to your unique needs.

ACHIEVE

Stay on track, adapt over time, and achieve your goals.

YOUR STRATEGY. YOUR FUTURE.

When you understand your unique position, risk, and goals, you can make informed decisions, manage risk effectively, and build the future you envision.

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Thank You