

INDEX

- Accumulation, investor's
lifecycle, 3
- Aggregate Bond Index ETF,
59
- “Am I Diversified?”
(Jim Cramern), 52
- Annual investment returns
compared with equity
balance curve, 115
- Apple, 54
- Balance sheets, Central Bank,
90–93
- Bank of England
historical interest rates, 23,
94
- Bank rate, 23
- Barclays High Yield 1–3
Year Index, 165
- Basis points (BPS), 20, 21
- Bear market, 65, 66, 75
- Big Short, The* (2015), 162
- Black Swan risk, 172, 196
- Bond(s)
 - open market, 20
 - past performance versus
future results, 19–34
 - returns, 1–2
 - total turn, 19–20
 - yields, inflation impact on,
30–34
- Breakeven balance, 116
- Buffered equity, 155
 - benefits to risk-adjusted
returns
 - strategies, 163–165
- Buffered Indexed Strategies,
164, 168, 170, 172
 - equity risk, 167–170
- Buffet, Warren, 77, 79
- Buffet Indicator, 77
- Bureau of Labor Statistics, 95
- Buy 30-Year Treasury Bonds
and Check Back in 30
Years*, 32
- Central Bank balance sheets,
90–93
- Chicago Board of Options
Exchange (CBOE),
126, 139
- Citigroup, 89
- Classic asset allocation
models, 55
- CNBC, 113, 119, 128
 - Mad Money*, 52
- Committee on Aging
(U.S. Senate), 38, 40
- Concentrated assets, in
exchange-traded
funds, 53–55
- Consumer markets, low
interest rates effect on,
97–100

- Cost of Living Adjustment (COLA), 47, 113
- Coupon problem, 22, 24, 27, 28
- Covered call strategies, 171
- Cramern, Jim, 52
- Credit default swaps, 162
- Currencies, and interest rates, 95–97
- Debt
 - to GDP, 83, 84–85, 87, 88
 - municipal, 88–90
 - outstanding, interest expense on, 85, 86
 - state, 88–90
- Distribution, investor's lifecycle, 4
- Diversification, 124–126
 - See also* Diversification, failure of
- Diversification, failure of, 51–64
 - classic asset allocation models, 55
 - concentrated assets in exchange-traded funds, 53–55
 - dividend stocks, as hedge, 61–64
 - fixed income, as hedge, 58–61
 - sectors and regions, 55–58
 - short-term market corrections, 60–61
- Dividends collection, synthetic options to, 160–161
- Dividend stocks, as hedge, 61–64
- Dotcom, 83
- Dow Jones Index, 5, 6, 10, 14, 61–63, 125, 194
- Effective duration, 20
- Equity
 - balance curve. *See* Equity balance curve
 - buffered equity, 155, 163–165, 168–171
 - hedged, 133–137, 155
 - risk, 167–168
 - See also* Equity positions, synthetics of
- Equity balance curve, 108–110
 - compared with annual investment returns, 115
- Equity positions, synthetics of, 157–173
 - buffered equity benefits to risk-adjusted returns, 168–171
 - buffered equity strategies, 163–165
 - covered call strategies, 171
 - dividends collection, 160–161
 - equity risk, 167–168
 - profit-and-loss graphs, 158–160
 - risk shifting, 165–166
 - structured notes, 162–163
 - using options example, 160
 - White Swan risk, 172–173
- European Central Bank, 92
- European Union (EU), 91
- Eurozone, 87–88

- Exchange-traded funds (ETF),
 - 20, 52, 53, 124–126
 - concentrated assets in, 53–55
- Federal Drug Administration (FDA), 51
- Federal Reserve Bank, 24, 33, 59, 83, 84, 89, 96, 99
- Fixed income, as hedge, 58–61
- 401k plan, 36, 41, 43, 44, 48, 105, 109
- FOX Business, 119
- Goldilocks economy, 100
- Government debt expansion, 84–88
- Great Recession, 35–36, 69, 84, 85, 89, 91, 99, 104, 110, 120, 162
- Greenspan, Alan, 72
- Gross domestic product (GDP), 83, 86, 100
 - debt to, 83, 84–85, 87, 88
 - growth rate, 69, 70
- Gross national product (GNP)
 - historical ratio total stock market cap to, 77, 78
- Hedged equity, 155
 - down side of, 136–137
 - strategies, 133–136
- Hedges, 109–138
 - diversification, 124–126
 - dividend stocks as, 61–64
 - exchange-traded funds, 124–126
 - factors to consider, 137
 - fixed income as, 58–61
 - hedged-equity, down side of, 136–137
 - hedged-equity strategies, 133–136
 - options, 130–133
 - problems with classic portfolio asset allocation, 130
 - stop-loss limit, 122–124
 - stop-loss market, 121
 - stop-loss orders, 121
 - VIX Index, 126–129
- Historical returns
 - averages, 3
 - probabilities of, 11–17
 - shorter time periods, average of, 4–10
- Implied volatility, 141, 143–148
- Individual Retirement Account (IRA), 43
- Inflation, 24, 111–114
 - impact on bond yields, 30–34
 - rise of, 93–95
- Inflation adjusted annual income distribution, 112
- Interest rates, 141
- Intrinsic volatility, 141
- Investors, 1
 - average of shorter time periods, realization of, 4–10
 - lifecycle for, 3–4
- IShares
 - 7- to 10-Year Treasury Bond ETFs, 29
 - 20+ Year Treasury Bond ETFs, 29

- Kaiser Foundation, 113
- Lehman Brothers, 162
- Lifecycle, for investors, 3–4
- Life expectancy, 107
- Lyft, 95
- Market value, 19–22, 24–28
- Medicare, 86
- Minimum Acceptable Return (MAR), 182–187
- Minimum band 1 dealing rate, 23
- Minimum lending rate, 23
- Mortgage-backed securities, 45
- Municipal debt, 88–90
- Mutual funds, 20, 22
- Nasdaq 100 Index ETF, 7, 53, 124, 125
- National Business of Economic Research (NBER), 70, 72
 - historical recessions and recoveries, determination of, 72–74
- Negative interest rate policies (NIRP), 33
- Netflix, 149
- Net present value (NPV), 80
- Nikkei 224 Index, 6
- Nikkei 225 Index, 6–7
- Nominal return, 24
- Office of Management and Budgets (OMB), 86–87
- Official bank rate, 23
- Open market, 20
- Option Greeks, 141–143, 172
- Option premium selling, 148–150
 - probability-based, 150–154
 - benefits and risks in, 154–155
- Options, 130–133, 157
 - example, synthetic positions using, 160
 - premium selling. *See* Option premium selling
 - price, components of, 140–141
 - volatility in relation to, 140
- Pension income, 113
- Personal Consumption Expenditures (PCE), 31, 32
- Pie chart, 1–17
- Point-to-point flat cumulative return, 75
- Portfolio asset allocation, problems with, 130
- Portfolios, 1, 19, 31, 33, 34
- Preservation, investor's lifecycle, 3–4
- Price-to-earnings ratios, 75, 76
- Probability-based option premium selling, 150–154
- Profit-and-loss graphs, 158–160
- Rate of interest, 19, 20, 22–24, 26–33
 - basis points, 20, 21
 - currencies and, 95–97

- low, effect on consumer markets, 97–100
- spike in, 23, 31, 33
- Real estate investment trusts (REITs), 44
- Real return, 24
- Recessions, 69–70, 72–77, 194
 - defined, 69
- Rental income, 113
- Repo rate, 23
- Required Minimum Distribution (RMD) period, 104
- Retirement calculator, assumptions for, 108
- Return on investments (ROI), 114–117
- Risk-adjusted returns, 175–180, 196
 - buffered equity benefits to, 168–171
- Risk shifting, 165–166
- Rolling, 172
- S&P 500 Index, 7–9, 11, 13, 38, 139
 - buffered equity strategies, 163–165
 - Composite Index, 65–68
 - equity risk, 167, 168
 - exchange-traded funds, 53, 56, 75, 124, 134, 135, 158
 - option premium selling, 150, 153
 - options price, 141
 - risk-adjusted returns, 175
 - Total Return Index, 68–69
 - White Swan risk, 172
- Savings, 109–111
- Securities and Exchange Commission (SEC), 35, 38–40
- Sequence of returns, 103–117
 - inflation, 111–114
 - return on investments, 114–117
 - savings, 109–111
- Shark Tank*, 51
- Sharpe Ratio, 180–182, 188, 196
 - equities, historical, 189–190
- Shorter time periods
 - average of, realization of, 4–10
 - traditional asset allocation issues in, 10–11
- Short-term market
 - corrections, diversification during, 60–61
- Short volatility, 155, 196
- Sideways, 65–82
- 60 Minutes*, 89
- Social Security, 86, 113
- Sortino Ratio, 182–188
- Spain's 10-Year Government Bond, 28
- Spike in interest rate, 23, 31, 33
- State debt, 88–90
- Stop-loss limit, 122–124
- Stop-loss market, 121
- Stop-loss orders, 121
- Structured notes, 162–163
- Switzerland's 10-Year Government bond, 93
- Target date funds, 35–49
 - composition of, 37–38

- hearings point to issues
 - with, 38–41
- individual situations,
 - addressing, 42–48
- near-term target-dated funds, 2008 great recession and, 35–36
- 10-Year Treasury Bond, 20, 22–33
- Traditional asset allocation, 24
- Treasury inflation protected securities (TIPS), 86
- Trimmed mean inflation rate, 114
- 20-Year Treasury Bond, 29, 30
 - exchange-traded funds, 60
- Uber, 94
- U.S. Dollar Index, 96
- U.S. Large Cap, 56, 176
- U.S. Senate
 - Committee on Aging, 38, 40
- U.S. Treasury, 70, 85, 91, 94
 - historical Sharpe Ratios equities, 189–190
 - maturities within Federal Reserve balance sheet, 92
 - securities, interest rate on, 86, 87
 - 10-Year Bond, 20, 22–33, 176
 - 20-Year Bond, 29, 30
- VIX Index, 126–129
- Volatility, 1, 3, 10, 14, 33, 40, 45, 46, 52, 56, 69, 121, 126, 127, 132, 139–155
 - implied volatility, 143–148
 - Option Greeks, 141–143
 - option premium selling. *See* Option premium selling
 - options price, components of, 140–141
 - in relation to options, 140
 - short, 155, 196
- Walmart, 95
- White Swan risk, 172–173
- Whitney, Meredith, 89
- Yield curve, 70, 72, 76
- Zero-interest rate policy (ZIRP), 33