

### Cocktail Party Conversation

#### 5 bits of Financial Trivia to Impress Your Friends and Family

##### 1. What is the best performing US stock over the last 30 years?

According to FactSet Research Systems, the best performing stock over the last 30 years is Balchem Corporation (up 107,099% since the end of 1985 with a 26.18% average annual total return). Balchem Corporation develops, manufactures, and markets specialty performance ingredients and products for the food, nutritional, feed, pharmaceutical, and medical sterilization industries in the United States and internationally. Its total stock market value is about \$1.95 billion. Our clients own this stock in their portfolios inside Dimensional US Small Cap mutual funds.



*(Continued on Page Two)*

**In This Issue:**

PAGE ONE:

Cocktail Party Conversation

Marshmallows and Retirement

PAGE TWO:

Cocktail Party Conversation  
(Cont.)

PAGE THREE:

Cocktail Party Conversation  
(Cont.)

Marshmallows and Retirement  
(Cont.)

PAGES FOUR - FIVE:

Marshmallows and Retirement  
(Cont.)

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### Marshmallows and Retirement

Back in the 1960's, Walter Mischel, a psychologist, studied preschool children to assess the level of self-control they possessed. Using marshmallows, he placed one on a plate in front of each child. He then left, but before doing so, gave each child the same two choices: either eat the marshmallow, or wait 15 minutes until he returned. If the child was able to wait, he would receive two marshmallows (Delaying Gratification, n.d.).

*(Continued on Page Three)*

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(Continued from Page One)

#### 2. How old is the Dow Jones Industrial Average (DJIA)?

The Dow Jones turned 120 this year! Back in 1896, Charles Dow wanted a way to measure the performance of industrial stocks. He simply added up the prices of twelve stocks and divided by 12. The first averages were published in the *Customer's Afternoon Letter* (precursor of *The Wall Street Journal*).

Today, the index consists of 30 Large Cap companies that are chosen by the editors of *The Wall Street Journal*. The Index is one of the most watched indicators of stock market performance worldwide.

#### 3. What Company has been in the Dow Jones the longest?

In 1896, the Dow Jones started with twelve stocks. Today, only one company remains in the index: General Electric (GE). The twelve original stocks were the following:

- American Cotton Oil - Ancestor of Best Foods, now part of Unilever
- American Sugar - Became Amstar in 1970 and afterward Domino Foods
- American Tobacco - Broke up into separate businesses in 1911
- Chicago Gas - Absorbed by Peoples Gas, now part of Integrys Energy
- Distilling & Cattle Feeding - Now part of Millennium Chemicals
- General Electric - Still an independent company and part of the DJIA
- Laclede Gas - Active but removed from DJIA in 1899
- National Lead - Renamed NL Industries in 1971 and removed from the DJIA in 1915
- North American - Dissolved on 1938
- Tennessee Coal & Iron - Absorbed by US Steel in 1907
- US Leather - The only preferred stock in the original Dow. Dissolved in 1911
- United States Rubber - Became Uniroyal, now part of Michelin

#### 4. What is the best performing country in the world?

The best performing country in the world is Norway. In 2013, The Wall Street Journal published an article titled *Norway: The New Yale?* describing the country's investment strategy. In a nutshell, Norway's Government Pension Fund Global keeps approximately 60% in stocks (half in US stocks), 35% in Bonds and 5% in Real Estate. The portfolio is broadly diversified, focuses on small and value companies, and is mechanically disciplined to rebalance whenever the portfolio is out of balance to eliminate emotion from the decisions.

(Continued on Page Three)

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*(Continued from Page Two)*

It is interesting to note that this approach is very similar to the one we at Pathways use to invest our client's assets.

#### 5. What are the ten most valuable companies in the world today?

Here is a list of the ten most valuable companies in the world today. Our clients own all of these companies in their portfolios inside the Dimensional US Large Cap mutual funds.

1. Apple (AAPL) - Market value: \$534 Billion
2. Alphabet (GOOG) - Market value: \$507 Billion
3. Microsoft (MSFT) - Market value: \$413 Billion
4. Exxon Mobil (XOM) - Market value: \$326 Billion
5. Facebook (FB) - Market value: \$321 Billion
6. Berkshire Hathaway (BRK.A) - Market value: \$312 Billion
7. Johnson & Johnson (JNJ) - Market value: \$288 Billion
8. General Electric (GE) - Market value: \$271 Billion
9. Amazon.com (AMZN) - Market value: \$250 Billion
10. Wells Fargo (WFC) - Market value: \$242 Billion

Have fun at your next Cocktail Party!

-Leslie Dermon, Paraplanner

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## Marshmallows and Retirement

*(Continued from Page One)*

Only about a third of the children could wait the full 15 minutes. Why? Willpower and impulsiveness are the two competing cognitive processes that come into play. Willpower is based on a person's strategic planning, while impulsiveness comes more from a person's emotions (Delayed Gratification, n.d.). If a person employs willpower in a situation, it decreases the chances of submitting to impulsiveness in the next situation. In other words, a person must practice willpower to have willpower.



We see our clients practice willpower every day in order to save for a comfortable retirement. Younger clients are typically in the midst of buying a house, having children, and achieving career goals. It's sometimes harder for this generation to save towards their retirement goals. But, if possible, it does have a significant effect on portfolio size at retirement. How much? See the following spreadsheet...

*(Continued on Page Four)*

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# Marshmallows and Retirement

(Continued from Page Three)

Ben			Jerry		
22	2,000	2,200	22	0	0
23	2,000		23	0	
24	2,000		24	0	
25	2,000		25	0	
26	2,000		26	0	
27	2,000	16,974	27	0	0
28	2,000		28	0	
29	2,000		29	0	
30	2,000		30	0	
31	2,000		31	0	
32	0	38,568	32	2,000	2,200
33	0		33	2,000	
34	0		34	2,000	
35	0		35	2,000	
36	0		36	2,000	
37	0	62,114	37	2,000	16,974
38	0		38	2,000	
39	0		39	2,000	
40	0		40	2,000	
41	0		41	2,000	
42	0	100,036	42	2,000	40,769
43	0		43	2,000	
44	0		44	2,000	
45	0		45	2,000	
46	0		46	2,000	
47	0	161,109	47	2,000	79,089
48	0		48	2,000	
49	0		49	2,000	
50	0		50	2,000	
51	0		51	2,000	
52	0	259,468	52	2,000	140,805
53	0		53	2,000	
54	0		54	2,000	
55	0		55	2,000	
56	0		56	2,000	
57	0	417,875	57	2,000	240,200
58	0		58	2,000	
59	0		59	2,000	
60	0		60	2,000	
61	0		61	2,000	
62	0	672,992	62	2,000	400,276
63	0		63	2,000	
64	0		64	2,000	
65	0	895,752	65	2,000	540,049

Ben: Starting at age 22, contributed \$2,000 annually for only 10 years.  
 Jerry: Starting at age 32, contributed \$2,000 annually for 34 years (until age 65).  
 Assumes a 10% rate of return.  
 If Ben had continued investing \$2000 until age 65, he would have accumulated \$1,435,810.

(Continued on Page Five)

## Marshmallows and Retirement

(Continued from Page Four)

Ben's willpower to save those first ten years made a huge difference! In addition, isn't it a little crazy how compounding interest can substantially increase our savings over time? The point: Today's choices completely affect our future.

So, what happened to those preschoolers? Mischel tracked down nearly 60 of those original subjects more than thirty years later. The children who had exhibited high self-control remained that way throughout life, and vice versa. The higher self-control group led healthier lifestyles, received higher SAT scores, and had higher income (Konnikova, 2014).

Later in life, Mischel addressed some worried parents. He explained that children who fail The Marshmallow Test need to practice. Start out small, a few minutes maybe, and increase the time slowly (Konnikova, 2014). After all, 15 minutes is a long time for a little kid.

Remember: Practicing willpower builds willpower. Whether it is marshmallows or regular savings, willpower pays off.

*If you have not already done so, check out our blog. Dustin Smith, CFP® wrote a similar blog recently, called "The PAIN of Saving and the JOY of Finding it Later". Also, if you would like to see children take The Marshmallow Test, look it up on YouTube. It's quite entertaining.*

### References

Delaying gratification (n.d.). American Psychological Association. Retrieved from

<https://www.apa.org/helpcenter/willpower-gratification.pdf>

Konnikova, M. (2014). The struggles of a psychologist studying self-control. *The New Yorker*.  
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