MEMBER GUIDE

Personal Finance Mission Statement
Giving self-directed investors superior stock, bond and mutual fund portfolios designed to consistently beat industry averages.

Jim Pearce, Chief Strategist
Table of Contents

Welcome 3

1. Getting Started With Personal Finance 5
   - Strategy
   - The Personal Finance Portfolios
   - Making Your First Personal Finance Trades
   - Broker Considerations

2. Communicating With the Analysts 8
   - Emails from the Analysts to All Members
   - Issues of Personal Finance
   - Stock Talk—the Website Forum
   - The Analysts’ Speaking Engagements
   - Meeting the Analysts in Person

3. Using the Website 9
   - Logging in for the First Time
   - Logging in After the First Time

4. Managing Your Account 11
   - Updating Your Account Information: Do-It-Yourself
   - Changing the Amount and Type of Email You Receive
   - Updating Your Account Information: With a Customer Service Representative

5. Additional Resources 11
   - Folio Investing
   - Promotional Stocks
   - Special Reports

Conclusion 12
Dear Personal Finance Member,

Welcome to the fastest way to control your financial future so you can achieve your goals and dreams.

While other investing advisories encourage you to trade recklessly, touting one “hot stock” after another, we show you how to invest systematically and profitably. Personal Finance has delivered prudent, profitable advice and smart market analysis for over 40 years.

- If you’re mainly interested in long-term capital appreciation, Personal Finance’s Growth Portfolio is your ticket to success. This portfolio tracks the major sectors of the S&P 500 stock index with a focus on stocks that are undervalued relative to their peers and that are in growing industries.

- If you’re mainly interested in steady income, Personal Finance’s Income Portfolio lists companies with large, steady dividends. It is specifically targeted to investors at or near retirement and who seek income and wealth preservation, together with some capital appreciation.

- If you are already retired and looking for a high level of current cash flow, you’ll love Personal Finance’s Maximum Income for Retirees Portfolio. It’s designed to provide a high and stable current cash flow from dividend-paying stocks, Master Limited Partnerships (MLPs), Real Estate Investment Trusts (REITs), Exchange Traded Funds (ETFs) and other high-yielding securities.

- If you want to guarantee broad diversification of your portfolio to increase returns while reducing risk, you’ll want to take advantage of Personal Finance’s Mutual Fund Portfolio. This portfolio recommends top funds in areas including different classes of domestic and foreign stocks and bonds.

- If you’re worried about rising interest rates eating into your hard-earned wealth, Personal Finance’s Inflation Hedges Portfolio shows you a variety of funds that will add inflation protection to your portfolio.

Are you ready to start building new wealth?

We recommend you begin with these three steps:

1. Take a spin through this Member Guide.

Because Personal Finance uses a systematic approach to creating a long-term portfolio, we want you to understand our reasoning for recommending one holding over another. In this Guide we begin by explaining how our investment process works.
2. Log into the *Personal Finance* website and see the portfolios.

In Section 3, this Guide explains in detail how to log into the *Personal Finance* website. Once there, you can browse the investing recommendations and we’ll point you toward handy tracking features like “My Watch List.”

3. When you are ready, check out our Growth Track and Income Report articles for our favorite stocks to buy now.

And then you will be well on your way! Soon you, too, will be celebrating your first big gain. My staff and I welcome you and congratulate you on making a very wise decision by becoming a member of our *Personal Finance* community.

**We Want to Hear About Your Success!**

Our success is measured by your accomplishments. So we want to hear from you, and we hope that you will share your stories about the trades you make.

If you would like to let us know about your *Personal Finance* experience, or if you have any comments or questions, please [share your experience on the website’s Stock Talk discussion board](#).

I appreciate the trust and confidence you have placed in me, and I take my responsibility to you very seriously. I understand that you are counting on us to help you with real-life concerns. I personally think of this *Personal Finance* member every time I begin writing:

“My husband and I can sleep well at night, knowing that our retirement years will not be plagued with fears of a financial meltdown.”

We look forward to helping you, too, achieve abundant success in the markets and the worry-free life you dream of.

To Your Success,

Jim Pearce
Chief Strategist
*Personal Finance*
1. Getting Started With Personal Finance

This section includes topics that new members usually want to learn about right away. (If you’d like to locate these topics on the Personal Finance website while reading this Guide, see Section 3 for login instructions. Many of the links in this Guide will be clickable if you are reading the PDF version rather than the printed version.)

Strategy

The investment strategy for the Personal Finance Growth Portfolio is simple: Beat the stock market by identifying top-performing stocks that offer more return for less risk. That sounds difficult, but we’ve been doing it for more than 40 years.

To beat the “market” – usually expressed as an index such as the Dow Jones Industrial Average or S&P 500 – you have to put together a portfolio of stocks that collectively are better than average. You don’t have to be perfect; you just need to filter out the overpriced and underperforming stocks that pull down the average, and we’ve created a system designed to do that.

During Jim Pearce’s 30 years as a stockbroker and financial advisor, he spent a lot of time reading reports and studies on what causes stock prices to change. After evaluating dozens of academic reports that studied the long-term effect different variables have on stock prices, Jim concluded that there are only three main factors that accurately predict the likelihood that a stock price will rise: (1) dividend yield, (2) growth in cash flow and (3) relative value.

The first factor, dividend yield, has provided more than half of the stock market’s total return over the past 50 years. That means dividends have paid out more to investors than share price appreciation. Therefore, a stock that pays a competitive dividend is more likely to appreciate in the future than one that does not. So Jim’s formula assigns a numerical value on a scale of 0 to 3 to a stock’s dividend yield based on how it compares to fixed-income securities such as Treasury notes.

The second factor, growth in cash flow, determines how well a company can pay its dividend, buy back its own shares and continue to invest to grow the business. Unlike earnings, which can be manipulated to create a distorted view of a company’s worth, net operating cash flow is a raw number that reveals the true health of an enterprise. Jim’s formula assigns a value on a scale of 0 to 3 to a company’s rate of growth in net operating income over the past three years.

The third factor, relative value, tells us how a company’s stock price is valued versus the overall stock market based on its forward price-to-earnings ratio. While trailing 12-month earnings are traditionally used when figuring a stock’s PE ratio, the estimated future 12-month earnings are more useful for determining if the current stock price is too high or too low. Jim’s formula assigns a value on a scale of 0 to 4 to reflect how a company’s forward PE ratio compares to its peer group.

When you add up the formula’s three components, the total score is on a scale from 0 to 10 referred to as the “IDEAL Score.” This score tells us the probability that a stock price will rise (the higher the score, the more likely that stock will appreciate in value). We can also use this score to identify those stocks that are the most undervalued and therefore most likely to appreciate.

Once we know the IDEAL Score for a stock, we can then determine what its price would be if it were valued at precisely the average score for the entire index, which we refer to as the “IDEAL Value.” In other words, once we calculate the IDEAL Score for a company, we compare its Score to the Score for the entire Index, and then apply that ratio to the current price of the stock to determine its IDEAL Value. For example, if company ABC has an IDEAL Score of 6 compared to the Index Score of 4, then to calculate its IDEAL Value we multiply its current stock price by 6/4, or 1.5, to determines its IDEAL Value. So if ABC were currently trading at $40 per share, then its IDEAL Value would be $60 ($40 x 1.5). That means ABC is trading at a 33% discount to the index average, which gives it plenty of room for growth!

We refer to this as the IDEAL (Investing Daily Equity Analysis List) Value, since it reflects the price at which a stock would be neither overvalued
nor undervalued. The most undervalued make our recommended list for the Growth Portfolio.

We can also use this system to identify stocks for the Personal Finance Income Portfolio by simply changing the weighting slightly. We score dividends on a scale of 1 to 4, and relative value on a scale of 1 to 3. That pushes the higher-yielding stocks to the top of the list, provided they also pass our other tests.

**Personal Finance Has Five Portfolios**

Through its five portfolios, Personal Finance covers information for a wide range of investment goals. To review the portfolios online, log into the Personal Finance website and click “Portfolios” on the green horizontal navigation bar.

Use the following information to build the type of portfolio that meets your investment goals:

- **The Growth Portfolio.** The Growth Portfolio is best suited for investors who seek strong, long-term price appreciation. It uses our IDEAL Value system to identify top picks among stocks in the Standard & Poor’s 500 stock index.

  And for subscribers we also rank every S&P 500 stock by the IDEAL system. We suggest only buying those stocks with an IDEAL Value of no more than 80%, and selling stocks with an IDEAL Value of more than 120%. This system helps you avoid overvalued stocks and, when they have become overvalued or full valued, helps you replace them with ones that still have a lot of room to appreciate.

- **The Income Portfolio.** The Income Portfolio is best suited for investors who seek good dividend yields, with some potential for price appreciation.

- **The Mutual Fund Portfolio.** Our fund portfolio contains top-performing funds in different categories, from large companies, to small companies, to bonds, to foreign stocks to funds that provide inflation hedges. We recognize that a diversified portfolio provides higher income with lower volatility, and that no investor can be an expert in all investment categories. By choosing from among our funds, Personal Finance readers can strengthen their portfolios through the skills of top fund managers, or through investing in the best low-cost Exchange Traded Funds.

  - **The Maximum Income for Retirees Portfolio.** This portfolio is intended for investors who have a primary objective of high current cash flow from dividend paying stocks, Master Limited Partnerships, Real Estate Investment Trusts, Exchange Traded Funds and other high-yielding securities.

    This portfolio DOES NOT have an objective of capital appreciation, and as a result, the total return of these holdings may be less than for our other recommended portfolios, which have total return as a primary objective.

- **The Inflation Hedges Portfolio.** This portfolio is designed to be used in conjunction with our other portfolios, adding an extra layer of protection against rising interest rates. Its holdings include commodities, which historically have appreciated during periods of inflation, and stocks of companies that derive an economic benefit from higher interest rates or rising commodity costs.

  In addition to the five portfolios, we maintain a [PF Scorecard](#) with all the stocks that we currently follow and monitor for inclusion in the portfolios.

**“How Should I Start Building My Personal Finance Portfolio?”**

This is the question we get asked most often by new members. To answer this question, we have two suggestions:

1. First take a look at our Asset Allocation Model (in every issue of Personal Finance) to see how your portfolio diversification compares to our recommendation.

2. Then look at our current ‘buy’ recommendations to identify positions that you can begin adding to your portfolio. Consider first buying the portfolio stocks
that are covered in the most recent issue of *Personal Finance*. Those may be found in your print issue or online on the home page in the left-side menu.

**How to Read the Portfolios**

All current portfolios are located under the Portfolio tab on the green navigation bar on the *Personal Finance* website.

Once you’ve started investing in *Personal Finance* recommendations, we’ve made it easy for you to track them with our “My Watch List” feature. With “My Watch List,” you can build your own personalized portfolio table from stocks in the *Personal Finance* portfolios. Our members tell us that “My Watch List” is a snap to use – and they always know at a glance how their personal portfolio holdings are faring.

To add your purchases to the “My Watch List” feature, click “Portfolios” in the green horizontal navigation bar. Then click the “Edit My Watch List” button.

Check the boxes next to the holdings that you’ve purchased. When you’re finished, click the green “Save Changes” button.

The website will remember your choices. The next time you visit the *Personal Finance* website, hover over “Portfolios” in the green horizontal navigation bar. Then click on “My Watch List” from the drop-down menu. You’ll see only the holdings that you checked earlier.

As you sell holdings, simply click the “Edit My Watch List” button again and uncheck the boxes. Then click the green “Save Changes” button again.

For more information on how to customize your view of the *Personal Finance* portfolios, see [http://www.investingdaily.com/portfolio-features/](http://www.investingdaily.com/portfolio-features/).

If you prefer to use a different tracking system, the *Personal Finance* website can usually accommodate that, too. Next to the green “Save Changes” button you’ll see options for copying or printing the portfolios. You can also download a CSV (comma-delimited) version that can easily be imported into Microsoft Excel and other financial programs.

**A Note on Managing Portfolios Using Our IDEAL System**

As your holdings appreciate in value over time, their IDEAL Value will change, so you should also check our table regularly to determine if they are still worth holding on to. As a general rule, we recommend buying stocks with an IDEAL Value of up to 80% (meaning they are at least 20% undervalued), and then selling them when their IDEAL Value exceeds 120% (meaning they have become at least 20% overvalued).

**Broker Considerations**

To trade *Personal Finance* recommendations, you’ll need only a standard brokerage agreement. If you haven’t already opened a brokerage
account, review the Financial Industry Regulatory Authority’s advice, and then start researching potential brokers using websites such as Investopedia and Barron’s. At Investing Daily, we’re not affiliated with any brokers.

Once you’ve transferred money into your brokerage account, it’s time to start building your portfolio. That’s where Personal Finance comes into play.

2. Communicating With Jim Pearce and the Other Analysts

As much as we’d like to be able to talk with each of you individually, federal regulations prohibit subscription companies like us from giving personalized investing advice – that’s something a licensed financial planner or stockbroker would do. At Personal Finance, we have to keep our conversations public. The good news is that there are several ways we can do that, including email, an online forum and live events as described below.

Emails from the Analysts to All Members

When market-moving events occur – mergers and earning reports, or anything else that can affect the profitability of your Personal Finance holdings – the analysts will email you an Alert. (As you can see, it’s important that we have your correct email address on file. See Section 4 if you ever need to update your email address or other account information.)

Additionally, Alerts will appear as a prominent red bar on the Personal Finance website. All Personal Finance Alerts are available when you click “Alerts” on the green horizontal navigation bar.

Whether you see it first through email or as a red bar on the website, we ask that you open and read the Alert at your earliest convenience. Occasionally we will issue a “hold” or “sell” Alert on a security in the Personal Finance portfolio so you can take the action you feel appropriate.

In addition to occasional Alerts, we will email you the premium edition of our weekly Mind Over Markets e-letter on a regular schedule. You may have received the free, non-member version of Mind Over Markets previously, but now that you’re a paid member of Personal Finance, the e-letter will include portfolio updates. Look for Mind Over Markets to arrive in your inbox each Friday. Mind Over Markets will also be posted on the website.

Twice-Monthly Issues of Personal Finance

Portfolio changes will, of course, be incorporated into the Personal Finance issues as well.

Electronic issues – This is the fastest way to receive your issues. Personal Finance is published twice monthly, on the second and fourth Wednesdays of each month. On the Saturday prior to your receiving the print issue in the mail, the new issue of Personal Finance will be posted to the website by 12 a.m. ET. For your convenience, we’ll send you an email notifying you when each new issue becomes available online. The electronic PDF version of the issue may be downloaded from the home page by clicking the large black “Current Issue” bar – you may of course then print a copy if you like. Both the current PDF and HTML versions are found in the website’s Issue Archives along with years of past issues. Your Personal Finance membership gets you access to all of our past issues at no additional cost.

Print issues – Your printed issues are identical to the PDF versions and should arrive
through the U.S. mail around the second and fourth Wednesdays of each month.

**Stock Talk – the Website Forum**

One of the most valuable resources available to you as a *Personal Finance* member is the ability to engage with the analysts and your fellow investors on the website’s *Stock Talk* discussion forum. To access the forum from the home page, click on the “Resources” tab and then click on “Stock Talk.”

We are especially proud of the unique and vibrant virtual community that Stock Talk makes possible. This is an interactive feature, where the experienced and novice members of *Personal Finance* come together to learn from each other and help each other out. On Stock Talk, you’ll find that we often shorten the *Personal Finance* name to “PF.”

A Stock Talk posting form appears at the bottom of all website Alerts and articles. If you have a question or comment pertaining to one particular Alert or article, please post your question at the bottom of that Alert or article. General questions and comments can be posted in the general *Stock Talk area* found under the Resources tab.

Before posting, please be sure to read previous Stock Talk postings to get familiar with the conversational style. Although our analysts are busy meeting deadlines, you should expect a response to your question within two business days.

**Analyst Speaking Engagements**

The Investing Daily analysts are regularly featured in online webinars conducted by outside organizations. When they have a webinar coming up, we will list it on the website under the *Events* tab.

**Meeting Jim Pearce and the Other Analysts in Person**

Members of *Investing Daily’s Wealth Society* are invited to attend our annual Investing Summit at no charge. The Summit features two days of formal presentations mixed with fun, casual interactions around town. The *Personal Finance* analysts are popular speakers at the Summit.

A limited number of non-members are invited to attend the Investing Summit for $495. Please call (800) 832-2330 for details.

**3. Using the Website, www.PFnewsletter.com**

**Logging in for the First Time**

If you have other Investing Daily subscriptions and you know your password and email address on record, you can now use those same credentials to log into the *Personal Finance* website.

If *Personal Finance* is your first Investing Daily publication, to log in the first time you will need to register with Investing Daily and create a password. Within two days of subscribing you should receive an email from us with your new account number. If, for some reason, you don’t have that information, please call our Customer Service Department during regular business hours.

Once you have your account number and email address ready,

2. Enter your Account Number
3. Enter the Last Name that you used as you subscribed
4. Enter the Email Address that you used as you purchased Personal Finance
5. Create a Password, and then enter it a second time to be sure
6. Click the green “Register New Account” button
7. Proceed to the Personal Finance website, www.PFnewsletter.com

8. To log in, enter your email address and new password
9. Click the yellow “Log In” button.

It’s important that you use the email address here that you used when you subscribed to Personal Finance. If, in the future, you want to change your email address on record, see the “Do-It-Yourself” instructions in Section 4 or contact our Customer Service Department during regular business hours. Our email address is CustomerService@InvestingDaily.com.

Logging in After the First Time

If you ever forget your password, you can retrieve it yourself using the “Forgot your password?” link on the website’s home page.

Simply enter your email address in the “Email address” box and click the “Forgot your password?” link. Within a minute or so, you’ll receive an email with your password in your inbox. To maintain maximum security after using this process, we recommend that you proceed to change your password – see “Updating Your Account Information” below.

If you continue to have trouble logging in, please contact Customer Service for help and a “Quick-Access Link.”

Do you subscribe to other Investing Daily services beyond Personal Finance? If so, there’s a quick way to jump from website to website. Once you’re logged into the Personal Finance site, click on “My Investing Daily” in the black bar. A large drop-down menu will list all of the premium services in which you’re actively enrolled. Click the name of any service to jump to that site.

When you’re ready to return to the Personal Finance website, you can jump back using the same drop-down list.
4. Managing Your Account

Updating Your Account Information: Do-It-Yourself

If you need to update your postal address, email address or password, please log into the Personal Finance website and then click on “My Account” at the top right of the website.

Changing the Amount and Type of Email You Receive

While logged into “My Account,” you can also choose “Email Preferences.” Checking and unchecking these boxes controls what kind of email we send you. Please be sure that “Issue Notifications, Trade Alerts and Flash Alerts” is always checked, since unchecking that box means that you won’t receive the critical trading Alerts.

Updating Your Account Information: With a Customer Service Representative

If you have any questions about your account or would like help in changing your account information, please contact our friendly Customer Service representatives. We are open Monday through Friday, from 8:30 a.m. until 6:00 p.m. ET. Our phone number is 800-832-2330 and our email address is CustomerService@investingdaily.com.

5. Additional Resources

Here are three more helpful resources found on the Personal Finance website. On the website’s green horizontal navigation bar, choose “Resources” to review these features.

Folio Investing

Folio Investing is a low-cost online brokerage uniquely designed to help you build a well-diversified portfolio. It allows you to manage stocks, ETFs and mutual funds in an integrated investment portfolio called a “Folio.” With a Folio, you can trade individual securities just like at other brokerages, or buy or sell the entire Personal Finance Growth Portfolio in a single transaction – completely commission-free when you use Folio Investing’s patented trading windows.

With a Folio Investing account, you can now buy as little as $1 of the entire Personal Finance Growth Portfolio. Folio Investing’s Fractional Share Platform lets you buy and sell any dollar amount of any security or portfolio you want – regardless of share price.

Promotional Stocks

You may have subscribed to Personal Finance in response to a promotion that included some tantalizing but mysterious stock picks. You can find full descriptions of those recommendations on the Promotional Stocks web page. Please note that we analyze and share dozens of stock picks with our members each year, so the promotional stocks may not necessarily be the ones that we recommend you start with as your very first Personal Finance stocks.

Special Reports

We occasionally publish short reports on topics of particular interest. You can find many of those reports on the Special Reports page of the website.
Dear Member,

I hope that you’ve found this Member Guide helpful. If you have any suggestions for improvement, please email them to our Publisher, Phil Ash, at pash@investingdaily.com. Your ideas will smooth the way for others who come after you.

As you begin your adventure with Personal Finance, I believe you will soon come to enjoy our member community almost as much as you enjoy the additional income.

We truly believe in “members helping members,” and as you gain experience and insights, we all look forward to hearing about your progress and cheering you on.

It may help to know that I worked my way through college as a full-scholarship athlete, then started out as a stockbroker at the age of 24 with nothing more than a lot of ambition and a willingness to learn everything I could.

I spent my entire career on “Main Street” and not on “Wall Street,” helping retirees, working moms and new parents get started on their investment plans. And even though I have come a long way over the past 30 years in terms of accomplishing my own financial goals, I still drive a practical car and mow my own lawn.

It’s not that I don’t have the money for nice things; I do. But I hate the idea of throwing my hard-earned money away, so I always ask myself if I am getting the most for it. I hope you will ask yourself that very same question as you evaluate what you get from Personal Finance; I’m certain you will find great value in it.

I look forward to not only helping you achieve your fondest financial dreams, but to sharing the journey with you!

To Your Success,

Jim Pearce
Chief Strategist
Personal Finance