Know When Growth Strategies Fit

FOR INVESTORS PUTTING
PROTECTION FIRST

GUIDE FOR THE GUARDIAN

Know When Growth Strategies Fit

Learn how to tell money that needs protection from money that can carry volatility.

AQS runs quantitative investment strategies inside IRAs. These strategies carry above-average volatility. For that reason, our Growth Account is best suited for funds that can ride out the swings.

The Guardian investor type comes from answers that put protection first. Those answers might reflect a deadline, cash need or comfort with risk. This guide explains why those answers matter and how to sort your money by when you'll need it. It also shows when the Growth Account fits and what can change your risk capacity.

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TIME AND GROWTH

Why do growth strategies need years instead of months?

Above-average volatility means larger swings than a broad index, in both directions. Some investors are willing to accept these swings in pursuit of potentially higher long-term returns.

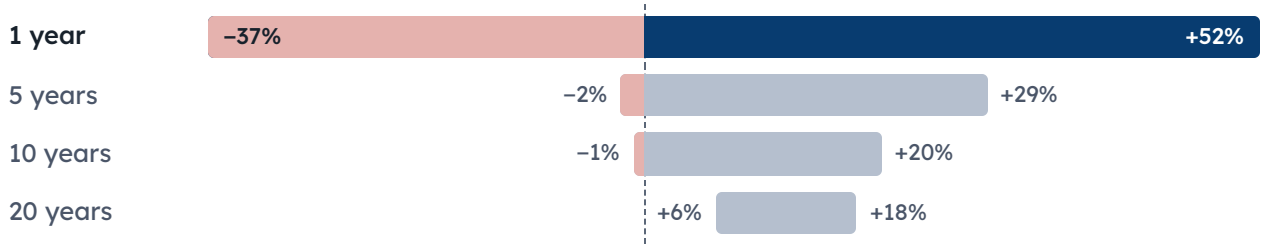
Declines become losses only when you sell during them. Money that you don't need for a long time can ride out a decline. Money you need by a set date can't wait. If you need the money at a certain time, it gets sold at whatever the price is that day.

That's why we treat money needed within a year as money that can't carry a high-growth strategy. One year leaves no room for a decline to recover. The chart shows how much room time creates.

Over a single calendar year since 1950, a broad U.S. stock index has gained as much as 52% and lost as much as 37%. Over 20-year stretches, its worst result was a gain of 6% a year. The index has never lost money over a 20-year time horizon.

Stocks have lost as much as 37% in a year and have never lost money over 20 years

Best and worst total returns of a broad U.S. stock index (the S&P 500) by holding period, calendar years 1950 to 2025. Five-, 10- and 20-year figures are yearly averages. Dashed line: 0%.



Source: J.P. Morgan Asset Management, Guide to the Markets – U.S., "Time, diversification and the volatility of returns," data as of September 30, 2026.

Two cautions. The 5-, 10- and 20-year figures are yearly averages, so a 2% yearly loss over five years is about a 10% total loss. High-growth strategies, including our Growth Account, may have one-year declines deeper than the index's.

Time gives declines room to recover. Money you'll spend soon should stay out of high-growth strategies for the time being. But this isn't forever, as we explain in the next sections.

TOLERANCE AND CAPACITY

What is the difference between risk tolerance and risk capacity?

Two different questions hide inside “How much risk can you take?” The first is about you. The second is about your money.

Risk tolerance is how a loss feels. Some people can watch an account fall 30% and leave it alone. Others lose sleep at 10%. Tolerance comes from temperament and experience. It changes slowly, if at all.

Risk capacity is whether a loss changes your plans. If you plan to retire in two years and your IRA drops 30%, you may have to work longer. Capacity comes from deadlines, income and the other assets you own. It changes whenever your need for liquid assets arrives or passes.

Where do you land?

	LOW CAPACITY	HIGH CAPACITY
LOW TOLERANCE	Keep this money protected.	You could carry volatility. The question is whether you’d choose it.
HIGH TOLERANCE	You’d ride out the swings. Your deadline won’t let you. Once that need is paid for, what’s left can grow.	**This is where high-growth strategies belong.**

The Investor Quiz checks for both your risk tolerance and risk capacity. Either one can keep a high-growth strategy off the table.

Here’s the part that’s easy to miss. “Conservative” can describe two different things. It can describe your temperament: you’d rather earn less than watch your balance fall. It can also describe your situation: you need the money soon.

Situations change when the need passes.

SORTING YOUR MONEY

Which of your money needs protection, and which can grow?

Most people own several pools of money with different deadlines. You may have answered “Conservative” for money you will need soon. Other savings may sit untouched for years. Sorting by deadline shows whether some of your money is available for growth.

WITHIN A YEAR

Spending money

Money for bills, a large purchase or an emergency in the next 12 months. Before retirement, it usually sits in checking or savings.

- Checking and savings accounts
- Money market funds
- CDs
- Treasury bills

1 TO 5 YEARS

Planned money

Money for a goal a few years out, such as a home down payment or the first years of retirement. A drop has some time to recover, but not much.

- Short-term bond funds
- CD ladders
- Treasury notes

BEYOND 5 YEARS

Long-term money

Money you won’t touch for at least five years, such as a retirement account. Only this bucket fits high-growth strategies.

- Stock funds
- Target-date funds dated years out
- High-growth strategies such as our Growth Account

Fill the first bucket before you look at the third. Without enough spending money, a surprise bill can force you to sell long-term holdings during a drop.

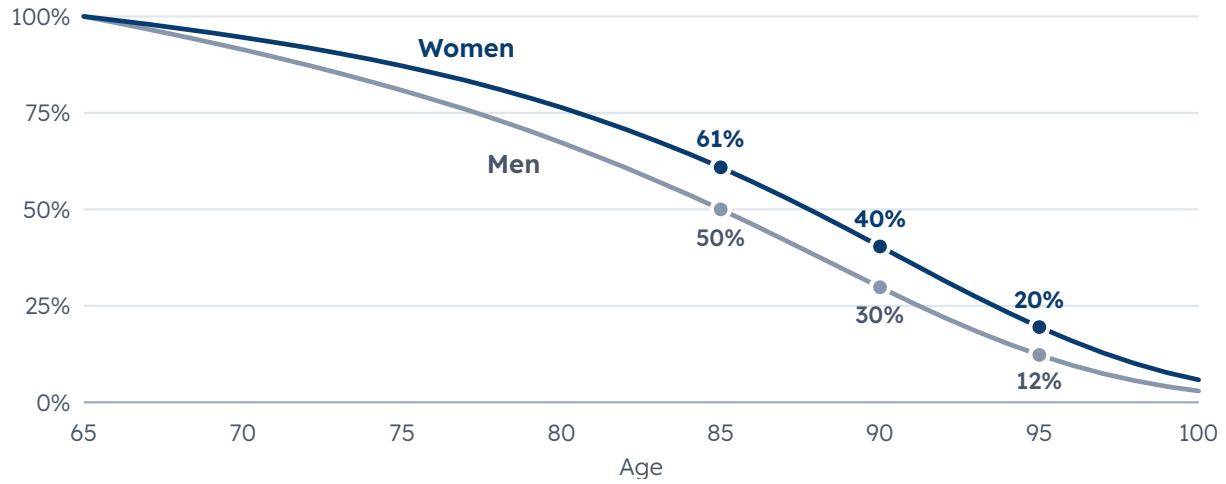
RETIREMENT TIMELINE

How long can retirement last?

The average 65-year-old today lives to about 85. Men average 84, and women average 87.

About 1 in 3 people turning 65 this year will reach 90

Share of people turning 65 in 2026 projected to still be living at each age



Source: Social Security Administration, Office of the Chief Actuary, cohort life tables for people born in 1961, 2026 Trustees Report, intermediate assumptions. Combined figures weight men and women equally.

So even after you stop working, part of your retirement account is spending money and part is long-term money. The long-term share shrinks with each withdrawal. One in three people turning 65 will reach 90. The money they spend at 90 has 25 years to grow first.

YOUR RETIREMENT ACCOUNT

How do you find the long-term money in your retirement account?

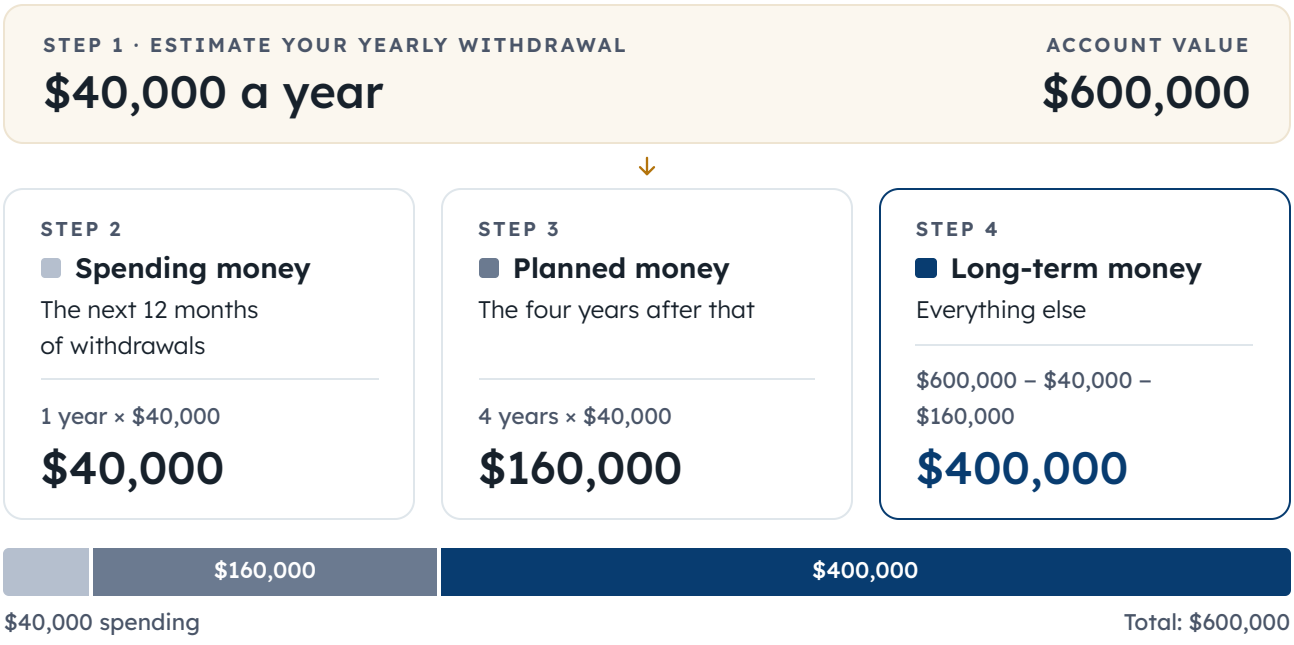
Retirement may consist of 20 to 30 years of spending. At 67, the money you'll spend this year needs protection. The money you'll spend at 82 has 15 years to grow first.

If your first withdrawal is more than five years away, the whole account is long-term money. Money you need sooner tends to sit in savings outside it.

That changes once withdrawals start. Each withdrawal has a date, so each dollar in the account has a deadline. For traditional and SEP IRAs, required minimum distributions set a floor on those withdrawals once you reach 73, or 75 if you were born in 1960 or later. Sort the account with the same three buckets:

Withdrawing $40,000 a year leaves $400,000 of a $600,000 IRA as long-term money

Hypothetical IRA, sorted by when each dollar will be withdrawn



Hypothetical example for illustration only. This example leaves out investment returns and inflation.

Retirement accounts can hold all three buckets. When you'll spend the money decides the bucket. Next year's withdrawals can sit in cash inside the account. The long-term share is where a high-growth strategy, such as our Growth Account, could fit.

YOUR RETIREMENT ACCOUNT

Here's what the buckets look like inside the account

Hypothetical positions page for a retiree withdrawing $40,000 a year

Traditional IRA
Retirement account

Total value
$600,000

Summary | **Positions** | Activity

Holding	Value
Spending money · within a year	
Money market fund	$15,000
6-month Treasury bill	$15,000
12-month CD	$10,000
Spending money total	**$40,000**
Planned money · one to five years	
Short-term bond fund	$100,000
Treasury notes, 2 to 5 years	$60,000
Planned money total	**$160,000**
Long-term money · beyond five years	
U.S. stock index fund	$250,000
International stock fund	$150,000
Long-term money total	**$400,000**
Account total	**$600,000**

Hypothetical example for illustration only.

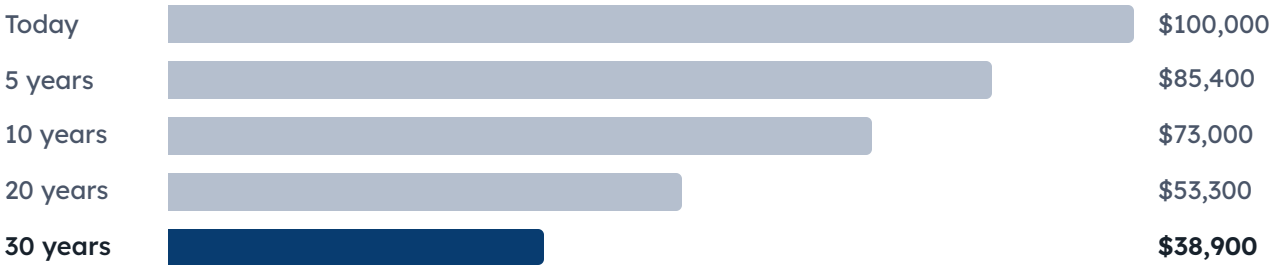
THE COST OF SAFETY

What does keeping money safe cost over time?

Safe isn't free. Holdings that don't swing also don't grow much, and prices keep rising. Over a few years the gap is small. Over decades it compounds.

At the average U.S. inflation rate since 1913, cash loses more than 60% of its buying power in 30 years

Hypothetical buying power of $100,000 held in cash, at 3.2% yearly inflation



Hypothetical example at 3.2% a year, the average yearly increase in the Consumer Price Index from 1913 to 2025, rounded. Actual inflation varies year to year. Source: Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers, annual averages of 9.9 (1913) and 321.943 (2025).

At that rate, $100,000 held in cash would buy about $73,000 worth of goods in 10 years and about $38,900 in 30. Actual inflation runs above and below the average. It was 1.2% in 2020 and 8.0% in 2022.

None of this makes cash wrong. Cash is right for spending money. Its job is to be there when you need it, and one year of inflation is a small price for that certainty. The chart shows why the same setting is wrong for long-term money.

The longer you hold protection, the more it costs. Long-term money has to grow faster than prices to keep its buying power.

GROWTH ACCOUNT FIT

When does the Growth Account fit?

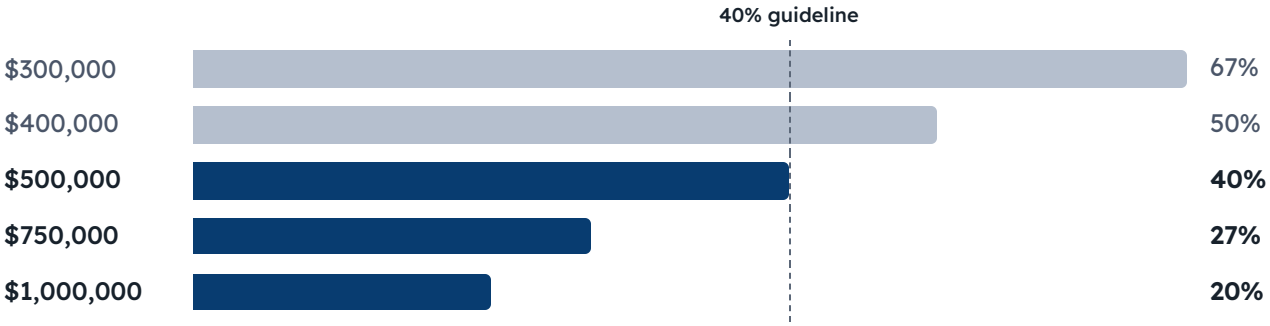
Before our Growth Account fits any share of your money, we look for four things. All four have to be true. Three out of four is a no.

What we look for	What it looks like	Why it matters
Modest share	The account is a small part of what you own	The rest of your net worth sits outside the swings
Long horizon	Years, not months, before you spend it	Declines have time to recover
Nerve to hold through a drop	You'd see a 30% decline and not sell	Selling in a decline turns a dip into a loss
Growth goal	This money's job is to grow	Preservation and growth pull in opposite directions

Modest share has a number attached. The Growth Account starts at $200,000. We generally want that minimum to be 40% or less of your net worth, including home equity.

At $500,000 in net worth, $200,000 meets the 40% guideline

$200,000 as a share of net worth, at five net worth levels. Dashed line: our 40% guideline.



Navy bars meet the guideline.

The $200,000 itself has to be IRA money, because the account opens inside your own IRA. Keeping the account to a modest share leaves the rest of your net worth protected. Your home and your spending bucket stay separate from the account's ups and downs.

RISK CAPACITY

What can change your risk capacity?

A Guardian result describes your money today. Life events can change it. Each event below makes room for a high-growth strategy.

Event	Why it matters
A planned purchase closes	Your other savings no longer have to back it up
The last tuition bill is paid	A large yearly expense ends
Your emergency fund is rebuilt	Surprises no longer reach into long-term money
Your income rises or steadies	You can cover bills without selling investments
You pay off debt	Fewer fixed payments compete for your savings
Social Security or a pension begins	Your IRA has to cover less of your spending
Your retirement date moves further out	Your first withdrawal moves more than five years away
Your net worth grows	$200,000 becomes 40% or less of it

None of these events change your risk tolerance. If declines worry you whatever your situation, protection may stay the right fit. That answer is sound.

Key points

Growth needs years

In its worst year since 1950, a broad U.S. stock index lost 37%. Over every 20-year stretch in that time, it made money. That's why money you need within a year belongs in safer holdings.

Three buckets

Sort your money into three buckets by when you'll spend it: spending money (within a year), planned money (one to five years) and long-term money (beyond five years). Only long-term money fits a high-growth strategy.

Safe isn't free

Cash protects your balance from market drops. Inflation still shrinks what that balance can buy. At the average U.S. inflation rate since 1913, $100,000 in cash would buy about $38,900 worth of goods after 30 years.

What changes capacity

Your risk capacity rises when life events give your money more room. Examples include a planned purchase closing, the last tuition bill, a rebuilt emergency fund, steadier income, paid-off debt, Social Security or a pension starting, a higher net worth or a later retirement date. After one of these events, take a fresh look at which of your money is long-term money.

Risk tolerance vs. risk capacity

Risk tolerance is how a loss would feel to you. Risk capacity is whether a loss would force you to change your plans, such as delaying a purchase or your retirement. Both have to be high before a high-growth strategy fits.

Long-term money in retirement

Retirement can last 25 years or more. If you withdraw $40,000 a year from a $600,000 IRA, you'll spend $200,000 in the next five years. The other $400,000 is still long-term money.

Four things we look for

Before the Growth Account fits any of your money, four things must be true. It's a modest share of your net worth, you won't need it for years, you'd hold through a 30% drop and its job is to grow. If any one is missing, that money stays in a lower-risk strategy for now.

This guide is educational. It isn't investment, tax, or legal advice.

Quantitative investment strategies for IRAs, managed by a New York State registered investment adviser.

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