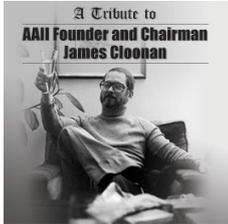


# The November 2017 AAI Journal is Now Available Online

## Feature Article »



## Birth of an Idea: How AAI Got Started

by John Bajkowski , Charles Rotblut, CFA and James B. Cloonan

James Cloonan shares what led him to start AAI, along with the inside story of AAI's Model Shadow Stock Portfolio.

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## Features »

## Media Talk About James Cloonan and AAI

by AAI Staff

A collection of articles, quotes and blurbs about AAI published in major media outlets over the years.

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## Matter of Opinion »

## Highlights From the AAI Journal Archives: Cloonan Matter of Opinion Columns

by James B. Cloonan

James Cloonan previously authored a regular column sharing his thoughts and insights. Read highlights from them and other groundbreaking articles.

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**Features »**

## Reflections on the Past and Future for the Individual Investor

by James B. Cloonan

The investment industry has evolved over the past 50 years, providing investors with lower costs, though the growing influence of index funds poses a potential threat.

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**Features »**

## AAII Timeline: Approaching 40 Years of Investment Education for Individual Investors

by AAI Staff

A look at the association's milestones and other significant events in AAI's history.

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**AAII InvestoGraphic »**

## Shadow Stocks

by AAI Staff

How the parameters as to what qualifies as a small-company and low price-to-book stock has evolved over the years.

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**AAII Model Portfolios »**

## Model Shadow Stock Portfolio: Special Update and Rule Changes

by James B. Cloonan

The momentum and holding period rules are being updated. Plus, starting in 2018, commentary will be provided six times a year.

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## **AII Model Portfolios »**

### **Discontinuing the Model Fund Portfolio, but Keeping the Level3 Passive Portfolio**

by James B. Cloonan

The Model Fund Portfolio is ending after 14 years. Updates to the Level3 Passive Portfolio will be included with the Model Shadow Stock Portfolio commentary.

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## **Portfolio Strategies »**

### **The Level3 Withdrawal Strategy to Maximize Your Long-Term Wealth**

by John Bajkowski and James B. Cloonan

Creating a cash bucket with up to four years of expenses allows a retiree to avoid selling stocks during periods of down markets.

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## **Departments »**

### **Briefly Noted**

Current news items of interest to individual investors.

- [Knowledge and Investing Styles Vary](#)
- [Why Gender Tolerances Toward Risk May Differ](#)
- [The Impact of Out-of-Pocket Medical Spending on Retiree's Income](#)
- [Fund Manager Experience Does Not Predict Outperformance](#)

## Members Share the Impact of Jim Cloonan and AAI

Long-time members discuss the positive impact Jim and AAI have had.

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### Editor's Note:



Charles Rotblut, CFA  
AAI Journal Editor

After starting AAI nearly 40 years ago, James Cloonan will retire early next year. To honor his achievements, we are dedicating this month's issue to him. It is the first time we have dedicated an issue of the *AAI Journal* to one person.

Many of you know Jim from his articles. Some of you have had the opportunity to meet him personally or through correspondence. He has continuously interacted with AAI members throughout the years.

What you don't see is the environment he has cultivated within AAI. Everyone employed by the organization is on a first-name basis with each other. We truly operate as a team. It's not uncommon to hear the words "AAI family" within the office. I credit Jim for not only setting the standard, but also for continuing to nurture it. Jim is approachable, friendly, warm-hearted and interesting. Speaking for the entire office, we'll miss seeing him. (And yes, Jim still comes into the office regularly.)

From the standpoint of investing, Jim has devoted a large part of his career to helping individual investors become effective managers of their own portfolios. While it's difficult to measure the actual impact, over the years, many AAI members reported having personally realized returns in excess of the markets in our annual surveys.

Long-term followers of the [Model Shadow Stock Portfolio](#) and its philosophy have prospered as well. A dollar invested in the portfolio when it was launched in 1993 would have turned into more than \$41 at the end of September 2017. The same \$1 invested in the S&P 500 would only be worth \$9. The approximate 16% annualized return realized by the Model Shadow Stock Portfolio is the actual

return of a real money portfolio. It includes all transaction costs, commissions, missed opportunities from not having cash available to invest in new ideas, stocks that fizzled instead of dazzled, and even a couple of mistakes. Jim is the person who created the portfolio and the one who has managed it throughout its 20+ year existence. Give him credit for the performance and for creating a strategy that's easy to explain and follow.

There are other things Jim has either directly created or had a role in forming. AAI's [local chapters](#) exist because Jim listened to our initial group of members. Our [Investor Conference](#) exists because of Jim's ability to speak in public and members' desire for seminars. The AAI [Sentiment Survey](#) was initially created to give individual investors a way of publicly expressing their hopes or fears about the direction of the stock market. This very magazine was started by Jim with editorial contributions made by his personal contacts. I could go on, but I'll direct you instead to the [AAI timeline](#) we've put together.

In planning this month's issue, I read through old issues of the *AAI Journal*. Among the articles I found was the [December 1981 A Matter of Opinion](#). A Matter of Opinion was a column Jim used to write prior to launching the Model Shadow Stock Portfolio. In this column, he responded to a request from a member for easy-to-understand investing guidelines. While some of these have evolved over time, there are a few that have stood the test of time. They include:

- Diversify by spreading your investment dollars equally among several stocks,
- Never buy a stock based on an unsolicited recommendation from a brokerage firm or a financial adviser, and
- Don't invest money you feel you will need within the next few years in common stocks.

Jim, on behalf of the entire AAI family, I wish you a long forthcoming retirement filled with happiness and good health.



Charles Rotblut, CFA

Editor, *AAI Journal*

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