

INVESTING

Making Your Money Work For You

Agenda

- Why Invest?
- Retirement Planning – Start Now!
- Investing Principles

Savings Plans

Your investments can be held in several forms:

- Employer-sponsored plans
 - 401(k), 403(b)
- Personal Savings & Investments
 - Local or Online Banks
 - Savings account
 - Certificate of Deposit
 - Brokerage Account
 - Individual Retirement Account (IRA)/ Roth IRA

Other resources

[Motley Fool: Want to Be a Millionaire?](#)

[Fidelity Investing Basics](#)

[I Will Teach You To Be Rich: Start To Invest](#)



Why Invest?

When people think of investing they often think Gordon Gecko or Wolf of Wall Street. But smart investing isn't keeping track of the ebbs and flows of the stock market yourself, but choosing a few different types of savings vehicles to place your money and watch it grow. Think of it more as putting money away for another day—and then letting it multiply. **Investing is a good way to insure your future!**

Know Your Goals and Meet Them!

Investing is primarily about recognizing your own short-term and long-term financial and life goals. Do you want to become (and/or stay) debt free? Buy property or a car? Live in an expensive city? Travel? Recognize these goals and how your financial behavior can take you further or closer to meeting them. **Investing should be a big part of meeting your long-term goals, but you'll get nowhere if your short-term goals don't allow for saving and investing!**

Asset Classes

These are the different types of asset classes you should be aware of:

- **Cash and Short-Term Instruments**
 - Money market funds, Bills
 - Relatively LOW RISK
 - Potential to pay interest
 - Lower risk means lower potential return
- **Bonds/Fixed Income**
 - A loan to a company, government, etc.
 - Pays Interest
 - Moderate Risk
- **Stocks/Equities**
 - Ownership in a company
 - Long-term growth potential
 - Fluctuating value
 - High Risk
- **Mutual Funds**
 - Index Funds
 - Pools of stocks, bonds, and short-term investments
 - Owned mutually by many shareholders
 - Managed by professional investment company like Vanguard, Fidelity, or Merrill Lynch, (there are many others).



Retirement Planning: Start Now!

“Retirement? Why do I need to worry about that? I’m still in college!” Two words: **compound interest.**

For example, say you **start investing \$3,600 per year for 15 years at 8% interest starting from age 25.** The total amount you’ll have invested is \$54,000. When you stop contributing at age 40, you’ll have \$104,500 with interest. **At age 70 that amount will have increased almost 10x to \$1,050,000.**

Juxtapose that against someone who **started to invest at age 40 and contributed double the amount over twice as many years, until age 70.** The total they’ll have invested would be \$108,000, but **this person will only have about half as much money in their coffers at age 70: \$450,000.**

It really does pay to put your money in earlier rather than later.



Top 5 Take-aways

1. Save as early as possible!

- a. TIME=MONEY
- b. Growth and investing is meant for long-term wealth-building

2. Save an emergency cushion in an easy to access account BEFORE investing

- a. This should be AT LEAST \$1500
- b. Once you have a job, aim for 3-6 mos. living expenses

3. You can't beat the stock market, so life-cycle and/or index funds are best for beginner investing

4. Know your short-term and long-term goals.

- Student Loan payoff? Car purchase? Starting a business?
- Write it down and make sure your spending matches your goals

5. Sign up for and contribute to your employer's retirement plan!

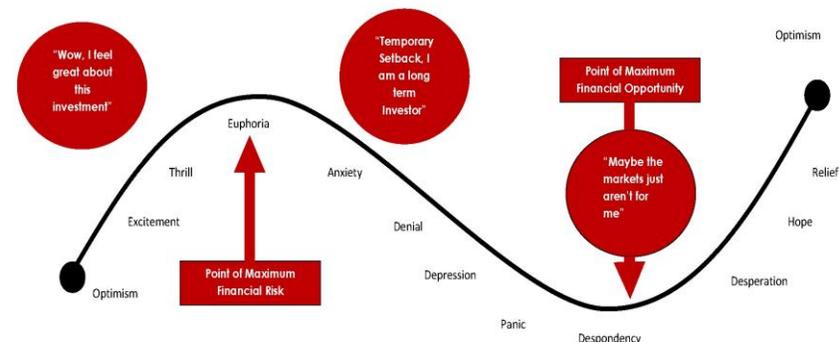
- a. Usually a 401(k)
- b. Contribute the minimum to at least get a company to "match". This is FREE MONEY!



Investment Principles – Know Thyself

It is a good idea to allocate your funds into different assets and to diversify your portfolio. Don't put all your eggs in one basket! When investing and deciding which asset classes to use, think of yourself— **what is your risk tolerance?** Some asset classes have more risk than others. But remember you're in it for the long term – some years will be bad for the stock market in general, but that doesn't mean you should jump ship.

The roller coaster of Investment emotion



Also ask, **how involved do you want to be?** You can manage your investments yourself, or hand the responsibility to someone else. Whatever you do, keep a watchful eye on what's happening with your money and don't be afraid to ask questions of the company you're using! **You are paying them via the fees being taken from your investments, so use them – and keep an eye on those fees too!**

Diversification vs Allocation

So what's the difference between allocation and diversification? Asset allocation is the *percentage* of stocks, bonds, and short-term investments you hold. Diversification is the act of investing in *different types* of these assets. You never want to choose all of one thing— there's too much risk.

So How Do I Get Started?

Good question! Start by researching, including books and online (see links on page 1). Once you leave Williams, if your employer offers a retirement plan, they should also offer free advice about investing (and not pressure you into buying specific stocks or life insurance plans!) Never be afraid to ask questions, but don't trust everything you're told.