Investing 101

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Rodgers & Associates
WEALTH ADVISERS

Let's Talk About …

- Saving
- Investing
- Investment Types
- Account Types
- Financial Apps

Saving or Investing?

- How can you tell the difference?

Saving or Investing?

Saving

- For an Emergency Fund
  - 3 to 6 months of expenses
- For Near-Term Goals
  - Vacation
  - Car Purchase
  - Home Down Payment

Investing

- For Long-Term Goals
  - College Expenses
  - Retirement

Ways to Save

- **Bank or Credit Union Checking/Savings Account**

- **High Yield Online Money Market Account**
  - It's a Bank Product
  - Accessible
  - FDIC Insurance
  - 'High Yield' is relative to current interest rates

Research current interest rates at https://www.bankrate.com/banking/money-market/rates/ for savings vehicles available in your area.

Examples:
SoFi Online Savings Account*

- 4.20% APY
- Minimum balance $0

VIO Bank Online Savings Account*

- 4.85% APY
- Minimum balance $100

*For reference only, as of 5/24/23

Saving Is

- The first step in investing

- Helps develop a pattern for investing by living below your means
  - Free up money for saving by plugging leaks in your budget.
  - Find $5/day and you can save $1,825/year. It's often easy to find much more than that by working through your regular expenses like your phone plan, car insurance, eating out, internet and cable.

Investing for Long-Term Goals

To accomplish long term goals like a comfortable retirement

- You need **TIME**
- You need **RETURN**
- You must accept **RISK (volatility)**

More reward typically means more risk

Consider the Effect of Time

It's more important than you think!

Compound Interest

@ 5% Interest Rate

Make Time Work for You

Age	Annual Contribution	Investment Return	Total Value at Retirement (Age 65)
20	$5,000.00	8.00%	$2,087,130.33
21	$5,000.00	8.00%	$1,927,528.09
22	$5,000.00	8.00%	$1,779,748.23
23	$5,000.00	8.00%	$1,642,915.03
24	$5,000.00	8.00%	$1,516,217.62
25	$5,000.00	8.00%	$1,398,905.20
26	$5,000.00	8.00%	$1,290,282.59
27	$5,000.00	8.00%	$1,189,706.11
28	$5,000.00	8.00%	$1,096,579.73
29	$5,000.00	8.00%	$1,010,351.60
30	$5,000.00	8.00%	$930,510.74
31	$5,000.00	8.00%	$856,584.02
32	$5,000.00	8.00%	$788,133.35
33	$5,000.00	8.00%	$724,753.10
34	$5,000.00	8.00%	$666,067.69
35	$5,000.00	8.00%	$611,729.34

Waiting just 5 years costs you $688,225.13...ouch!

Invest Now,
Invest Regularly

Major Types of Investments or Asset Classes

- Bonds
- Stocks
- Real Estate
- Cryptocurrency
- Commodities

Can be purchased:

Individually

OR

Collectively in

- Mutual Funds
- Exchange Traded Funds (ETFs)

What are Bonds?

Loaning your money to a company or government entity for a specified period of time in exchange for regular interest payments and the return of your principal at bond maturity

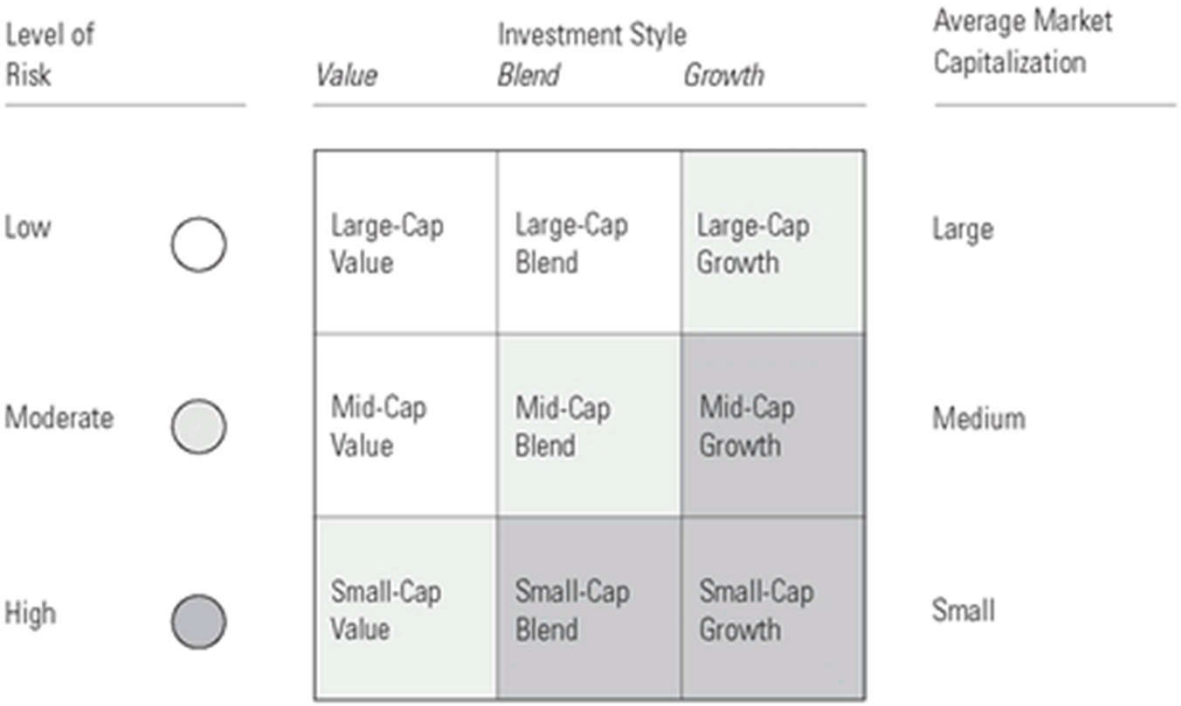
- **Corporate bonds**
  - Consider credit quality
  - Consider maturity – Short, Intermediate, Long
- **Government bonds**
  - Treasury bills (T-bills): 4, 13, and, 26 week maturity
  - Treasury notes: 2 to 10 years maturity
  - Treasury bonds: 30-year maturity
  - U.S. savings bonds can be purchased online at www.treasurydirect.gov
- **Municipal bonds**
  - Consider credit quality
  - Tax-free interest – but yields are often lower than corporate bonds or CDs
    - Need to evaluate Federal and State/local tax savings vs. yield
    - Consider if you are in a high tax bracket and are buying in a taxable brokerage account

What are Stocks?

Buying a part of a publicly traded company

- Highest potential rate of return/highest risk (volatility)
- Within stocks, so many choices
- Return comes from **appreciation** of the price of the stock from when you bought it, and **dividends** paid out by the company to shareholders
- Diversification is necessary – For example, we suggest 9 different stock asset classes for investment portfolios

Morningstar Style Box



Market Capitalization

A company's **capitalization** is the total value of all its stock—that is, the price of a company's stock times the number of shares outstanding

Large Cap	**Mid Cap**	**Small Cap**
Vanguard S&P 500 ETF	**Vanguard Mid Cap ETF**	**Vanguard Small Cap ETF**
Symbol: VOO	**VO**	**VB**
Top 10 Holdings:	**Top 10 Holdings:**	**Top 10 Holdings:**
Apple Inc	Synopsys Inc	Molina Healthcare Inc
Microsoft Corp	Occidental Petroleum Corp	Quanta Services
Amazon.com Inc	DexCom Inc	Marathon Oil Corp
Tesla Inc		
Alphabet Inc Class A	Cadence Design Systems Inc	Constellation Energy Corp
Alphabet Inc Class C	Amphenol Corp Class A	Entegris Inc
NVIDIA Corp	IQVIZ Holdings Inc	Targa Resources Corp
		Bio-Techne Corp
Berkshire Hathaway Inc Class B	Welltower Inc	Alcoa Corp
Meta Platforms Inc Class A		
UnitedHealth Group Inc	Nucor Corp	Brown & Brown
	Mircrochip Technology Inc	Atmos Energy Corp
	Avg Market Cap of all companies in ETF	
$ 191 Billion	**$ 23.4 Billion**	**$ 5.3 Billion**

These examples are for illustrative and discussion purposes only and may not be relied on in any manner as tax or investment advice or as a recommendation. Past performance is not a guarantee of future results.

Other Asset Classes

- Real Estate
  - Commercial, Residential, Industrial
- Cryptocurrency
  - Bitcoin, Ethereum, Tether
- Commodities
  - Oil, Silver, Gold

Types of Investment Risk

STOCKS

- General Market Risk
- Specific Business Risk
- Liquidity Risk
- Concentration Risk
- Foreign Investment Risk

BONDS

- Interest Rate Risk
- Credit Risk
- Liquidity Risk
- Reinvestment Risk
- Foreign Investment Risk

Investing Collectively

Why use Mutual Funds and Exchange Traded Funds?

- Easy way to invest in a variety of stocks and bonds -- DIVERSIFY
- Can begin investing with relatively small amounts

Investing Collectively

Mutual Fund

- Collection of Individual Investments, i.e. Stocks, Bonds
- Has Investment Manager/Team That Selects Investments
- Pays Dividends and Capital Gains Distributions
- Price Determined at the End of Each Day
- Varied Internal Expense Ratios (cost)

Exchange Traded Fund

- Collection of Individual Investments, i.e. Stocks, Bonds
- Usually Has a Passive Strategy or Filter(s) for Investment Selection Criteria
- Usually Pays Dividends Only
- Trades Intraday on the Exchanges
- Generally Lower Internal Expense Ratios (cost)

Investing First Steps

A B C

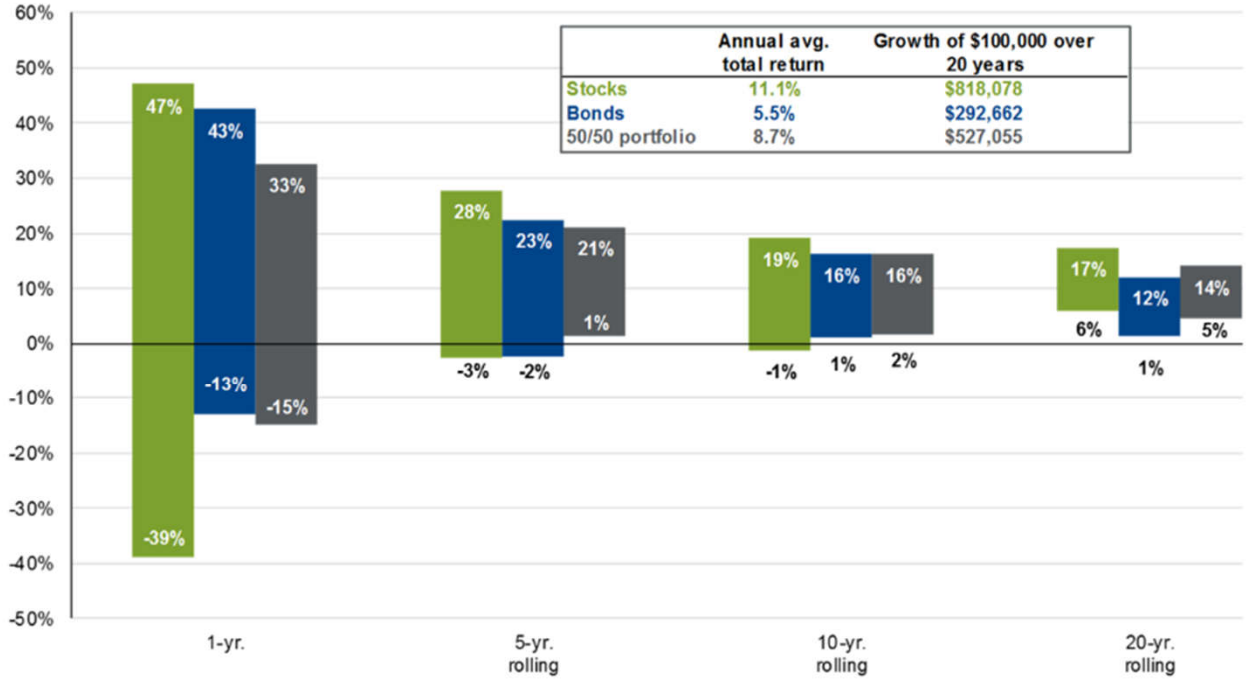
First Steps- A

- Get Educated
- Have a Plan
- Think Long-Term
- Understand Risk and Your Time Frame

Risk and Your Time Frame

Time, diversification and the volatility of returns

Range of stock, bond and blended total returns
Annual total returns, 1950-2022



	Annual avg. total return	Growth of $100,000 over 20 years
Stocks	11.1%	$818,078
Bonds	5.5%	$292,662
50/50 portfolio	8.7%	$527,055

Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management.

Returns shown are based on calendar year returns from 1950 to 2021. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2022.

Guide to the Markets – U.S. Data are as of April 30, 2023.

J.P.Morgan
ASSET MANAGEMENT

First Steps- B

- Determine Your Allocation

Extensive research has shown that, if you have a diversified portfolio, an incredible 88% of your experience (the volatility you encounter and the returns you earn) can be traced back to your asset allocation.*

- Choose Your Assets
- Diversify

* Source: Vanguard, The Global Case for Strategic Asset Allocation (Wallick et al., 2012).

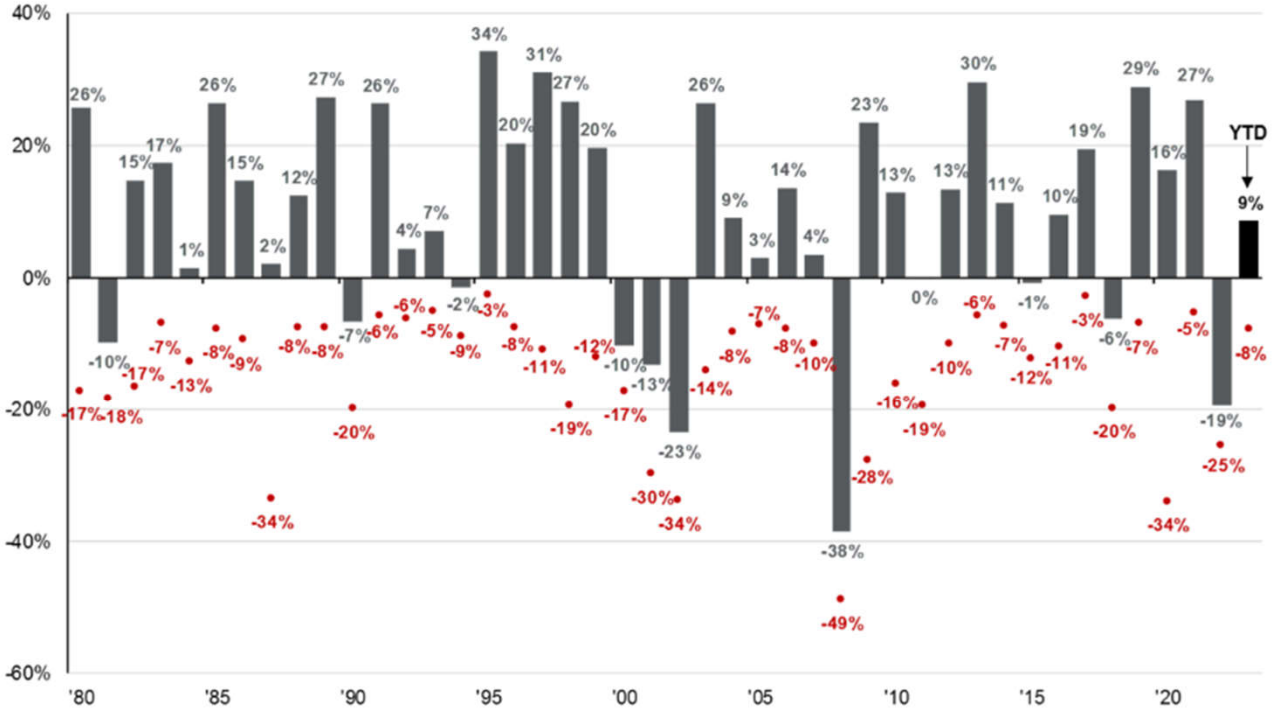
First Steps- C

- Don’t Try to Beat the Market
- Plan to Achieve Your Goals with Market Returns
- Expect and Embrace Volatility
- Minimize Fees when Possible

Expect Volatility

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2022, over which time period the average annual return was 8.7%.

Guide to the Markets – U.S. Data are as of April 30, 2023.

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What Types of Accounts to Use

- For Children's College:
  - 529 Plan
  - Custodial account (ie. UTMA, UGMA)
  - Roth IRA – Your Own, must have wages

    ($6,000/year for 18 years = $108,000)

- For Retirement:
  - Company Sponsored Retirement Plans (ie. 401(k), 403(b))
  - Traditional IRA
  - Roth IRA
  - Taxable Account

Tips for Your Company Sponsored Retirement Plan

For many employees, it's their first and most powerful investment

- Contribute at least enough to get any company matching contributions
- Increase your contribution every year with raises
- Take advantage of the company provided financial adviser and any financial tools

Company Sponsored Retirement Plans

- Choose your funds from the roster
  - Retirement Year Funds are already allocated for your age. They are on a glide path to become more conservative as you approach retirement.
  - OR Lifecycle Funds (Conservative, Moderate, Aggressive).
  - OR choose both stock and bond funds in the right mix for your time horizon.

Company Sponsored Retirement Plans

- Rebalance
- Limit Company Stock
- No loans or withdrawals unless absolutely necessary
- Don’t abandon your 401k when you change employment
  - Rollover to an IRA or into your new company plan
- If you are 401(k) poor, you may be retirement rich

Where to Open Accounts

Open Traditional IRAs, Roth IRAs and taxable accounts at an investment management company like:

- Vanguard
- Fidelity Investments
- Schwab
- E-Trade
- TD Ameritrade

Financial Apps

Apps

- PayPal, Venmo, CashApp
  - Send money to friends, family, and some businesses
  - Connect with bank account
- Mint, EveryDollar, Personal Capital
  - Budgeting and monitoring accounts
  - Track spending and wealth

This is a partial list of available apps. This list should not be construed as a recommendation or endorsement.

Financial Apps (cont.)

Apps

- Credit Karma
  - Monitor credit score
  - Tips to improve credit score
- Your bank
  - Check for an app from your bank or credit union
  - Quick access to your account balance, transactions, ability to “lock” your bank debit card, and more

This is a partial list of available apps. This list should not be construed as a recommendation or endorsement.

Financial Resources

Resources

- Investopedia.com
- NerdWallet.com
- MarketWatch.com
- ThePennyHoarder.com
- Rodgers-Associates.com

Look for our survey

You can help us make our seminars even better!

Please complete the short, anonymous survey arriving shortly in your email.

Thank you!

Upcoming Seminars

Hearing Loss & Cognitive Health: What You Need to Know

Tuesday, June 27, 2023

11:00 AM

Bring a Friend to Dinner (Location: Lancaster Country Club)

Wednesday, June 28, 2023

6:00 PM

Pulse of the Market: Where Are We Now?

Thursday, July 20, 2023

11:00 AM