Invest: Its not what you make

but what you do with it that matters

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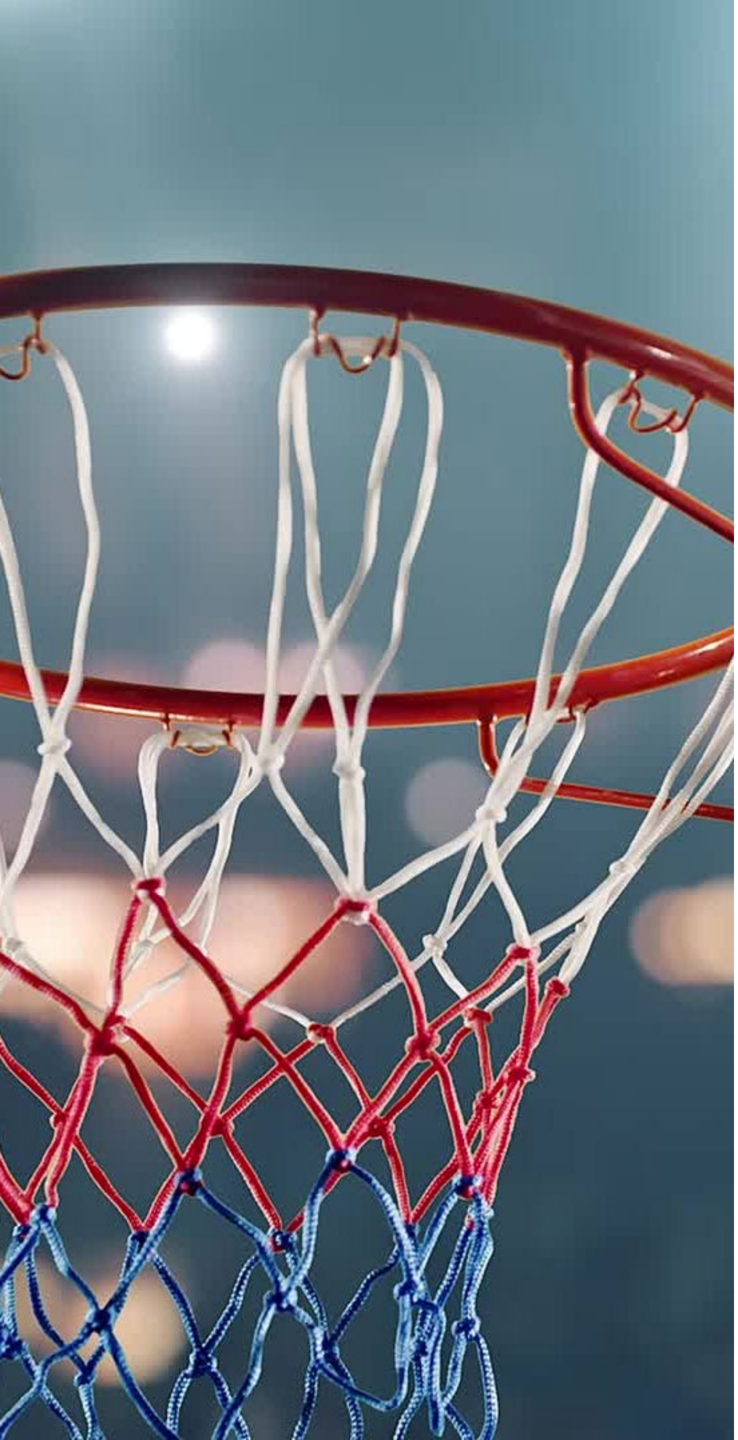
DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL

MONEY SCHOOL



Appreciate your worth

Most of us work 40 years.

At $15,000 a year, you are worth $600,000!

At $25,000 a year, you are a million bucks!

At $40,000 a year, $1,600,00!

At $50,000 a year, $2,000,000!

According to a 2016 report, 73 percent of people had outstanding debt of $61,544 at the time of their death.

Show me the money, I don't have

A day	A month	A year	How?
$1	30	360	Share to save
$2	60	720	Gym membership gets a new look
$3	90	1080	Thing before you drink
$4	120	1440	
$5	150	1800	

Think before you drink. You could be saving at least $100 a month.

Cancel the gym. You could be saving $50 a month.

Keep your thermostat in check. You could easily save $10 a month.

Share to save. Buy in bulk with family & friends, save about $30 a month.

Stop paying others to do it for you. You can count on about $50 a month.

If you invest for 30 years

Assumptions: Interest compounds annually. And, you save each month for 30 years.

Investment each month	Wealth at 5%	Wealth at 10%	Wealth at 15%	Your total investment over 30 years
$10	7,973	19,739	52,169	3,600
$50	39,863	98,696	260,847	18,000
$250	199,316	493,482	1,304,235	90,000

Learn about Investing

1. Dollar cost averaging
2. Rule of 72
3. Magic of compounding
4. Cost of waiting
5. Time value of money
6. Never lose your principal
7. Diversify

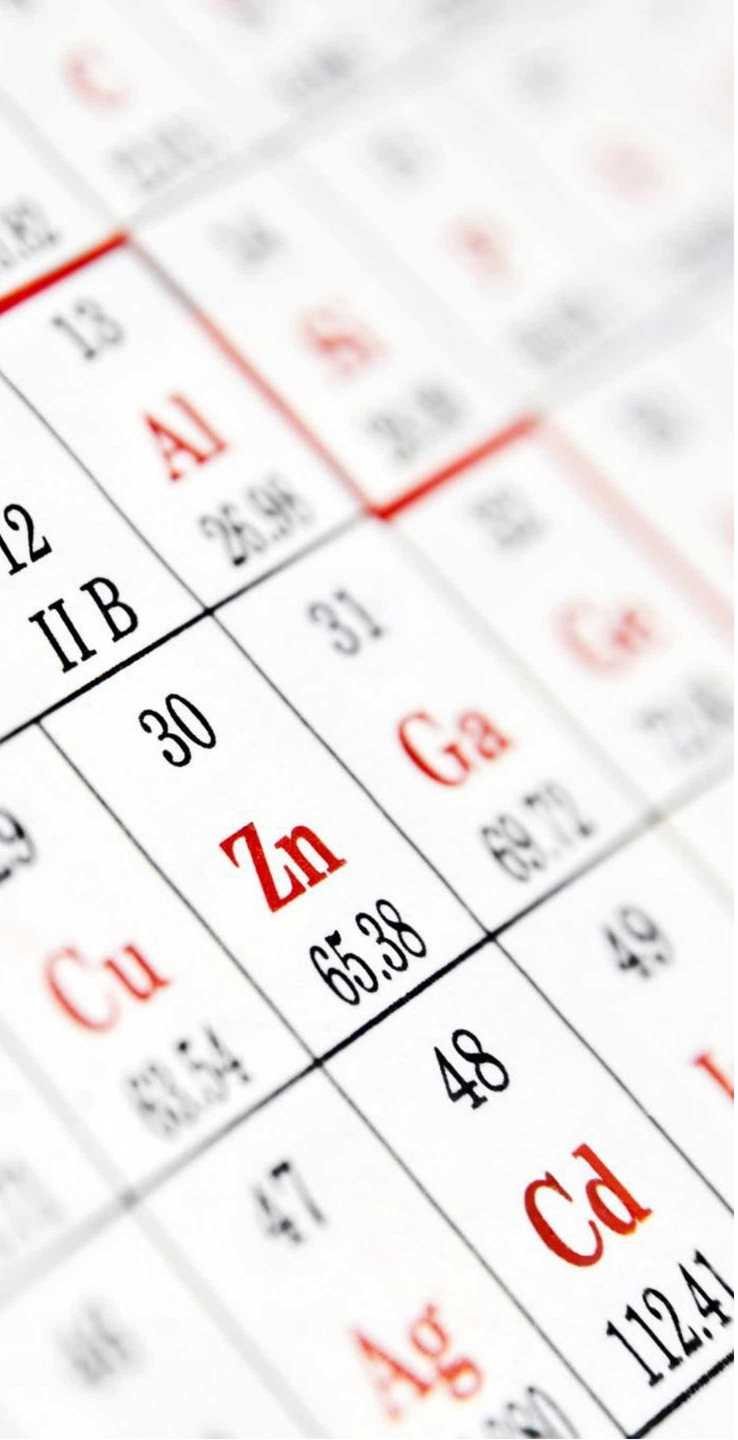
Dollar Cost Averaging

Invest the same amount, at the same time, in the same investment, even during bad economic times.

Fixed amount. When the price of shares is low, you buy more shares. When the price of shares is high, you buy fewer shares. Over time, the average cost of shares is lower.

Regularly. At the same time, in the same investment.

Through any economic scenario. Even during bad times. Bad personal financial times. Bad national economic times.



Rule of 72

72/interest rate = number of years your money to double

At this rate			Years for your money to double
4%	72/4	=	18 years
10%	72/10	=	7.2 years
16%	72/16	=	4.5 years
20%	72/20	=	3.6 years

Magic of compounding

If you put away $1,000 in an investment today, depending upon the interest rates and how long you don't touch it, it could well become a million dollars! Say, $1,000 to a newborn earning 15% a year—compounded annually turns to $1,083,657 on their 50th birthday!

Rate	20 years	30 years	40 years	50 years
10%	6,727	17,449	45,259	117,390
15%	16,366	66,211	267,863	1,083,657

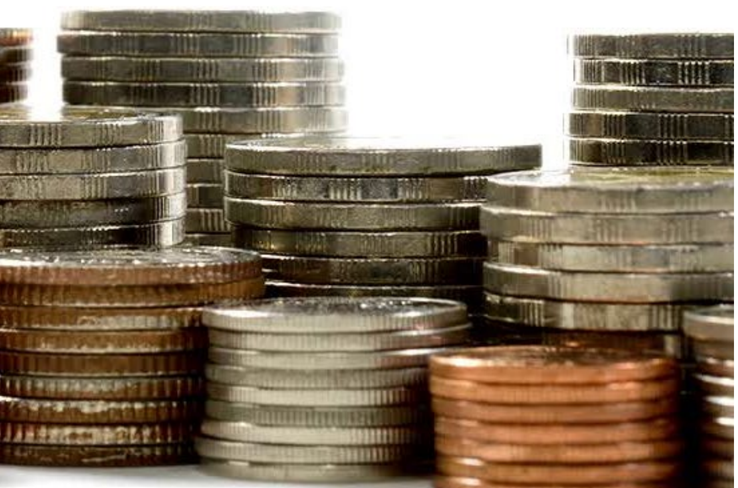
Cost of waiting is high

If you are 55 years old, you cannot afford to take too many risks. So you will likely invest safely at 5%. When you turn 65, you get 100,000 by saving 77,738.

If you are 25 years old, you can take chances. So you will likely invest at 15%. When you turn 65, you get 100,000 by saving 2,107.

Cost of waiting was 75,631.

Time Value of Money



To get 1,000,000 in 40 years you can:

- Save every month OR
- Put a lump sum away

Save 44/month at 15% for 40 years for a total of 21,072

OR

Put away 3,733 at 15% for 40 years.

Cost of waiting was 21,000

Don’t put all your eggs in one basket

1,000 for 25 years at 8% yields 6,848.

You could split them in four pools

- 250 at 0% yields 250
- 250 at 5% yields 846
- 250 at 10% yields 2,708
- 250 at 15% yields 8,229
  - Your 1,000 became 12,035

Never lose your principal

1. If it is too good to be true…
2. Consult. Two heads are better than one.
3. “Trust me” without more … Don’t trust.
4. “Insider trading” is against the Law.
5. All investments involve risks.
6. DO NOT BE PRESSURED
7. Scam artists are criminals. Report them.
8. You make money or lose it when you cash your investment.
9. Markets will fluctuate. You DO NOT LOSE money even when markets fail UNLESS YOU PANIC and WITHDRAW.

Plan to retire wealthy

1. Know your retirement needs.
2. Find out about your social security benefits.
3. Contribute in profit sharing or pension plan.
4. Contribute in a tax-sheltered savings plan.
5. Ask your employer to start a plan.
6. Invest in individual retirement accounts.
7. Do not touch your savings.
8. Start today. It is never too late.
9. Know basic investment principles.
10. Ask questions.

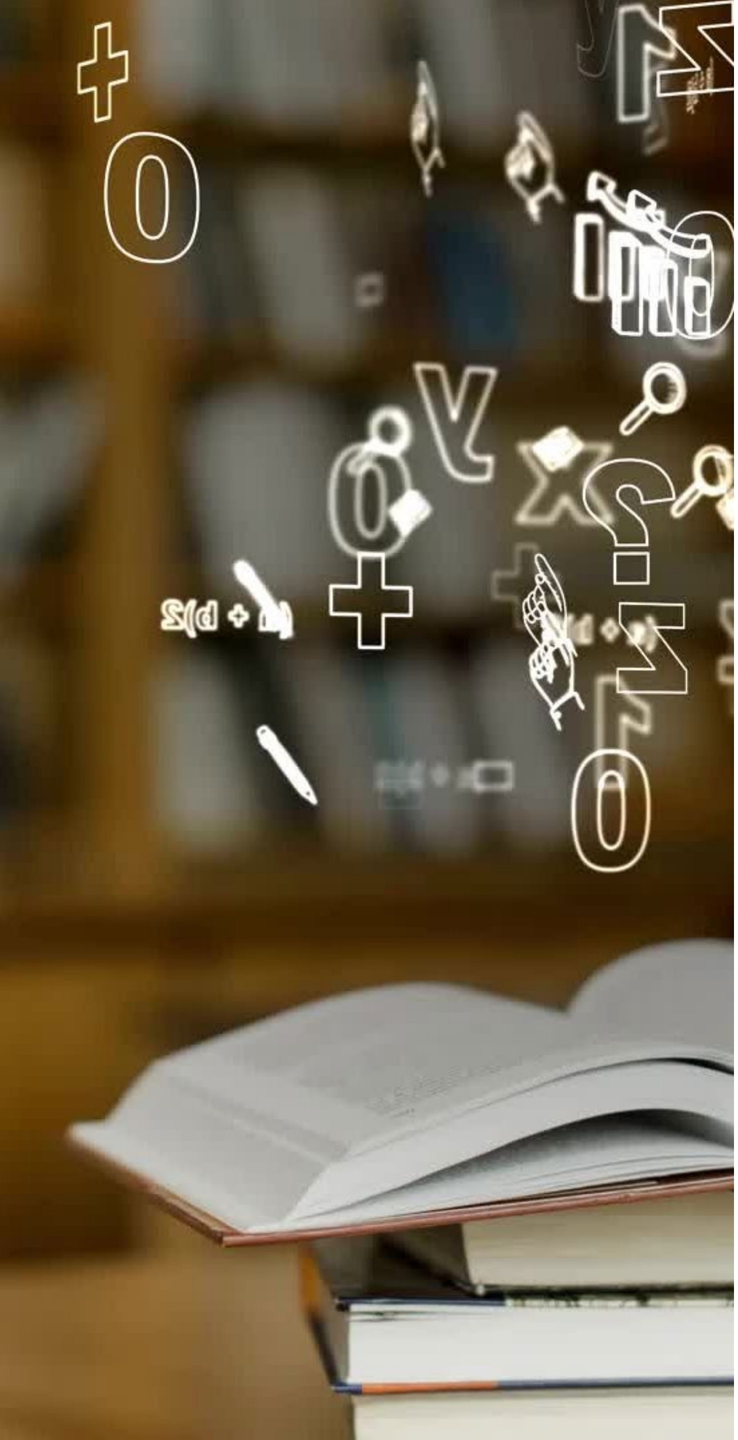
Monthly saving goal

Assumes an interest rate of 10% over the years, compounded annually.

Higher the goal, larger the money needed each month.

Longer the time, less the money needed each month.

Nest egg	200,000	300,000	400,000	500,000	1,000,000
10 years	980	1,465	1,955	2,440	5,220
20 years	265	395	525	660	1,450
25 years	150	225	300	660	845
30 years	100	150	200	250	500



Invest in Education

1. Begin Your Child’s College Fund TODAY.
2. Don’t Stop Investing in Your Retirement Plan.
3. Don’t Withdraw From Your Retirement Plan.
4. Education IRAs?
5. Savings Bonds?
6. Scholarships?.
7. Develop An Action Plan.
8. Ask questions.

Invest wisely

1. FDIC insured investments (really deposits) earn the lowest returns.
2. Know your risk aversion level.
3. Wall Street investments are not FDIC insured.
4. Mutual funds invest in stocks & bonds.
5. Bonds=debt securities or loans.
6. Stocks=equity securities.
7. Invest your age conservatively, the rest aggressively.
8. Apply the rules and concepts of investing.
9. Protect your investment.
10. Ask questions.

Mutual Funds

A mutual fund is **a company that pools money from many investors and invests the money in securities** such as stocks, bonds, and short-term debt.

The combined holdings of the mutual fund are known as its portfolio.

Each share represents an investor's part ownership in the fund and the income it generates.

One way to diversify!

Bonds (Wall Street)

When you invest in a Bond Fund, you become the bank.

Your investment is loaned out.

Since these are loans, they are linked with interest rates. Remember what you did with your high interest rate mortgages! You refinanced.

Often Corporations and Governments borrow money through issuing bonds.

Municipal bonds (issued by states or local municipalities) are largely for public works projects.

Those AAA, B, etc. ratings you have heard of, they are the credit scores.

The higher the score, the lower the risk and therefore rate!

Stocks (Wall Street)

A stock is an equity security or direct investment in a company through purchase of stocks or shares.

Each stock that you own in a company represents your share of ownership in that company or a part of that company.

You can make money if and only if that company does well.

As a stock owner in a company, you are a shareholder. You have a right to elect board members and take part in other matters. You will get a proxy statement that gives you information about the matter, which requires your vote.

Annuity

An annuity is **a long-term investment that is issued by an insurance company** and is designed to help protect you from the risk of outliving your income.

Through annuitization, your purchase payments (what you contribute) are converted into periodic payments that can last for life.

Similar in a way to a pension plan.

Investing Strategy

Invest your age conservatively, the rest aggressively

- Safest—Bank savings/deposits
- Riskiest--Stocks

"Invest your age conservatively"

- If you are 20 years old, invest 20% safely.
- If you are 40 years old, invest 40% safely

"Rest aggressively" means 100 - your age

- If you are 20 years old, invest (100-20) 80% in risk.
- If you are 40 years old, invest (100-40) 40% in risk.

Let your instincts and your personality guide your investment strategy.

Know what is a conservative investment for you.

Know what is an aggressive investment for you.

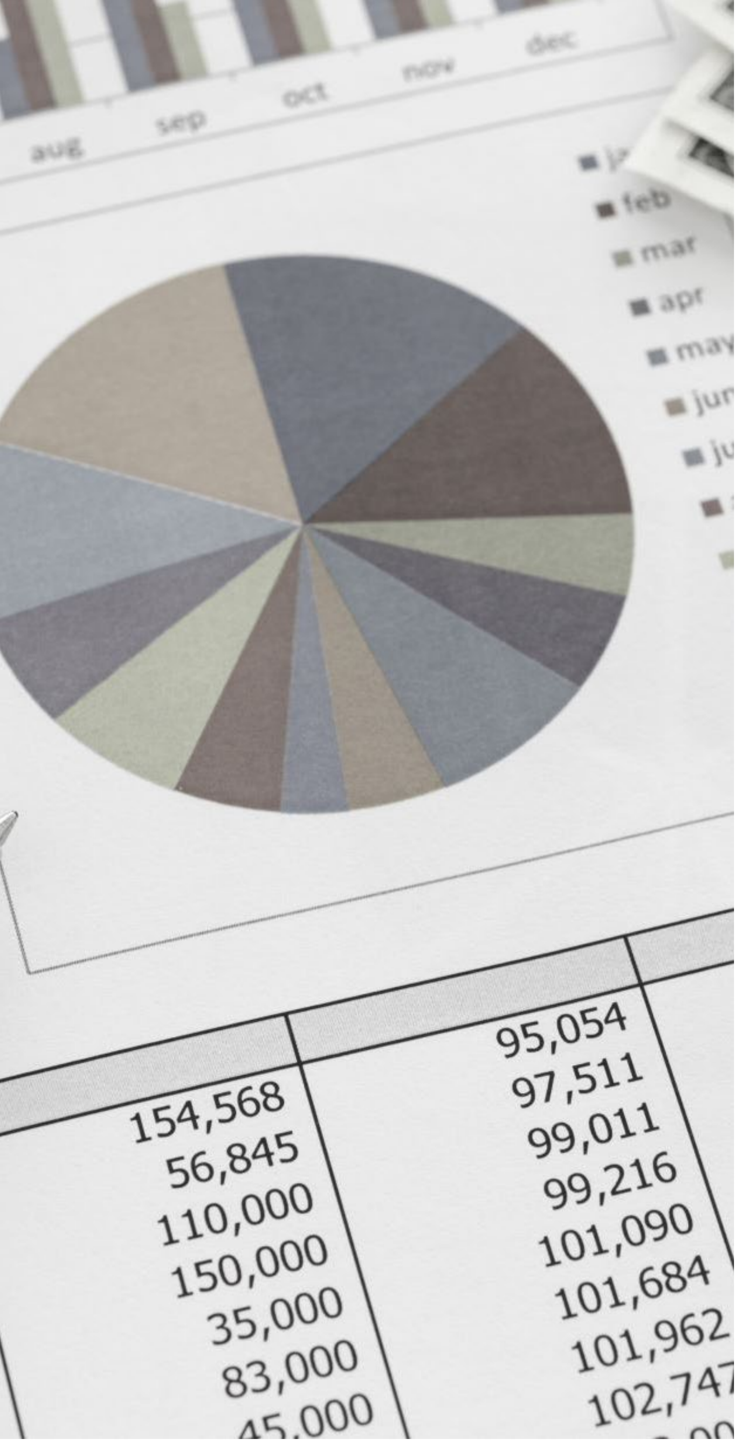
Don’t touch

Until the time is ripe.

You don’t make money until you cash in.

You don’t lose money until you cash in.

In fact, when the market is unwell, think of it as buying stocks on sale.



Start TODAY

Invest some in stocks

As **little as $10--to purchase a stock. ...** Common stock-purchasing methods include 401(k) plans (offered through employers), or private stock options such as Roth IRAs and brokerage accounts.

Diversify

- Stocks—by industry, company, class, geography, etc.
- Bonds—local, municipal, international, emerging markets, etc.
- Home—your own home debt free; rental property? REITs?
- Mutual Fund—are already diversified
- Annuity—a portion of your future needs
- Cash—liquidity
- Treasury Notes—a little more secure

To sum up: Part 1

1. Save 1 months' income for liquidity

2. Save 3 months' income for emergencies

3. Save for a major purchase

4. Be a homeowner

5. Max out your IRAs; especially when employer matches

6. Traditional IRA vs. Roth IRA—know the difference

To sum up: Part 2

7. Learn about annuities

8. Learn about mutual funds, stocks, bonds, and invest.

9. Hire a wealth planner

10. You can start TODAY with as little as $10 a month.

11. As you plan investments, build a DEBT-FREE plan. Even small extra payments help.

12. Net worth = Assets (investments) – Liabilities (debt)