Basics of Investing and Financial Opportunity

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Why Should I Invest?

- Outpace inflation
  - Savings account return for most banks <0.15%
  - U.S. Inflation rate in 2022 = 8.3%
- Grow wealth
- Save for retirement
- Build on pre-tax dollars (401k, Roth IRA)
- Money for children's college

Before Investing

- Questions to consider:

  - What are your long-term goals?
  - What is it you look to get out of investing?
  - How quick do you want a return on investment?
  - Do your emotions peak when you have lost or gained money?
  - How long do you want to work?
  - How much money would you like to have when you retire?

"An investment in knowledge pays the best interest." — Benjamin Franklin

Investing Terms To Know

- Types of investments
  - **Index Funds**
  - **ETFs**
  - **Stocks**
  - Mutual Funds
  - Hedge Funds

- Types of investment accounts
  - Standard Brokerage
  - Retirement Accounts
    - Traditional IRA
    - **Roth IRA**
    - 401K

Which Investment Type is Best?

- Individual stocks have tremendous upside (if you pick the right one!)
- Index funds and ETFs are simple ways to diversify your portfolio while paying low management fees (and they have done historically well matching the market!)
- *"Don't look for the needle in the haystack. Just buy the haystack!"* — John Bogle
- Mutual Funds and Hedge Funds are actively managed accounts with high management fees (that historically do not perform better than index funds or ETFs!)
- Avoid paying unnecessary fees – this can be detrimental to profit!
  - Small company 401k
  - Mutual funds and actively managed accounts
  - Some ETFs and Index funds

When Should You Invest?

- The simple answer to this question is – nobody knows! Nobody can accurately predict where the market is going – so do not try and predict the market – it will fail you!

- *" The only value of stock forecasters is to make fortune-tellers look good."* – Warren Buffett

- Long-Term investing has proven to be the most effective way to accumulate wealth in the market

- Use market trends and financial strategies that have worked for decades to your advantage

Long-Term Investing

- Most people who invest money tend to out money in at the wrong time and take money out at the wrong time.
- Investing for the long term is a proven way to combat this phenomenon
- Over the past 20 years (2001-2021), the average annualized return on the S&P 500 is 9.87%.
- Many market investments have dividends on a quarterly to annual basis – Free Money!!!
- Risk is drastically minimized when an investor buys and holds
- Patience pays!

Age	Chris	Amount	Mike	Amount
19	3600	3960		
20	3600	8316		
21	3600	13107.6		
22	3600	18378.36		
23	3600	24176.196		
24	3600	30553.816		
25	3600	37569.197		
26	3600	45286.117		
27		50174.729	3600	3960
28		55192.201	3600	8316
29		60711.422	3600	13107.6
30		66782.564	3600	18378.36
31		73460.82	3600	24176.196
32		80806.902	3600	30553.8156
33		88887.592	3600	37569.19716
34		97776.352	3600	45286.11688
35		107553.99	3600	53774.72856
36		118309.39	3600	63112.20142
37		130140.32	3600	73383.42156
38		143154.36	3600	84681.76372
39		157469.79	3600	97109.94009
40		173216.77	3600	110780.9341
41		190538.45	3600	125819.0275
42		209592.29	3600	142360.9303
43		230551.52	3600	160557.0233
44		253606.67	3600	180572.7256
45		278967.34	3600	202589.9982
46		306864.08	3600	226808.998
47		337550.48	3600	253449.8978
48		371305.53	3600	282754.8876
49		408436.09	3600	314990.3763
50		449279.69	3600	350449.414
51		494207.66	3600	389454.3554
52		543628.43	3600	432359.7909
53		597991.27	3600	479555.77
54		657790.4	3600	531471.347
55		723569.44	3600	588578.4817
56		795926.38	3600	651396.3298
57		875519.02	3600	720495.9628
58		963070.92	3600	796505.5591
59		1059378	3600	880116.115
60		1165315.8	3600	972087.7265
61		1281847.4	3600	1073256.499
62		1410032.1	3600	1184542.149
63		1551035.4	3600	1306956.364
64		1706138.9	3600	1441612
65		1876752.8	3600	1589733.2
Total Investment	28800		140400	

Time is a more important factor to investing than amount in $$$ put in

Chris started investing $3600 per year at age 19 and stopped investing completely by age 26. The total amount he invested was $28,800

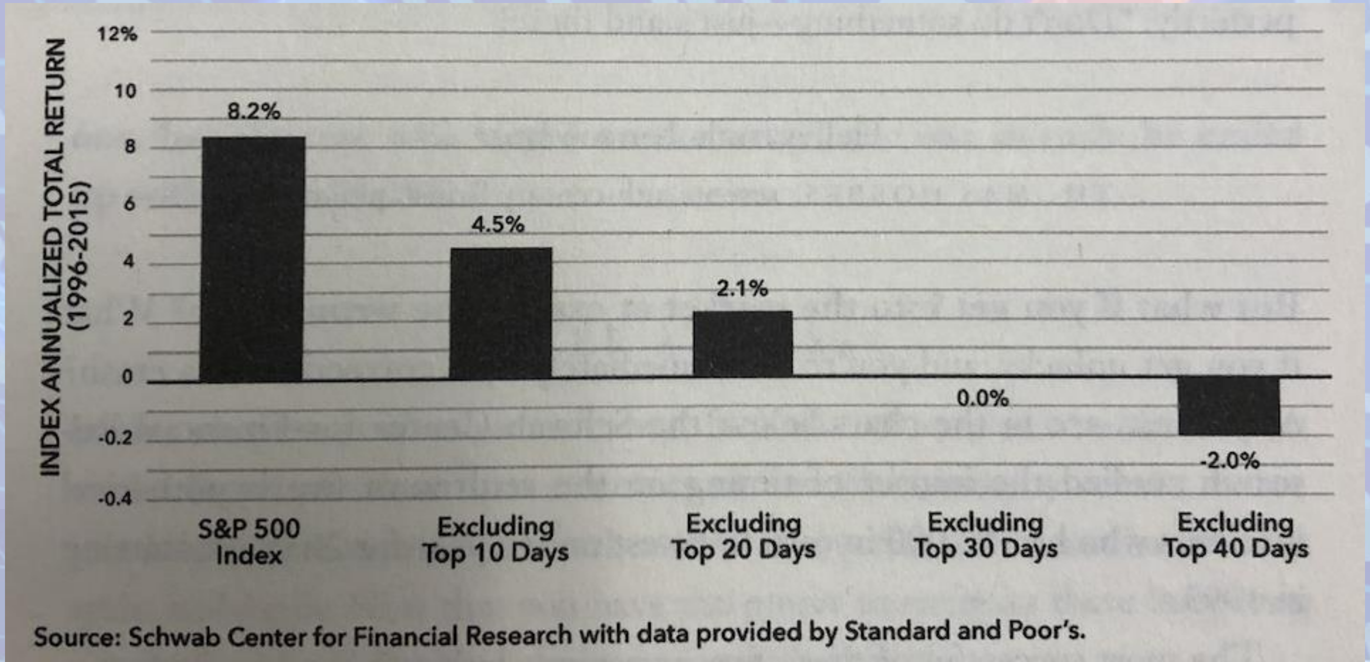
Mike started investing $3600 per year at age 27 and kept investing that amount annually until the age of 65. The total amount he invested was $140,400

Chris retired at age 65 with $1,876,752

Mike retired at age 65 with $1,589,733

Stop Missing Out!

- From 1996 through 2015 the S&P 500 returned an average of 8.2% a year
- Caveats
  - If you missed the top 10 trading days during those 20 years, your return dwindled to just 4.5% a year
  - If you missed 10 days out of 7300 (.13% of the time), your returns were nearly cut in half!!!



The Bad?

- Market Correction: when a market falls by at least %10 from its peak

- Bear Market: when a market falls by at least %20 from its peak

- Times of major uncertainty where people tend to act irrationally on emotions

- *" The biggest danger isn't a correction or a bear market, it's being out of the market*" – Tony Robbins

Navigating Uncertainty

- Since 1900, there has been a market correction **every single year,** the market has always recovered!
  - Fewer than one in five corrections escalate to bear markets (80% don't!)
  - Historically, the average correction has lasted around 54 days
- Since 1900, on average, a bear market occurs one in **every three years**
  - Bear markets vary widely in duration
  - Anywhere from 45 days to nearly 2 years (on average they last a year)
  - The U.S. Stock market has always navigated out of bear markets and turned into bull markets!!!

Tremendous Opportunity

- Investing in a market that has recently crashed can be one of the single biggest wealth accumulators you will ever have the opportunity to cash in on, but it is not easy to be confident when others are scared – if you are uninformed!

"Be fearful when others are greedy. Be greedy when others are fearful." — Warren Buffett

Diversification is Key

- To minimize risk, investors need to have diversified assets that will perform well over the long term (Don't put all your eggs in one basket!)
- A well comprised portfolio should include the following
  - Market Investments (Stocks, ETFs, Index funds, Mutual funds)
  - Bonds
  - Real Estate
  - Gold?
  - Cryptocurrency?

" Successful investing is about managing risk, not avoiding it."
- Benjamin Graham

Biotech Investing

- Volatile, but upside is tremendous
- Robinhood, Webull, other investment apps where you can open standard brokerage accounts make it easy to invest!
- Fractional shares = don’t be scared
- Invest as much as you’d like, just get your feet wet

Going Forward

- Trust your knowledge, not your instinct (diamond hands)
- Any informed and knowledgeable investment is a good investment (remember how time matters more than amount)
- Investing at any time is rarely a bad thing (but know that risk is always involved)
- Spread your knowledge to others
- Don’t forget about me when you’re rich