



Investing Matters

A Component of BestPrep's Financial Matters Program

Presenter Info: Name and Company



TODAY'S DISCUSSION

Understand why investing is important

Discuss types of investments

Understand risk and diversification

Importance of investing early





Financial Goals

1:00

Pair up with another student near you and brainstorm a few examples of financial goals.

Guiding questions:

- What do you want to buy soon?
- What do you want to purchase in the far future?
What are you saving towards?
- How do you envision for yourself as an adult? What does financial success look like for you?

WHAT IS INVESTING AND WHY SHOULD YOU INVEST?

Investing is putting time or money into something with the hope of getting something greater in return.

We invest to...

- help meet long term goals
- create financial opportunities and independence
- contribute to family expenses
- make our money work for us





Brainstorm – What Are My Investing Goals?

Pair up with a different student and share your own investing goals or activities. Make an investing goal if you don't already have one.

Save or Invest?

SAVE for short-term goals (less than 5 years)

INVEST for long-term goals (more than 5 years)

- You are just out of college and want to set money aside for retirement
- You want to go on a week-long vacation or road trip with friends
- You have a child and want to put money away for her to attend a 2- or 4-year college
- You want to buy a guitar signed by your favorite musician

Define Your Financial Goals

Short: 1-5 Years

- Buy a car
- Vacation
- Save for college
- Apartment rental deposit

Medium: 5-10 Years

- Start a business
- Down payment for a house
- Pay for a wedding

Long: 10+ Years

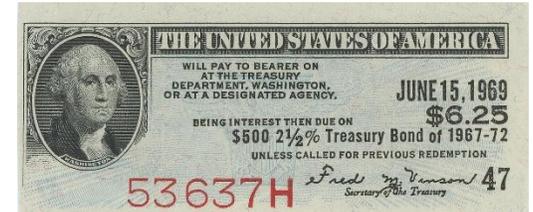
- Start a business
- Buy a house
- Retirement

Types Of Investments

- **STOCKS:** part ownership in a company
- **BONDS:** A loan to a company or government unit



Lender → Bonds → Borrower → Interest Paid to Lender



- **MUTUAL FUNDS:** A group of different types of investments

Stocks

- Own a share of a company
- Have a right to the profits of the company
... and losses!
- Ideally the value will go up to be sold in the future



Accounts with Stocks

401k
IRA
Retirement Account
Brokerage
529 College Savings
Roth IRA
Hedge Fund
Health Savings Account (HAS)

Online Savings Accounts
Free Checking account
Piggy Bank
High Yield Checking
Property Management
Money Market Account
Regular Savings Account
Wallet

Bonds

- Loan to a company or a government unit
 - Fun Fact: Bond market is larger than the stock market
- Earn interest as you hold the bond
- If a company goes bankrupt, bondholders will be paid before stockholders
- The rate of return is connected to riskiness of the company



Accounts with Bonds

401k
IRA
Retirement Account
Brokerage
529 College Savings
Roth IRA
Hedge Fund
Money Market Account
Health Savings Account
(HSA)

Online Savings Accounts
Free Checking account
Piggy Bank
High Yield Checking
Property Management
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Mutual Funds and Exchange Traded Funds

- Many investors pool funds together to buy a diversified portfolio (basket of investments)
- Often stocks, bonds, or both
- Professionally managed (individual does not pick what they invest in)
 - Actively managed – higher cost
 - Passively managed – lower cost

Example: buying the same stocks as in the S&P 500



Real Assets

Most common asset in this category: Owning a home



Can also include rental property, land, or other tangible assets like gold,
jewelry, art, sports memorabilia
Generally, not as easy to turn to cash as other assets

Accounts with Real Assets

401k
IRA
Brokerage
Property Management
Hedge Fund
Wallet

Online Savings Accounts
Retirement account
Free Checking account
Piggy Bank
529 College Savings
High Yield Checking
Roth IRA
Money Market Account
Regular Savings Account
Health Saving Account (HSA)

Investment Risk

- **Risk** – The chance that you will lose all or part of your investment
- **Levels of Risk**
 - Low/Conservative
 - Moderate
 - High/Speculative



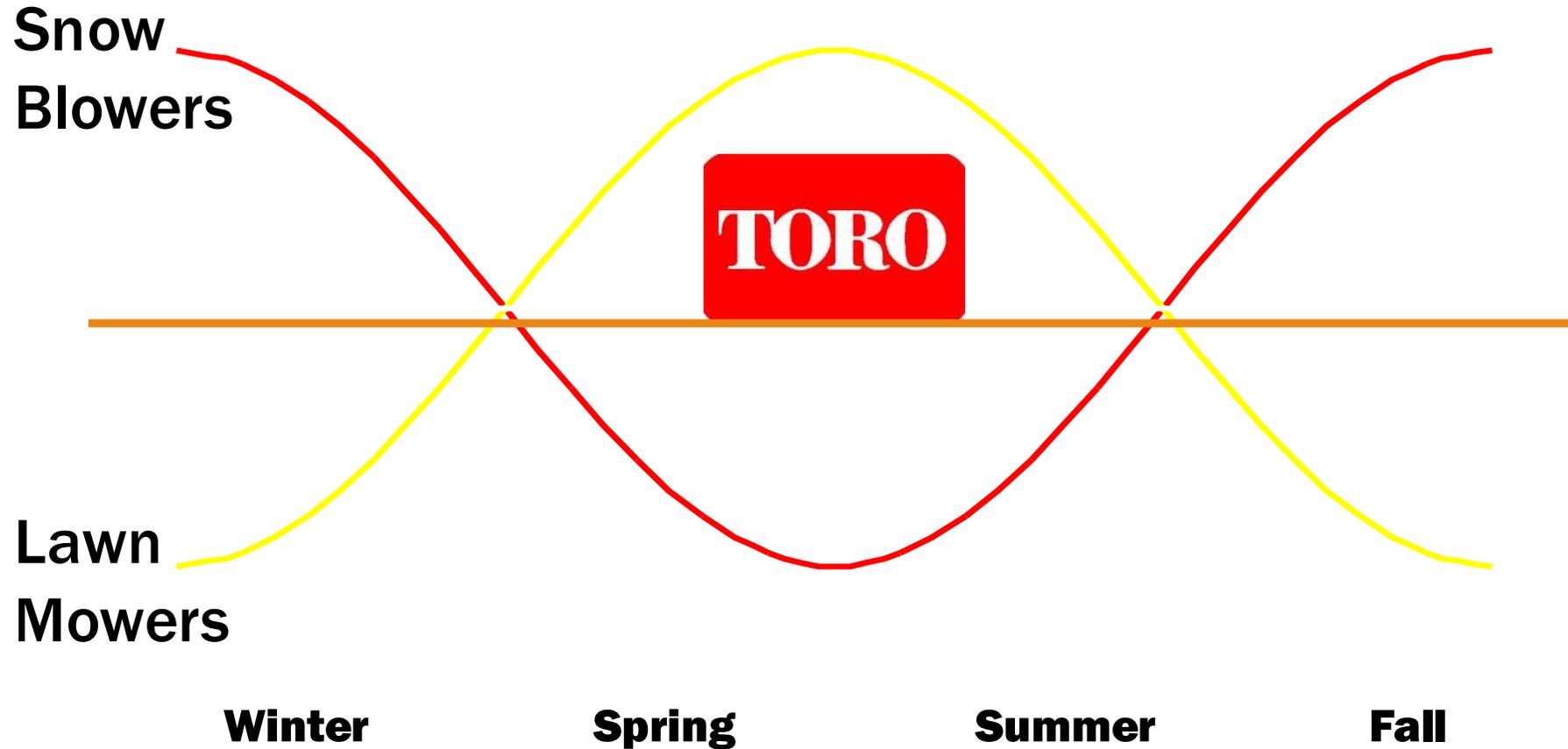
Spectrum of Investments

More Risk, More Gain/Loss



Less Risk, Less Gain/Loss

Diversification: Managing Risk



How Much Risk Can You Take?

Risk Tolerance:

1. *Desire* to take risk – can you stomach the volatility?
2. *Ability* to take risk –
How would you be affected by not reaching your goal?
What is your time horizon?



Inspire. Educate. Connect.

**Let's take a
quiz!**

Don't worry it's not graded.



Stock Exchanges

- Stock exchange – organized marketplace where stocks are bought and sold
- Major stock exchanges
 - New York Stock Exchange (NYSE)
 - NASDAQ
 - Tokyo Stock Exchange
 - London Stock Exchange



Why Do Stock Prices Change?

Stock Price – indicates what investors believe the company is worth

Things to consider:

- Profits
- New products
- Accidents or problems with products
- Industry trends
- News and events



When Should You Begin Investing?

Start now!

Any amount counts

Take advantage of and understand the power of interest

Time is on your side

Starting small is okay



Time and the Power of Compound Interest



Mai begins investing at age 15.



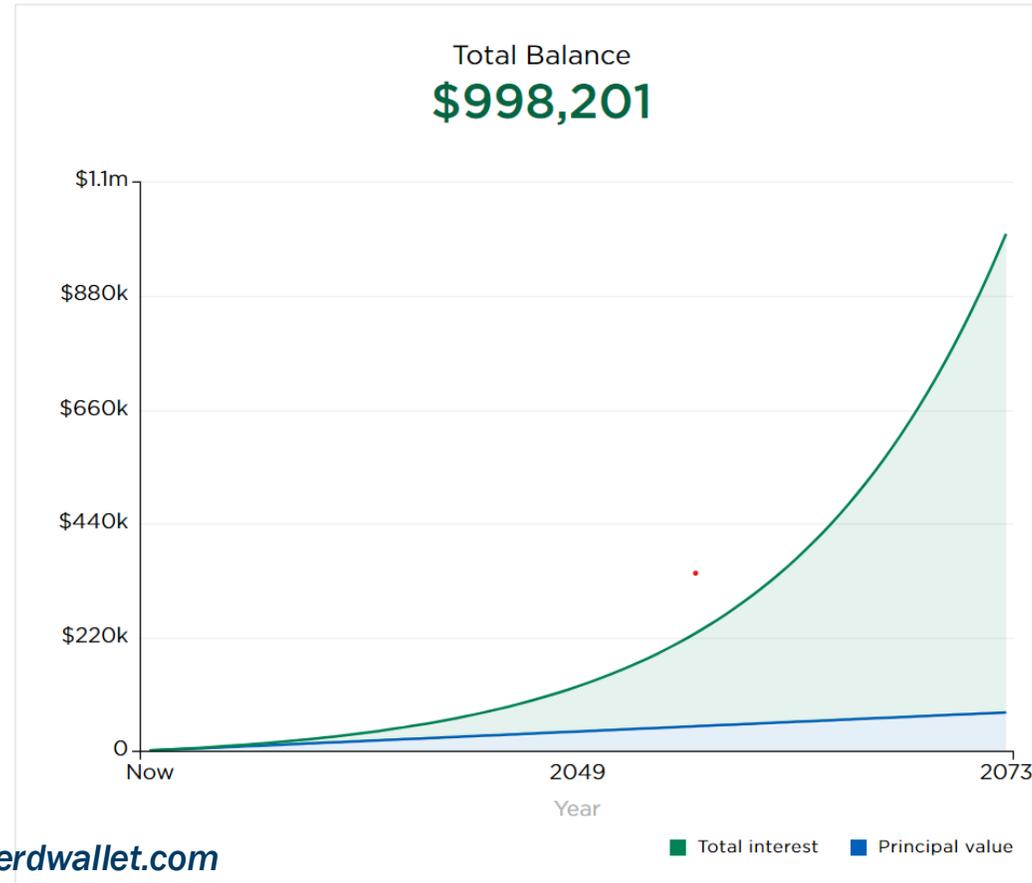
John begins investing at age 25.

Both start with \$125 and contribute \$125 every month – about \$30 per week.
They earn an 8% annual return.

How much will each of them have when they turn 65?

Mai's Investing

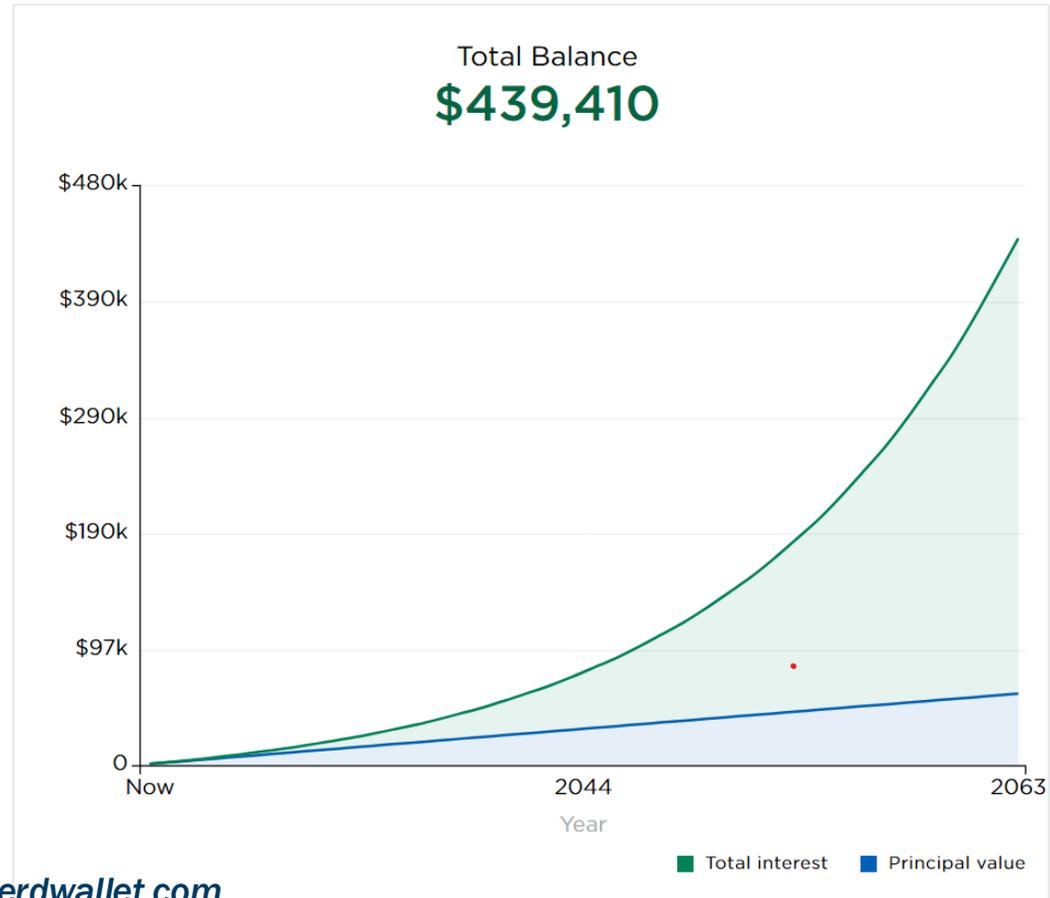
Mai begins at age 15,
\$125 per month, or
about \$30 per week.
She invests for 50 years,
until she's 65.



*8% is not a guaranteed rate of return. Calculator provided by nerdwallet.com

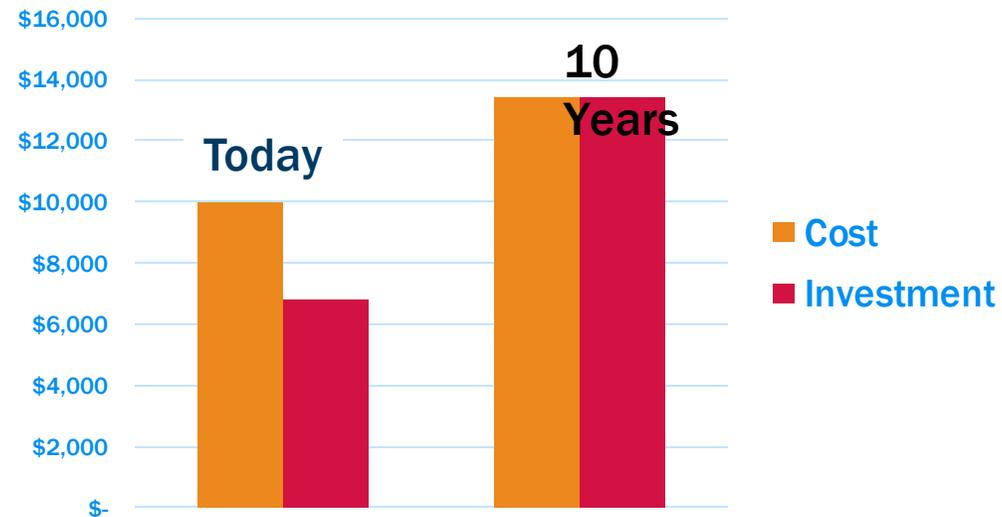
John's Investing

John begins at age 25,
\$125 per month, or
about \$30 per week.
He invests for 40 years,
until he's 65.



*8% is not a guaranteed rate of return. Calculator provided by nerdwallet.com

Maintain Purchasing Power



Invest \$6,800 today or \$77/month.



Investment Performance

Reward vs. Risk

- More risk comes with more gain/loss

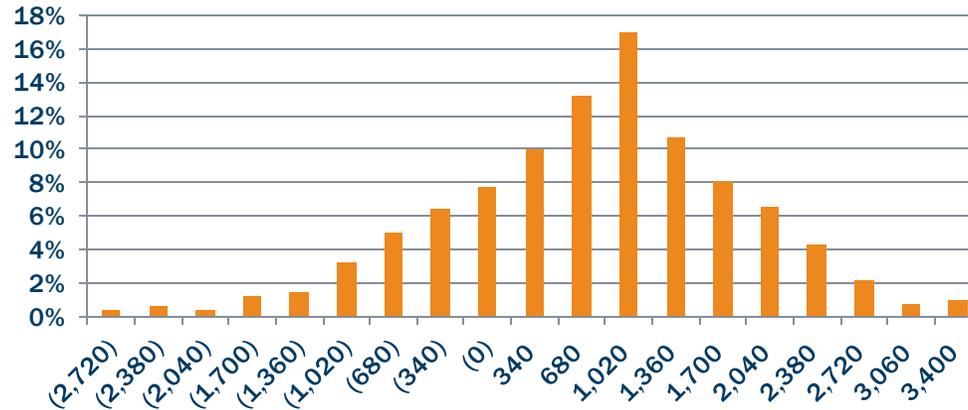
Gauges/Analysis Tools

- Dow Jones Industrial Average Index
- S&P Index
- Nasdaq Index



Volatile Returns Short Term

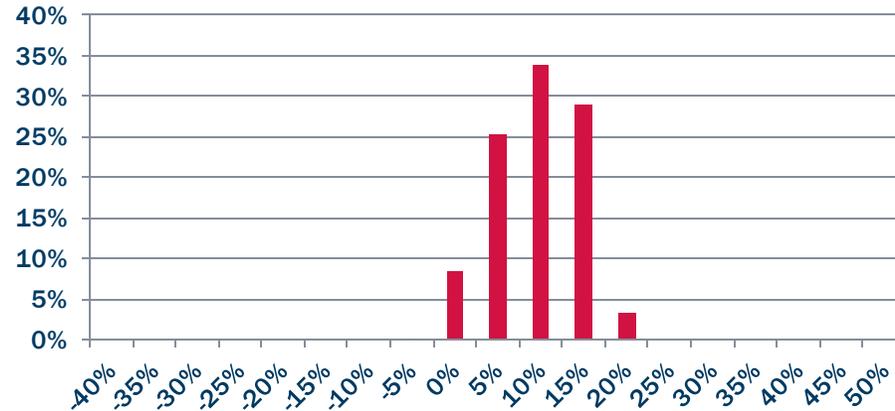
Average Annual Return on \$6,800
over 1-year Periods Since 1950



A \$6,800 investment could lose \$2,720 or gain \$3,400 in one year

Less Volatile Long Term

**Average Annual S&P 500 Return
over 10-year Periods Since 1950**



Conclusion: You can invest long term and expect reasonable returns.

Stock Prices – Higher or Lower?

Companies Stock Price at the End of 2024



\$219



\$135



\$891



\$10

What Can I do Now?

Identify short- and long-term goals

Open a savings account – get help from a parent or guardian!

Set aside money every month for one or all of your goals

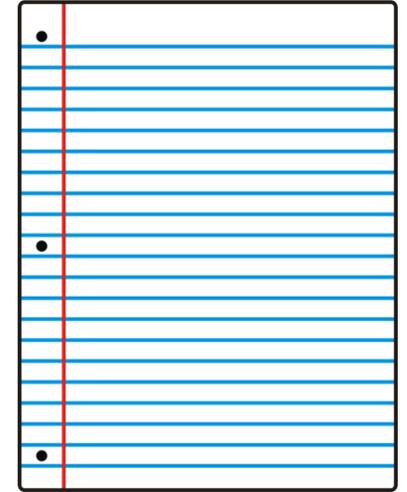


Setting Goals

1. Get out a piece of paper and something to write with.

2. Write down:

- **1 short-term goal**
- **2 medium-term goals**
- **3 long-term goals**



Examples -

- \$500,000 net worth by age 60
- A down payment for a car when I finish college in six years
- \$20,000 to start my own business by the time I am 30

What Did We Learn?

Understand why investing is important

Types of investments

Understand risk and diversification

Importance of investing early



STUDENT SURVEY



Thank You!

BestPrep gratefully acknowledges the support provided by several volunteers to offer Investing Matters as a part of Financial Matters.

