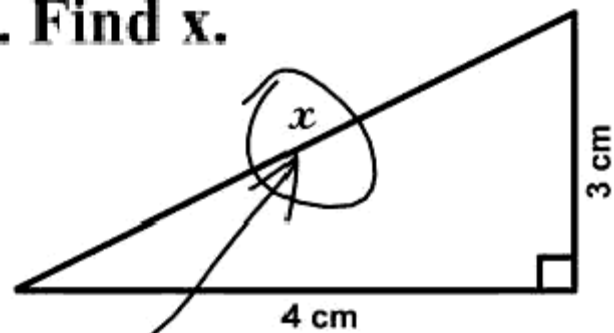


SAVING & INVESTING SEMINAR

PRESENTER:

MARK A. FERNANDEZ, VP
R. M. DAVIS, INC.

3. Find x .



Here it is

1-Minute Check-in

3

1. Name?
2. Teaching responsibilities?
3. What is the one thing you wish you had learned early on about saving or investing?
(or)

Share a strategy used in your family to teach children about saving or investing.

Seminar Topics

■ Explore ways to build **wealth** through saving and investing

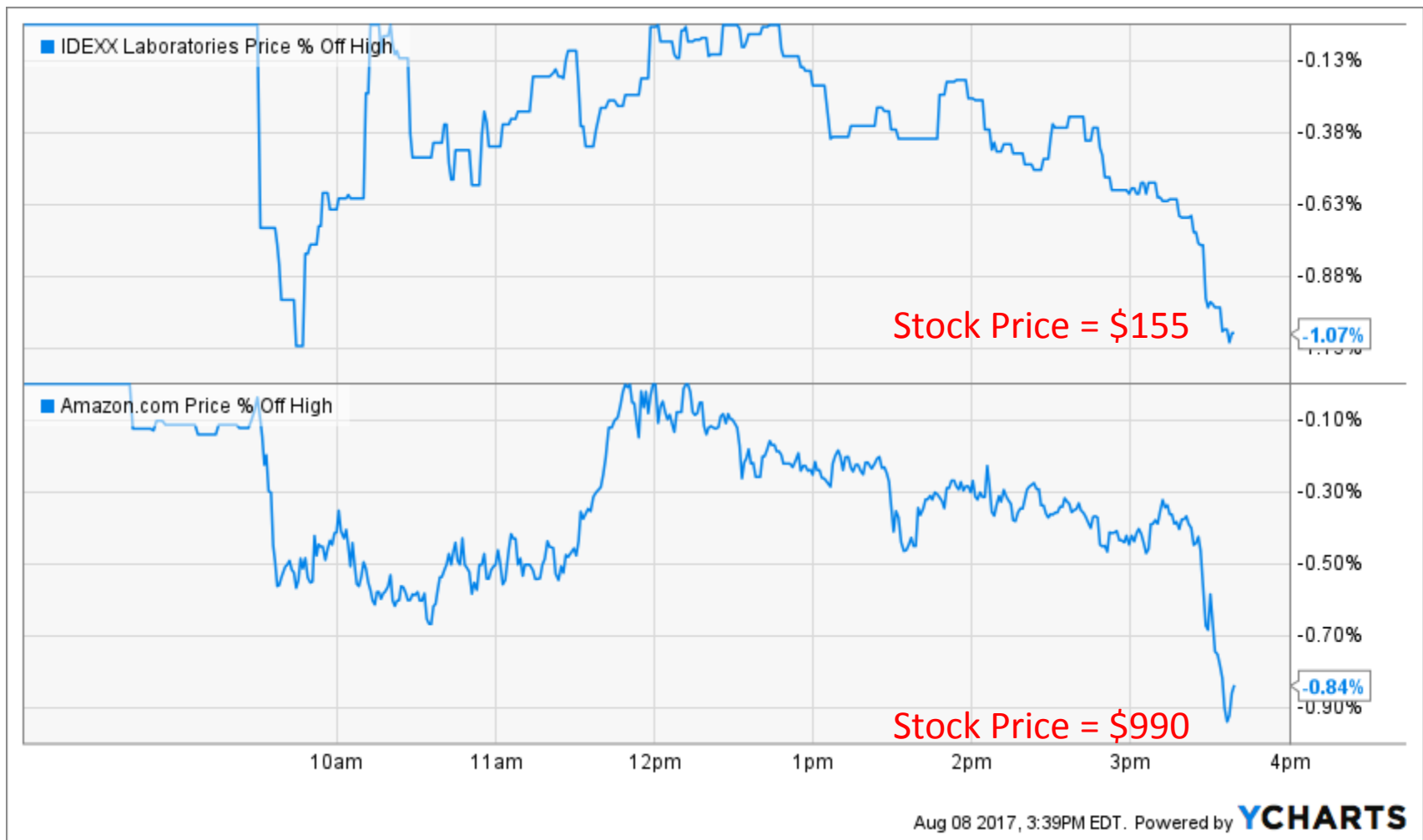
- Difference between saving and investing
- Saving and investment options
- Risks and rewards of saving and investing options
- Criteria to consider when seeking valid and reliable information and advice about saving and investing
- Purpose of paying yourself first (P.Y.F.)
- Significance of the time value of money
- How **personal risk tolerance** relates to investment decision making
- Tax implications related to saving and investing
- Guidelines related to investment recordkeeping

Financial Planning

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- geared towards ~~breaking even~~ achieving goals
- save money through careful planning and budgeting
- build wealth through saving and investing

Theory of “Relativity”



What Money Type are You?

Take a Money Type Quiz

http://money.cnn.com/2005/07/07/pf/money_type_0508/index.htm

- Rational
 - tend to make most decision by the #s
- Idealist
 - tend to care less about \$ than other goals
- Guardian
 - tend to be cautious with \$
- Artisan
 - tend to be freewheeling & daring

Investments – Interest Bearing

- Cash Equivalents:
 - Savings Accounts
 - Money Market Funds
 - Certificates of Deposit
 - Treasury Bills
- Advantages & Disadvantages
- Risks & Rewards

Investments - Bonds

- Bonds:
 - Treasury
 - Municipal
 - Corporate
- Advantages & Disadvantages
- Risks & Rewards

Investments - Stock

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- Stock
- Advantages & Disadvantages
- Risks & Rewards

Other Types of Investments

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- Real Estate
- Precious Metals
- Energy
- Collectibles
- Advantages & Disadvantages
- Risks & Rewards

Investments - Funds

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- Mutual Fund
- EFT (Exchange Traded Funds)
- Retirement Plan
- Advantages & Disadvantages
- Risks & Rewards

Mutual Funds

- Investment company
 - Pools money from different investors
- Benefits
 - Administration & record keeping
 - Diversification
 - Professional active management
- Net Asset Value (NAV) calculated daily
 - $\text{NAV} = \text{total net assets} \div \text{number of shares}$



Major Types of Mutual Funds

- Equity
- Specialized Sector
- Bond
- Balance & Income
- Asset Allocation
- Money Market
- Indexed
- International
- Lifestyle

Morningstar Style Box™

			Large
			Medium
			Small
Value	Blend	Growth	

Interest-Rate Sensitivity

Limited	Moderate	Extensive	Credit Quality
1	2	3	
4	5	6	
7	8	9	Low

		EQUITY FUNDS			
		U.S. EQUITY STYLES			INT'L
		VALUE	CORE	GROWTH	
CAPITALIZATION	LARGE	Large-Cap Value	Large-Cap Core	Large-Cap Growth	International Equities
	MID	Mid-Cap Value		Mid-Cap Growth	Emerging Market Equities
	SMALL	Small-Cap Value		Small-Cap Growth	

Active vs. Passive Management

- Passive Management

Own a predetermined basket of securities that does not vary based upon market conditions.

- Active Management

Periodic changes to the portfolio based upon the manager's outlook.

Exchange Traded Funds (ETFs)

- Basket of securities designed to follow certain index or theme
- Trade like a common stock
- Most trade on an exchange (NYSE, AMEX, etc.)
- Examples -



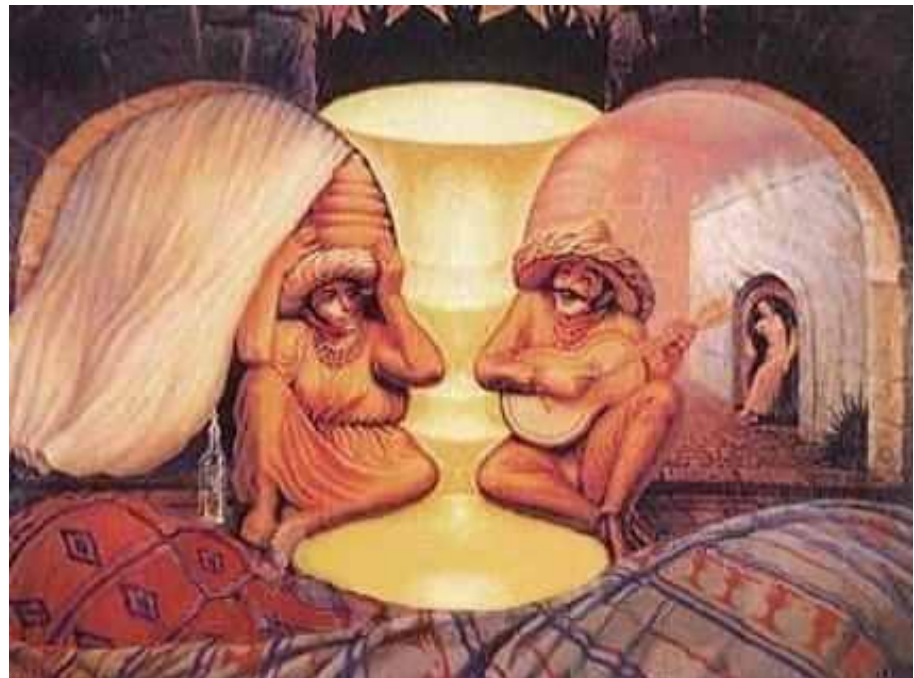
Exchange Traded Funds (2)

- Potential advantages

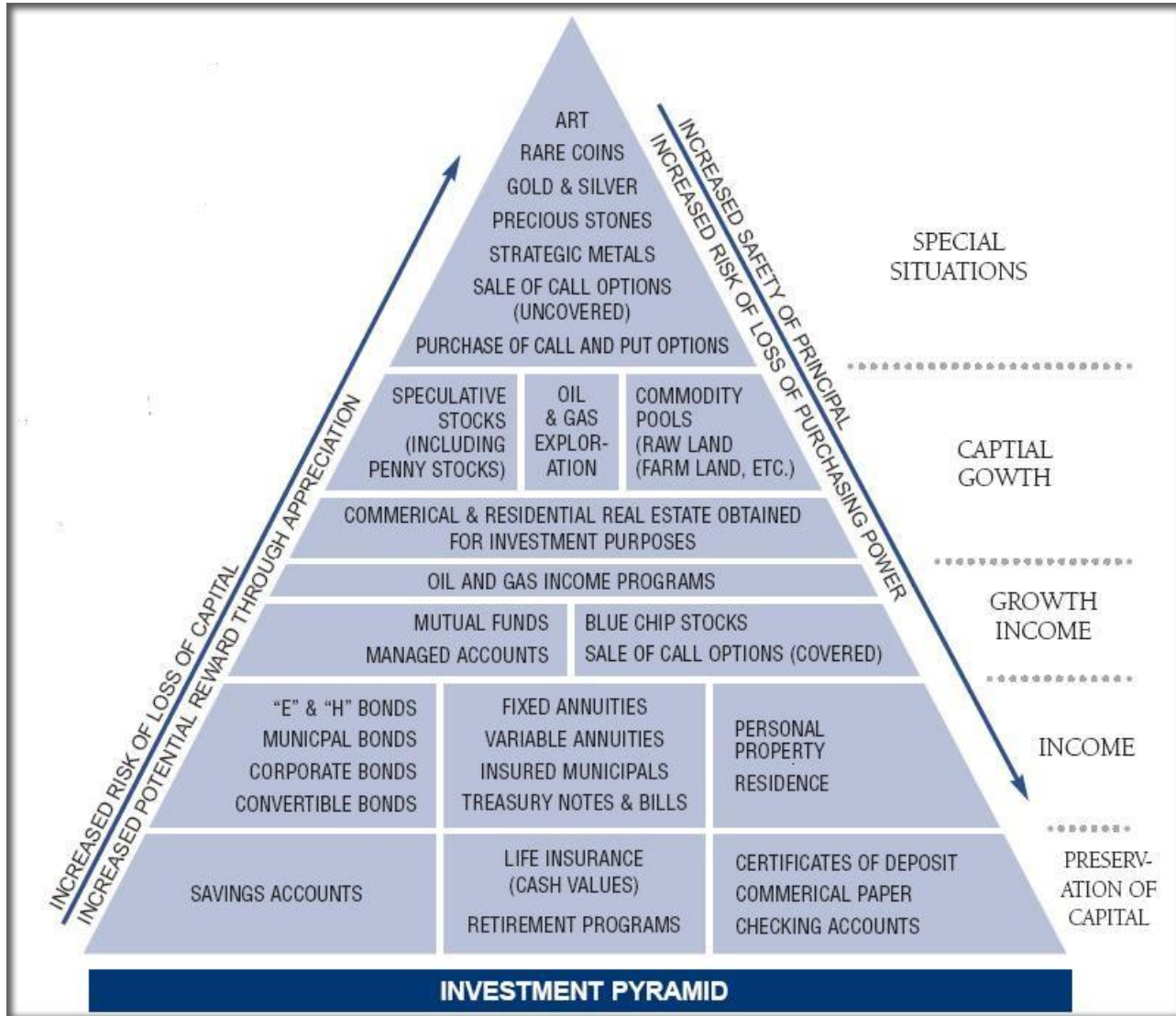
- ❑ Trade continuously
- ❑ Lower taxes, costs

- Potential disadvantages

- ❑ Intermediary risk
- ❑ Target Index
- ❑ Tracking Error
- ❑ “Product” Gimmickry



Risk and Reward



How Much Risk?

19

- Risk Tolerance Survey,

<http://njaes.rutgers.edu/money/riskquiz/>

Current Events & Behavior

20

1. North Korea Says ‘Under No Circumstances’ Will It Negotiate Over Nuclear Weapons

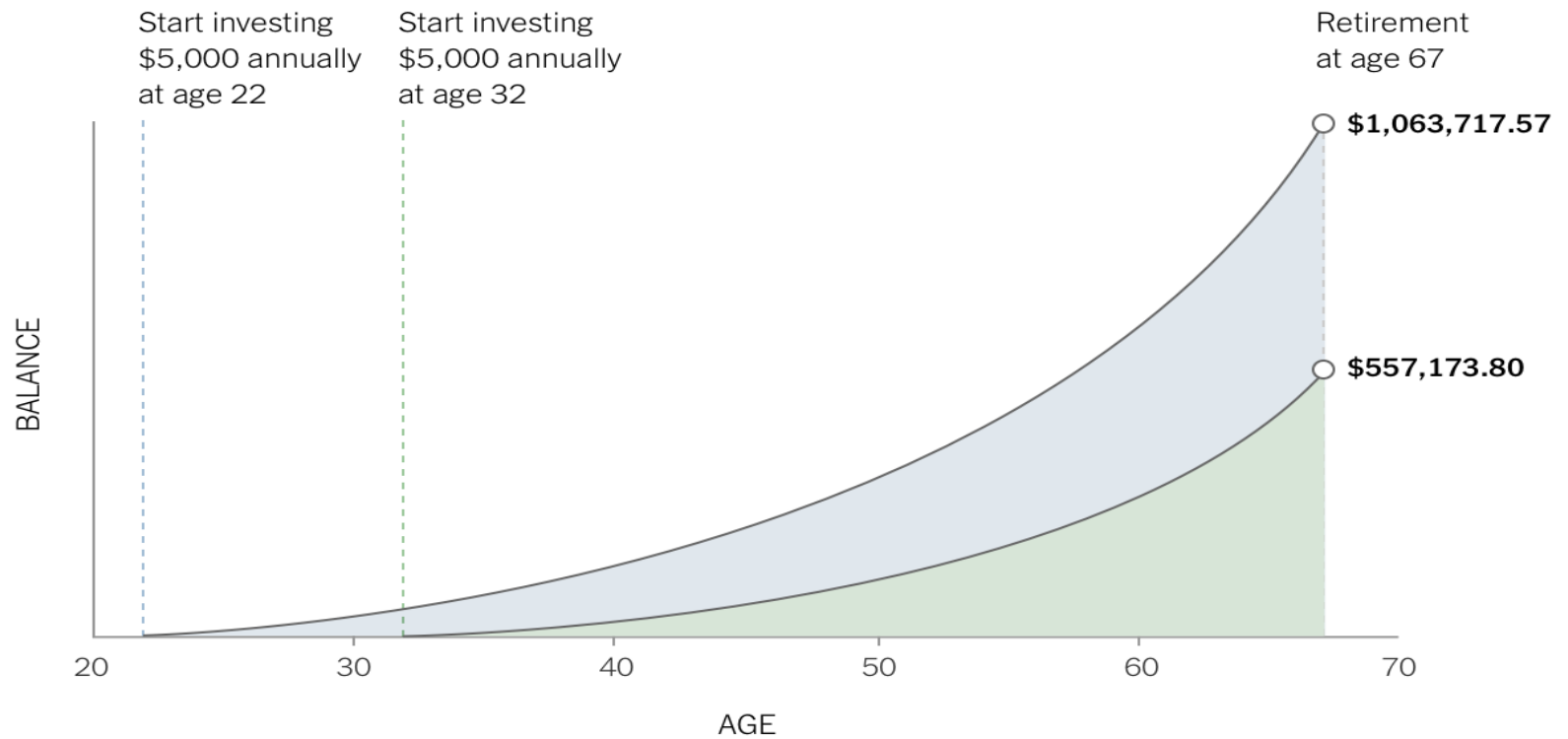
Pyongyang threatened it will use its nuclear weapons against U.S. if provoked militarily

2. Hot-Stock Rally Tests the Patience of a Choosy Lot: Value Investors

Value funds around the globe are on track to post their worst performance since before the financial crisis

3. Snapchat’s Stock Just Dipped to Its IPO Price for the First Time

Benefit of Starting Early



Assumes 6% annual growth

Choose: \$1,000,000 invested

at one time or one cent doubled every day?

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DAY 1. \$.01

DAY 2. \$.02

DAY 3. \$.04

DAY 4. \$.08

DAY 5. \$.16

DAY 6. \$.32

DAY 7. \$.64

DAY 8. \$1.28

DAY 9. \$2.56

DAY 10. \$5.12

DAY 11. \$10.24

DAY 12. \$20.48

DAY 13. \$40.96

DAY 14. \$81.92

DAY 15. \$163.84

DAY 16. \$327.68

DAY 17. \$655.36

DAY 18. \$1,310.72

DAY 19. \$2,621.44

DAY 20. \$5,242.88

DAY 21. \$10,485.76

DAY 22. \$20,971.52

DAY 23. \$41,943.04

DAY 24. \$83,886.08

DAY 25. \$167,772.16

DAY 26. \$335,544.32

DAY 27. \$671,088.64

DAY 28. \$1,342,177.20

DAY 29. \$2,684,354.40

DAY 30. \$5,368,708.80

Rule of 72

Rule of 72 (quick estimate) Formula:

$$\text{\# of Periods to double} = 72 / \text{Interest Rate}$$

This formula is useful for financial *estimates* and understanding the nature of compound interest.

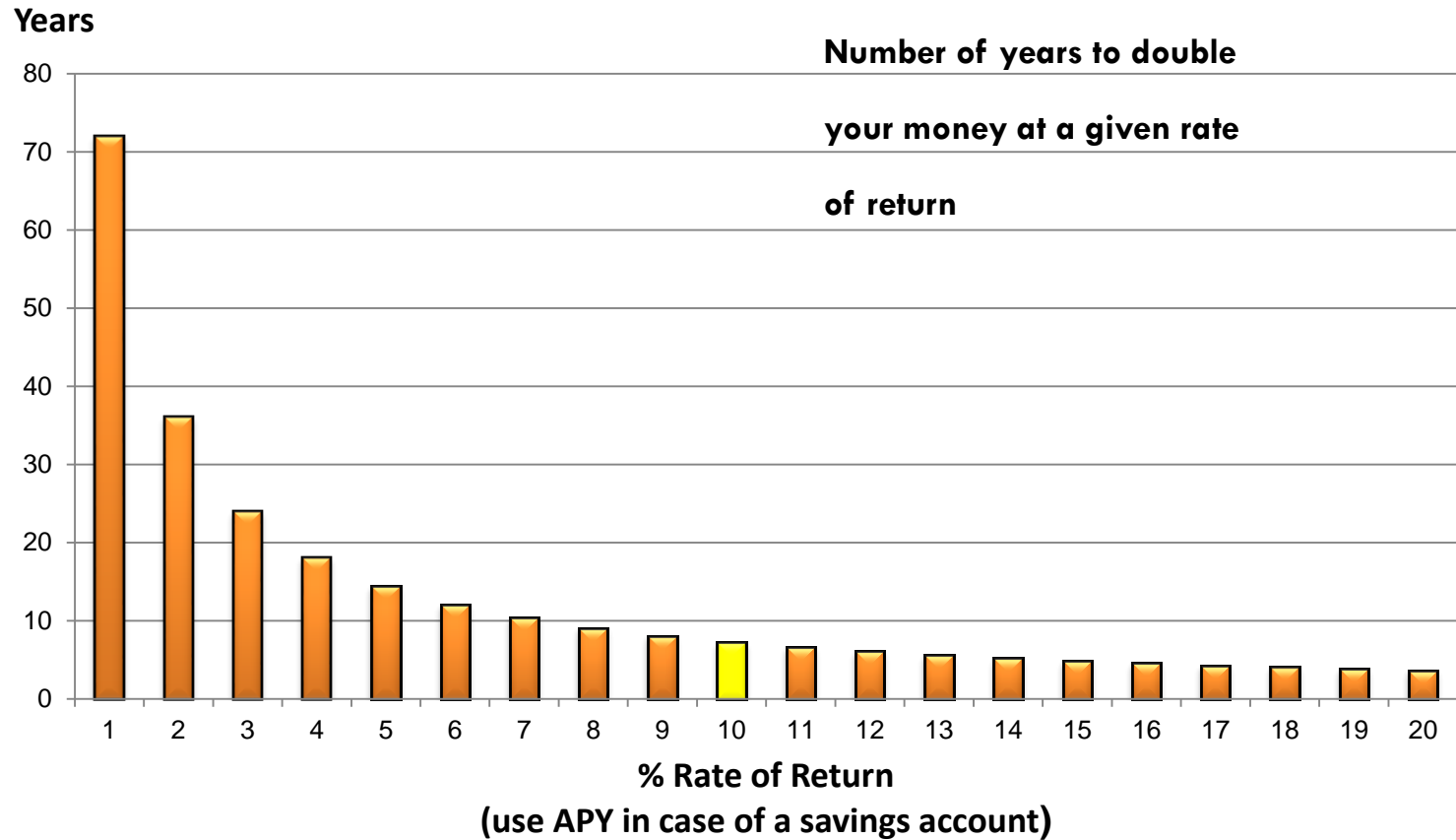
The Rule of 72

Divide 72 by the rate of return on your savings to see how long it will take to double your money:

Rate of Return	Year to Double Your Money
2%	36 years
3%	24 years
4%	18 years
6%	12 years
8%	9 years
10%	7.2 years

Rule of 72 works for Inflation as well

“Rule of 72”



Compounding – loan (compounding can hurt you also!)

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Year	Loan at Start	Interest	Loan at End
0 (Now)	\$1,000.00	$(\$1,000.00 \times 10\% =)$ \$100.00	\$1,100.00
1	\$1,100.00	$(\$1,100.00 \times 10\% =)$ \$110.00	\$1,210.00
2	\$1,210.00	$(\$1,210.00 \times 10\% =)$ \$121.00	\$1,331.00
3	\$1,331.00	$(\$1,331.00 \times 10\% =)$ \$133.10	\$1,464.10
4	\$1,464.10	$(\$1,464.10 \times 10\% =)$ \$146.41	\$1,610.51
5	\$1,610.51		

Compound Interest Formula

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- $FV = PV \times (1+r)^n$

- FV = Future Value

- PV = Present Value

- r = annual interest rate

- n = number of periods

- Can also solve for PV

- $PV = FV / (1+r)^n$

Pay Yourself First

Budgeting



What are some ways that you've tried to budget?

Find a Way that Works for You

- How much time are you willing/able to allocate to it?
- Do you want to use a technological tool?
- Do you share financial responsibilities with a partner or roommate?



Expenses to be Aware Of

- Recurring one-time expenses
- Expenses that occur once a year or less (life insurance, excise tax, snow removal, new tires for car, etc.)
- Go through actual expenses (credit & debit card statements)



Example: James

- Bio
 - Recently lost his job
 - Risk-adverse
- Arguments For:
 - Small Rainy Day Fund
 - Has the security of a government pension
 - Likely to find other employment quickly
 - Large Rainy Day Fund
 - Held a high stress job, so he may want some time to decompress
 - Lives in high cost-of-living region
 - May have already committed himself to a number of large ongoing expenses



Strategies

- Backdoor method – Direct Deposit
- Cash only – restaurants & bars
- Mint.com
- Excel spreadsheet



Net Worth & Financial Goals

WealthCare Kit—Consumer Guide, page 4

- Under “Assets,” which categories had no assets listed?
- What additional assets could you add under a blank category?
- How did you fare with your “Liabilities”? Which liabilities are acceptable to you? Why?
- Does your current “Net Worth” reflect your financial goals? If not, what changes do you need to make?

Reflection

- Reflect on what you have learned about saving and investing and what you wish you had known as a young adult. Be prepared to share your reflections in a wrap-up discussion.

Think about:

- *As a young adult, what do you wish you had known about saving or investing then that you know now?*
- *How can you help your students develop fundamental knowledge and skills to plan for saving and investing?*

Application

- Evaluate your current assets using the workbook as your guide.
 - *Develop one saving goal and one investing goal that meet the SMART guidelines.*
 - *List at least three things you can do to modify or start an investing plan.*
 - *(or) If you already save and invest, then review your existing savings and investing goals. Do they meet the SMART criteria? Edit your goals to ensure they are "SMART" and adjust them based on your current situation.*

Helpful websites

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- Your tax bracket and other calculators
 - Moneychimp.com
 - taxfoundation.org
- Career and employment related information
 - Jobstar.org
 - IRAhelp.com (Ed Slott)
- Credit Card Calculators
 - federalreserve.gov/creditcardcalculator/Default.aspx
 - calculators.aol.com
- Mortgage and Housing & Credit Scores
 - Bankrate.com
- Investment Information
 - Investorprotection.org

Traditional & Roth IRAs

	Traditional IRA	Roth IRA
Contribution Limit	\$5,500 (earned income) \$6,500 (age 50 and over)	\$5,500 (earned income) \$6,500 (age 50 and over)
Age Limit for Contributions	Under 70.5 in the year of contribution	None
Income Range for Contribution Deductibility	Single: \$62,000 - \$72,000. Joint: \$99,000 - \$119,000	All contributions are non-deductible
Income Range for Roth Contribution Eligibility	N/A	Single: \$118,000 - \$133,000. Joint: \$186,000 - \$196,000
Tax Treatment of Withdrawals	All are treated as ordinary income	Contributions are tax & Penalty free
Mandatory Withdrawals	Must begin by April 1, of the year following 70.5 birthday	None