



SAVING & INVESTING

“Financial Readiness Means Mission Readiness”



True or False?

- ▶ You have to have money to make money
- ▶ The rich get richer
- ▶ The “little guy” never wins



What is Rich?

**How Much
is Enough?**





Invest for the Long Term

Get Started Early...

**What will it take
to get $\frac{1}{2}$ million dollars
at retirement...
starting at age
25? 35? 45?**





The Time Value of Money

- ▶ **The Magic of Compound Interest & Time:**

TIME

+ INTEREST (rate of return)

= MORE MONEY!!

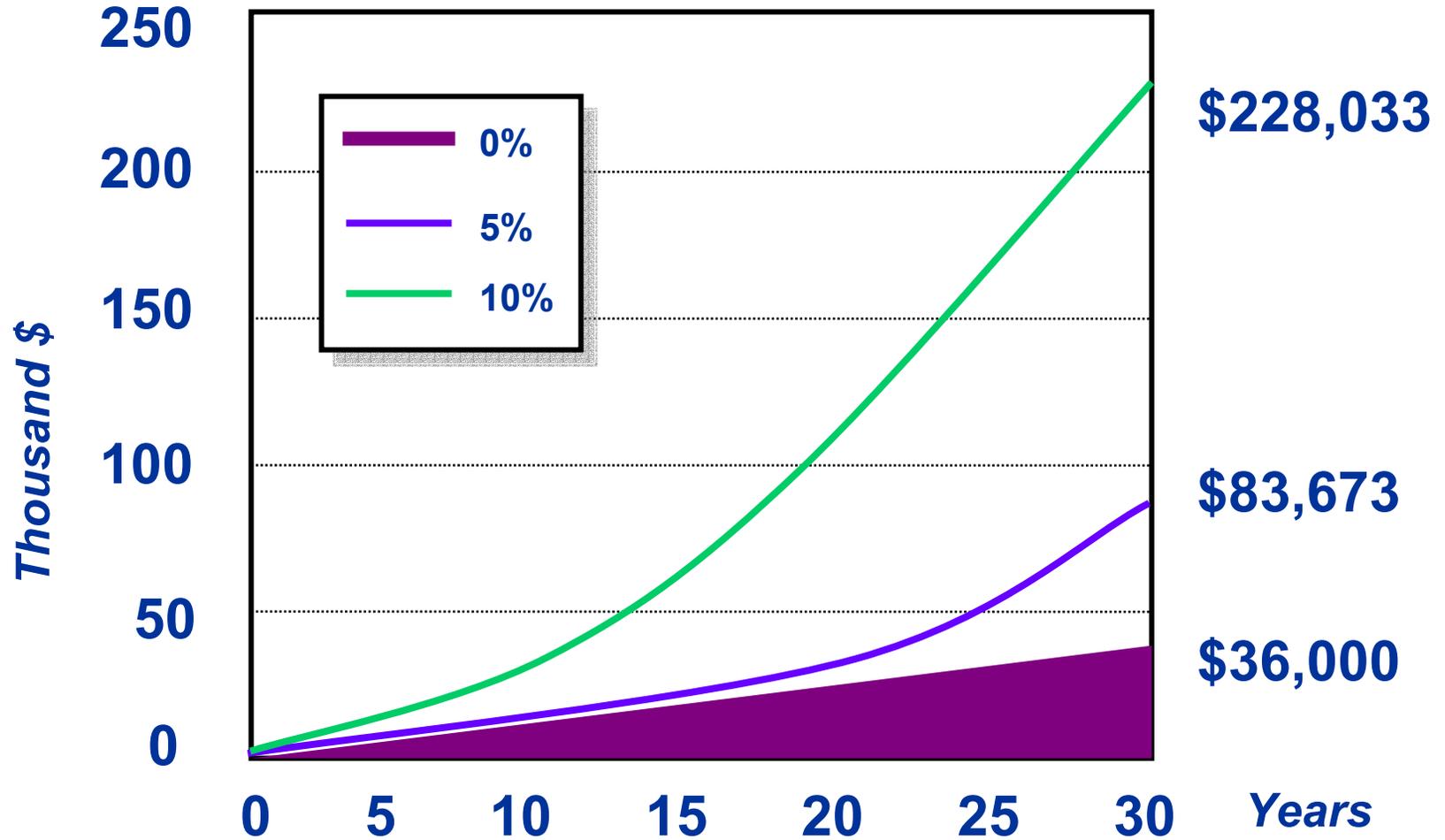
Can You Be a Millionaire?

COMPOUND INTEREST AND TIME: RATE OF RETURN = 12 PERCENT

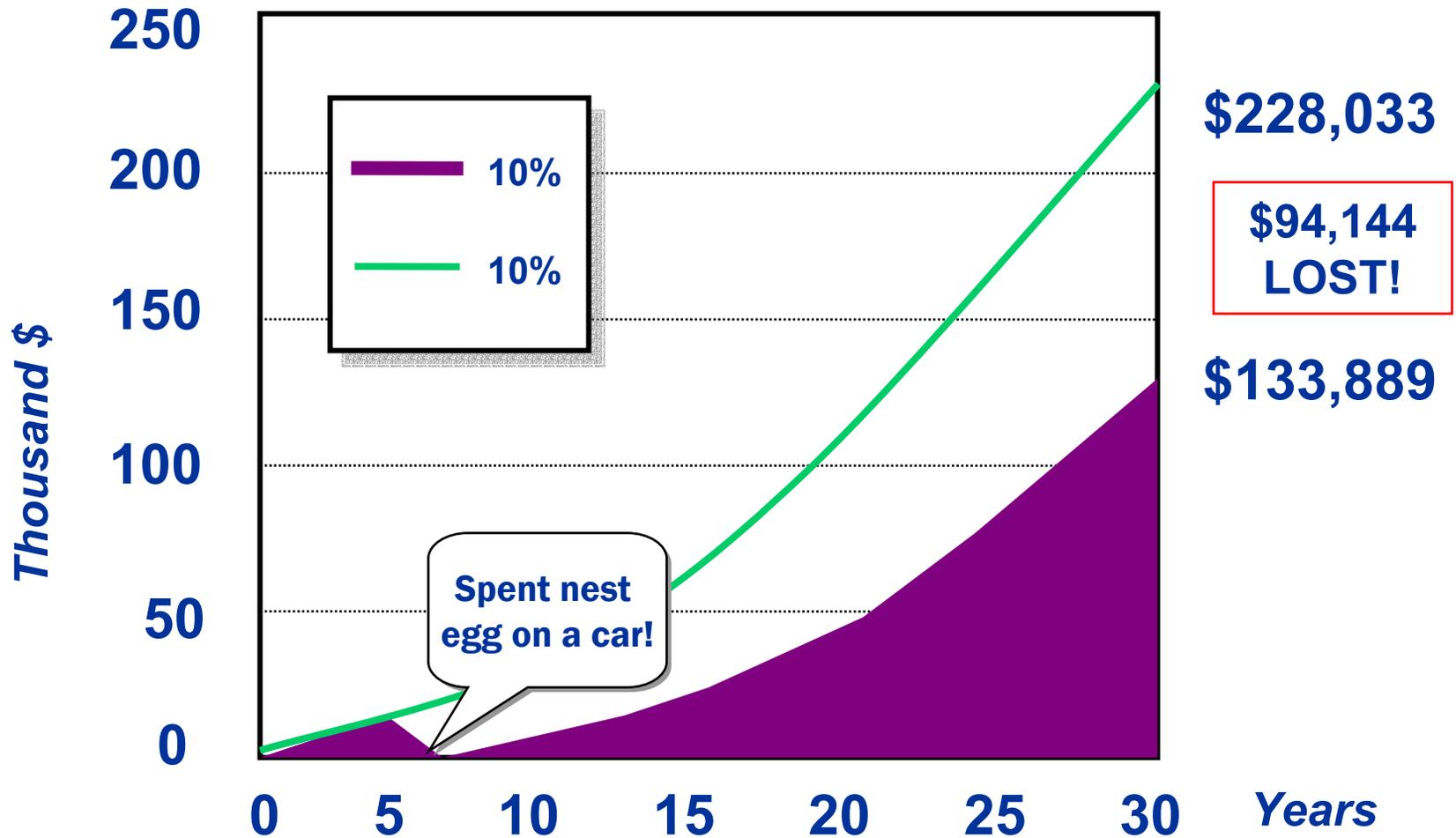
Plan A			Plan B			Plan C			Plan D		
Age	Payment	Accumulation									
22	2000	2240	22	0	0	22	0	0	22	0	0
23	2000	4749	23	0	0	23	0	0	23	0	0
24	2000	7559	24	0	0	24	0	0	24	0	0
25	2000	10706	25	0	0	25	0	0	25	0	0
26	2000	14230	26	0	0	26	0	0	26	0	0
27	2000	18178	27	0	0	27	0	0	27	0	0
28	0	20359	28	2000	2240	28	2000	2240	28	12000	13440
29	0	22803	29	2000	4749	29	2000	4749	29	0	15053
30	0	25539	30	2000	7559	30	2000	7559	30	0	16859
31	0	28603	31	2000	10706	31	2000	10706	31	0	18882
32	0	32036	32	2000	14230	32	2000	14230	32	0	21148
33	0	35880	33	2000	18178	33	2000	18178	33	0	23686
34	0	40186	34	2000	22599	34	2000	22599	34	0	26528
35	0	45008	35	2000	27551	35	0	25311	35	0	29712
36	0	50409	36	2000	33097	36	0	28349	36	0	33277
37	0	56458	37	2000	39309	37	0	31751	37	0	37270
38	0	63233	38	2000	46266	38	0	35561	38	0	41743
39	0	70821	39	2000	54058	39	0	39828	39	0	46752
40	0	79320	40	2000	62785	40	0	44607	40	0	52362
41	0	88838	41	2000	72559	41	0	49960	41	0	58645
42	0	99499	42	2000	83507	42	0	55955	42	0	65683
43	0	111438	43	2000	95767	43	0	62670	43	0	73565
44	0	124811	44	2000	109499	44	0	70190	44	0	82392
45	0	139788	45	2000	124879	45	0	78613	45	0	92280
46	0	156563	46	2000	142105	46	0	88047	46	0	103353
47	0	175351	47	2000	161397	47	0	98612	47	0	115756
48	0	196393	48	2000	183005	48	0	110446	48	0	129646
49	0	219960	49	2000	207206	49	0	123699	49	0	145204
50	0	246355	50	2000	234310	50	0	138543	50	0	162628
51	0	275917	51	2000	264668	51	0	155168	51	0	182144
52	0	309028	52	2000	298668	52	0	173789	52	0	204001
53	0	346111	53	2000	336748	53	0	194643	53	0	228481
54	0	387644	54	2000	379398	54	0	218000	54	0	255899
55	0	434161	55	2000	427166	55	0	244160	55	0	286606
56	0	486261	56	2000	480665	56	0	273460	56	0	320999
57	0	544612	57	2000	540585	57	0	306275	57	0	359519
58	0	609966	58	2000	607695	58	0	343028	58	0	402661
59	0	683162	59	2000	682859	59	0	384191	59	0	450981
60	0	765141	60	2000	767042	60	0	430294	60	0	505098
61	0	856958	61	2000	861327	61	0	481929	61	0	565710
62	0	959793	62	2000	966926	62	0	539761	62	0	633595
63	0	1074968	63	2000	1085197	63	0	604532	63	0	709627
64	0	1203964	64	2000	1217661	64	0	677076	64	0	794782
65	0	1348440	65	2000	1366020	65	0	758325	65	0	890156
TOTAL	12000		TOTAL	76000		TOTAL	14000		TOTAL	12000	

Note: For illustration purposes only.

Compound Interest and Time

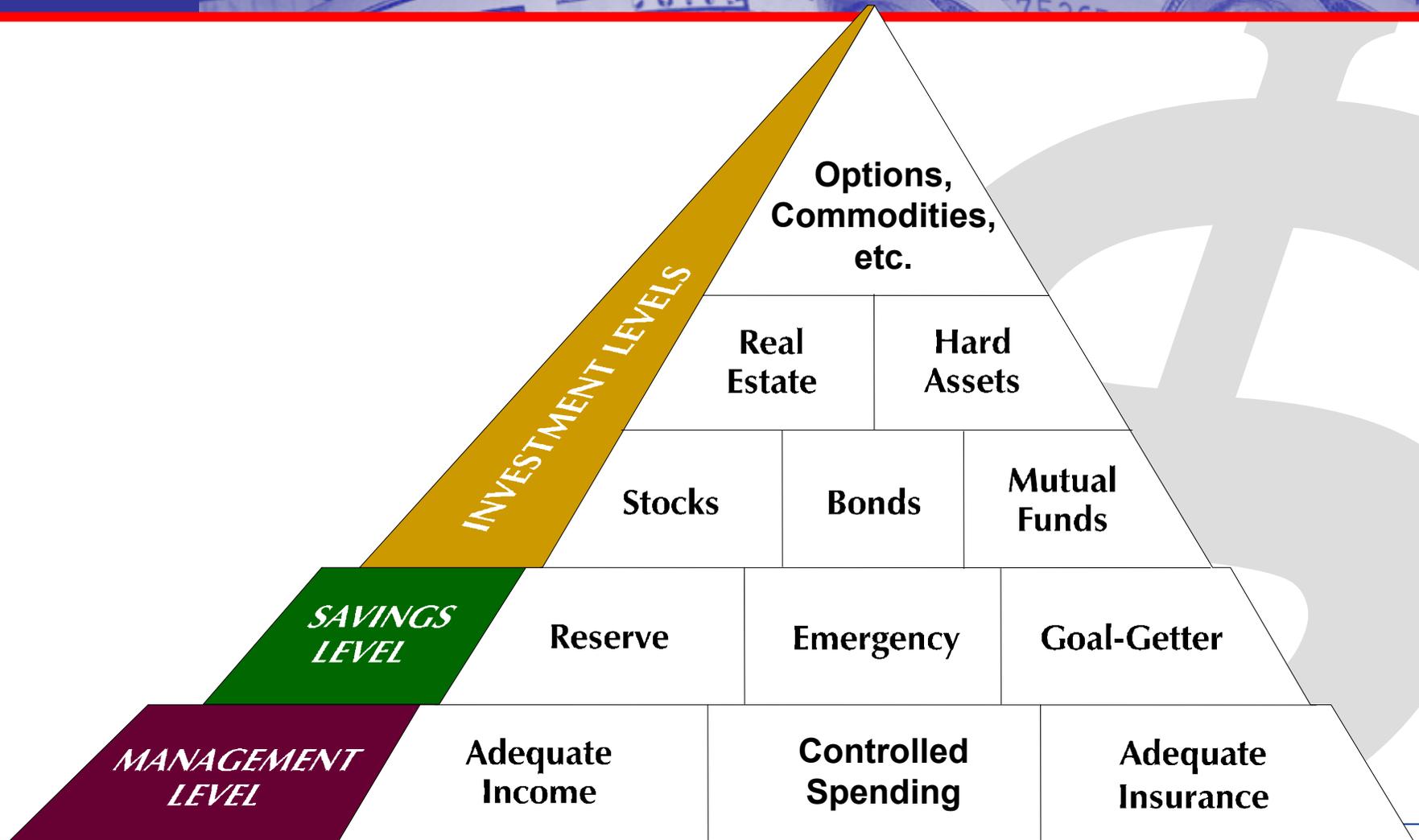


Should I Spend That Nest Egg?





The Financial Planning Pyramid





Savings Plans

▶ **Elements of a sound savings plan:**

- ▶ **Emergency fund**
- ▶ **Reserve fund**
- ▶ **Goal-Getter fund**

▶ **Savings factors to consider:**

- ▶ **Safety**
- ▶ **Liquidity**
- ▶ **Yield**



Savings Tools

- ▶ **Regular savings account**
- ▶ **Certificates of deposit**
- ▶ **Money market accounts**
- ▶ **U.S. savings bonds**



Saving vs. Investing

- ▶ **Different Time Frames**
- ▶ **Different Risks**
- ▶ **Inflation and Taxes**

Has Inflation Affected You?



Has Inflation Affected You?

The government reports that inflation is relatively low about four percent a year. It may not seem like much, however it does add up fast. Over time, inflation erodes the purchasing power of present-day dollars. Prices have jumped over the last 25-30 years. See if you can guess the prices of the following items from 1975 compared to 2002.

	1975	2002

First-Class Stamp	\$	\$0.34

Box of Corn Flakes	\$	\$3.19

Jar of Instant Coffee	\$	\$5.99

60-Watt Light Bulbs (2-pack)	\$	\$2.39

Ford Mustang (hardtop)	\$	\$18,375

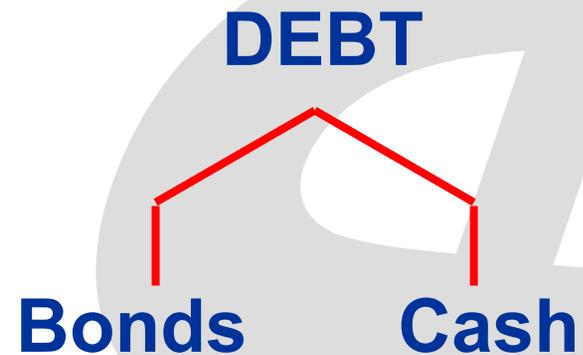
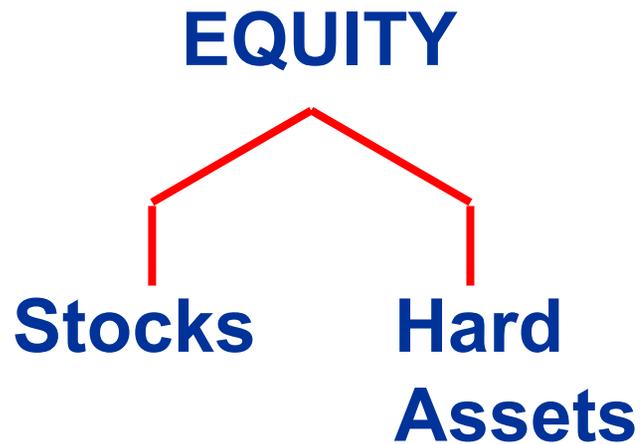
Oil Change	\$	\$20.00

Bayer Aspirin (100 count)	\$	\$5.99

Pork Chops - (lb)	\$	\$2.89



Investment Asset Classes





Stocks

- ▶ **U.S.**
- ▶ **Foreign**
- ▶ **Large Companies**
- ▶ **Small Companies**
- ▶ **Growth**
- ▶ **Value**





Stocks

- ▶ **Represent ownership**
- ▶ **Returns from dividends and capital gains**
- ▶ **Best opportunity for long-term growth**



Bonds

- ▶ **Corporate**
- ▶ **U.S. Government**
- ▶ **Municipal (tax-free)**





Bonds

- ▶ **Represent a loan**
- ▶ **Fixed income payments**
- ▶ **Reliable source of income**



Which is Better Stocks or Bonds?

- ▶ **Depends on**
 - ▶ **Investment horizon**
 - ▶ **Investor's age**
 - ▶ **Investment objective**
- ▶ **Stocks for long-term growth**
- ▶ **Bonds for a stream of income**



What is “The Market”?

- ▶ “The Dow”
- ▶ NASDAQ
- ▶ S&P 500
- ▶ Wilshire 4500
- ▶ NYSE
- ▶ AMEX
- ▶ NIKKEI
- ▶ EAFE

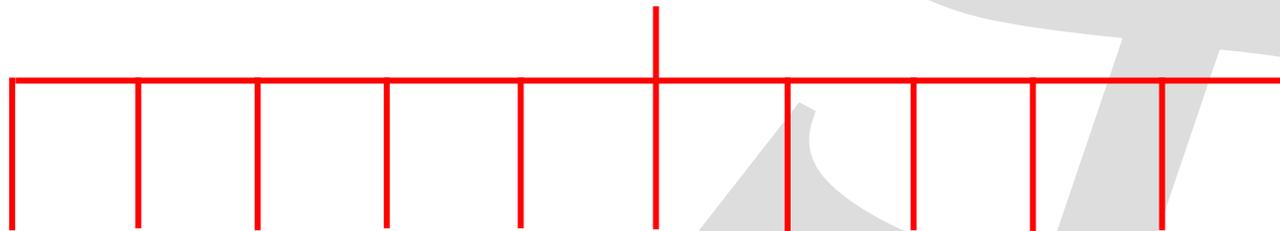


Mutual Funds

Pool of Investors



The Fund Professional Management



Diversified Portfolio



How Mutual Funds Make Money

- ▶ Interest/Dividends
- ▶ Capital Gains
- ▶ Increase in share price (NAV)





Mutual Funds

Advantages:

- ▶ **Diversification**
- ▶ **Liquidity**
- ▶ **Convenience**
- ▶ **Professional management**
- ▶ **Flexibility**
(often low minimums)

“Benefits to small investor”



Mutual Funds

Disadvantages:

- ▶ Not federally insured
- ▶ Involve risk
- ▶ Not guaranteed
- ▶ Returns will fluctuate



Mutual Funds

▶ **Stocks:**

- ▶ Sector
- ▶ Aggressive growth
- ▶ Growth
- ▶ International/Global
- ▶ Growth & Income

▶ **Stocks & Bonds:**

- ▶ Asset allocation
- ▶ Balanced

▶ **Bonds:**

- ▶ High-yield bond
- ▶ Corporate bond
- ▶ Municipal (tax-free) bond
- ▶ Government bond

▶ **Cash:**

- ▶ Money Market



Choosing a Mutual Fund

- ▶ **Goals/Objectives**
- ▶ **Performance/Risk (long-term)**
- ▶ **Management**
- ▶ **Cost (loads & fees)**
- ▶ **Services**





Purchasing Your Investment Tools

▶ Do-it-Yourself

- ▶ Discount Broker
- ▶ Internet
- ▶ DRIPS
- ▶ Mutual Fund Companies

▶ Getting Help

- ▶ Financial Advisor
- ▶ Full-Service Brokerage
- ▶ Banks and Credit Unions



Saving & Investing Techniques

- ▶ **Pay Yourself First**
- ▶ **Maximize Tax-Deferred Opportunities**
- ▶ **Make regular, steady investments**
- ▶ **Learn, Learn, Learn**



Learn More About Saving & Investing

- ▶ **Books**
- ▶ **Magazines**
- ▶ **Rating Services**
- ▶ **Newspapers**
- ▶ **Newsletters**
- ▶ **Internet**
- ▶ **TV**
- ▶ **College Courses**
- ▶ **Seminars**
- ▶ **Non-Profit Organizations**



Take Action!

- ▶ **Pay yourself first**
- ▶ **Calculate your net worth**
- ▶ **Set financial goals**
- ▶ **Establish savings funds**
- ▶ **Build your investment portfolio**
- ▶ **Stay the course**