

LIVE WORKSHOP

Investing Made Simple



with ONE BIG HAPPY LIFE



COMPANION WORKBOOK

What is Investing & Why Does It Matter?

Reaching financial freedom is one of the biggest and the most important financial goals you will have in your lifetime. Investing your money will help it grow over time so that it can support you for the rest of your life.

,	The Four Goals of Investing
GROWTH	
INCOME	
ASSET PRESERVATION	
LEGACY	
Notes:	

Knowing Your Why

Financial freedom looks different for everyone. Your investing goals are an extension of your vision for your life. Understanding what you want your life to look like and what you want your money to do for you will help you define your financial goals and choose an investment strategy that					
works for you.					

Risk vs. Return

All investments carry some type of risk. Even just leaving your money in an FDIC insured bank account carries risk (the risk of your money losing value over time thanks to inflation). Not investing isn't an option. But luckily there's a lot that you can do to minimize your risk.

HOW TO MAXIMIZE YOUR RETURN WHILE MINIMIZING RISK

1	Make sure that you have a	_portfolio.
2	Pay close attention to	
3	Minimize	
4	Don't try to	
5	Take advantage of	
6	No,, or	
Notes:		

The Time Value of Money (AKA The Magic of Compounding)

It's really hard to save your way to financial freedom. Lucky for us, we don't have to thanks to the magic of compounding. Compound interest allows your money to grow over time when you invest it.

PRESENT VALUE	
FUTURE VALUE	
INFLATION	
COMPOUNDING	
Notes:	

The Different Types of Investments

There are many different ways to invest your money in assets that will allow it to grow over time and produce an income for you in retirement. For the rest of this class, we'll be focused on stock market investing but here's a quick walkthrough of some of the common types of investments.

Common Types of Investments				
THE STOCK MARKET				
CASH & CASH EQUIVALENTS				
OWNING A BUSINESS				
OWNING REAL ESTATE				
COMMODITIES				
DIRECT INVESTING (EQUITY & DEBT)				
ALTERNATIVE ASSET CLASSES				
Notes:				

Core Principles of Investing

Creating a successful investing strategy comes down to a few core principles. Investing always comes with some risks. The goal is to minimize the risks while getting the return that you need to hit your financial goals.

€	Create an investing strategy that meets your financial and life goals.
	Make sure you fully understand what you're investing in & the accompanying risks.
⊕	Have a diversified portfolio based on your tolerance for risk.
€	Minimize fees and taxes.
	Rebalance your portfolio periodically.
	Stay the course and avoid making short term emotional decisions.
Notes:	

Investing In The Stock Market for Long Term Wealth Building

Before we deep dive into creating your investment strategy, let's take a minute to understand what the stock market is, how it works, and define some of the common terms we'll be using.

THE STOCK MARKET	
STOCKS	
BONDS	
MUTUAL FUND	
MARKET INDEX	
INDEX FUND	
REIT (REAL ESTATE INVESTMENT TRUST)	
ETF (EXCHANGE TRADED FUND)	

Notes:	

The Five Simple Steps to Investing for Wealth

Creating a multi-million dollar investment strategy can be simple and easy. In fact, your investment strategy can be executed in just five simple steps.

4	
1	
2	
3	
4	
5	
Notes:	

Step 1: Set Your Goal

PART 1: YOUR IDEAL RETIREMENT LIFESTYLE

Your ultimate goal when it comes to investing is to build up a nest egg that will provide you with enough income to support you for the rest of your life, at the lifestyle level that you want to live. We call this your financial freedom number. Everyone's number is different. We've provided a generalized table here to help you, but remember, rules of thumb are only a starting point!

\$2 Million FRUGAL

You can support yourself without having to work but you live on a very tight budget. You are not able to afford in-home support beyond what's provided by public assistance. You may have to rely on support from your children in cases of prolonged sickness in your later years.

\$3-4 Million MODEST

You live a moderate lifestyle and can take a few frugal trips a year. Home and car repairs crunch your budget and you often need to make tradeoffs to afford what you need. As you age, you can pay for some assistance at home and a modest retirement community.

\$5-7 Million COMFORTABLE

You can travel regularly and can afford to splurge a bit on experiences and gifts. You can comfortably afford to purchase cars, make repairs on your home, and get in-home assistance as you age. Your nest egg will afford you a semi-private room in a nice retirement community.

\$8+ Million ABUNDANT

An abundant lifestyle. You can travel in comfort, give generously, and afford high quality care and accommodations for the rest of your life. In your later years, you are able to pay for a private room at a very nice community without worrying that your nest egg will run out. You will leave a substantial estate to your heirs.

MY IDEAL LIFESTYLE:

Notes:			

An investment in knowledge pays the best interest.

BENJAMIN FRANKLIN

PART 2: DECIDING HOW MUCH TO INVEST

Now it's time to decide how much money you want to start investing each month. Eventually, you'll definitely want to take the time to calculate your exact minimum savings rate (MSR), but don't focus on that right now. The point is for you to get started right away. So, for now, just choose an amount to start with. You can always increase this later.

The Path to \$1 Million*			
YEARS TO RETIREMENT	MONTHLY INVESTMENT		
10	\$4970		
15	\$2490		
20	\$1380		
25	\$800		
30	\$480		
35	\$290		
40	\$180		

^{*}Assuming a 10% average return, the historical stock market average return. However, past performance does not guarantee future returns.

	OMMITTED TO I S MUCH EVERY			
Notes:				

Step 2: Choose & Open Your Investment Accounts

Just like your money sits in a checking or savings account at a bank, your investments also live in their own unique account types. Think of these accounts as the home where your investments live. These account types are often created by law and can change over time.

	Common U.S. In	vesting Acco	ount Types*	
ACCOUNT NAME	DESCRIPTION	TAX- ADVANTAGED	ANNUAL CONTRIBUTION LIMIT**	EARLY WITHDRAWAL PENALTY?
401K	Employer-sponsored plan	YES	\$19,500	YES
ROTH 401K	Employer-sponsored plan	YES	Up to \$19,500	YES
SOLO 401K	For self-employed	YES	\$58,000	YES
SEP IRA	For self-employed	YES	\$58,000	YES
SIMPLE IRA	Employer-sponsored plan	YES	\$13500	YES
IRA	Can open yourself	YES	\$6,000	YES
ROTH IRA	Can open yourself	YES	\$6,000	YES
403B	Employer-sponsored plan	YES	\$19,500	YES
HSA	Medical expense reimbursement	YES	\$3,650/self \$7,300/family	YES
529	College savings account	YES	No annual limit	YES
COVERDELL	College savings account	YES	\$2000	YES
TAXABLE BROKERAGE ACCOUNT	Can open yourself	NO	None	NO

^{*}Account types and contribution limits are governed by law and can change from year to year. This table is accurate as of May 2021.

^{**}These limits refer to only your contributions. Your employer (or business) may also be able to contribute money on your behalf. Older investors are often able to contribute a certain amount above the stated contribution limits (called catchup contributions).

Notes:			

Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas

PAUL SAMUELSON

PART 2: THINGS TO CONSIDER WHEN CHOOSING ACCOUNTS

There are a number of options out there when it comes to investment accounts. You want to make sure that you're aware of all of your options so that you can choose the account that is the best fit for your financial needs. The following worksheets are designed to help you identify your options, narrow them down, and prioritize them.

AVAILABILITY	Which types of accounts are currently available for you to use to invest your money?
TAX ADVANTAGES	Which accounts offer tax advantages?
TAX ADVANTAGES	Which accounts offer tax advantages?
TAX ADVANTAGES	Which accounts offer tax advantages?
TAX ADVANTAGES	Which accounts offer tax advantages?
TAX ADVANTAGES	Which accounts offer tax advantages?
TAX ADVANTAGES	Which accounts offer tax advantages?

FUNDING OPTIONS	What options are available for funding the account? (Just your own money? Employer matching? Business contributions? Other?)
AVAILABLE INVESTMENTS	What options are available for funding the account? (Just your own money? Employer matching? Business contributions? Other?)
CONTRIBUTION LIMITS	Are there any limits to how much you can invest in this account? What are they?

ALLOWABLE USES	What can you use the money in this account for? Under what circumstances could you withdraw money without penalty?
EARLY WITHDRAWAL PENALTIES	Are there any penalties for withdrawing your money early? What are they?
TRANSFERABILITY	Can you easily transfer this money to another account or another financial institution? Can you transfer it to another person during your life or as part of your estate?

Notes:	

		Choosing [Γhe Right Inve	estment Acc	ount	
WHERE ACCOUNT IS OFFERED	ACCOUNT TYPE	HAS INVESTMENTS YOU WANT?	TAX- ADVANTAGED	ACCOUNT MINIMUM	FEES	WITHDRAWAL PENALTY?
		YES/NO	YES / NO Annual contribution limit:			
		YES / NO	YES / NO Annual contribution limit:			
		YES/NO	YES / NO Annual contribution limit:			
		YES / NO	YES / NO Annual contribution limit:			
		YES/NO	YES / NO Annual contribution limit:			
		YES/NO	YES / NO Annual contribution limit:			

		My Inves	stment Account	Strategy	
PRIORITY	ACCOUNT NAME	ACCOUNT TYPE	TAX- ADVANTAGED	ACCOUNT MINIMUM	TOTAL CONTRIBUTION
1			YES / NO Annual contribution limit:		
2			YES / NO Annual contribution limit:		
3			YES / NO Annual contribution limit:		
4			YES / NO Annual contribution limit:		
5			YES / NO Annual contribution limit:		
6			YES / NO Annual contribution limit:		
7			YES / NO Annual contribution limit:		

		My Inves	stment Account	Strategy	
PRIORITY	ACCOUNT NAME	ACCOUNT TYPE	TAX- ADVANTAGED	ACCOUNT MINIMUM	TOTAL CONTRIBUTION
			YES / NO Annual contribution limit:		
			YES / NO Annual contribution limit:		
			YES / NO Annual contribution limit:		
			YES / NO Annual contribution limit:		
			YES / NO Annual contribution limit:		
			YES / NO Annual contribution limit:		
			YES / NO Annual contribution limit:		

Notes:		

Don't look for the needle in the haystack. Just buy the haystack. JOHN BOGLE

Step 3: Choose Your Investment Mix

Your investment mix, also known as your asset allocation, is the combination of investments that you have in your portfolio. Your asset allocation allows you to include different types of investments in your portfolio (diversification).

The goal of asset allocation is to align your goals of maximizing your return with whatever level of risk you're comfortable with so that you can create a portfolio that meets your needs. And, of course, you'll want to make sure that you're keeping fees and taxes in mind too.

The Real Truth About Asset Allocation

There's no perfect asset allocation. No one knows what the market will do in the long run. The goal is to get a good, average return over the long term. And make sure that as much of that return as possible ends up in your pockets by minimizing investment fees, management costs, and taxes.

Beware of any person who claims that they've discovered a new asset allocation mix that can beat the market.

Notes:	

HOW TO MAXIMIZE YOUR RETURN WHILE MINIMIZING RISK

	Diversification
@	Minimizing fees
	Minimizing trading activity
⊕	Not trying to time the market
	Taking full advantage of time.
@	Having a larger portfolio/investing more money.
Notes:	

COMMONLY USED ASSET CLASS ALLOCATION PERCENTAGES

100% Stocks - Average Return 10%					
RETURN	VOLATILITY	PROS	CONS		
High	High	-High growth potential -Great for long-term growth (10 years+)	-High volatility		

80% Stocks / 20% Bonds - Average Returns 9.4%					
RETURN	VOLATILITY	PROS	CONS		
Medium	Medium	-Good balance between return and risk	-Return per added unit of risk is lower		

60% Stocks / 40% Bonds - Average Returns 8.7%						
RETURN	VOLATILITY	PROS	CONS			
Medium	Medium	-Great balance between return and risk -Less volatility in the short term	-The return is lower -Increased bond percentage will cost more in taxes IF bonds are in taxable accounts			

100% Bonds - 5.5%						
RETURN	VOLATILITY	PROS	CONS			
Low	Low	-Great for income -Great for asset preservation	-Growth is lowespecially if you're making withdrawals -Will pay taxes on bond payments if in taxable accounts			

REMEMBER THAT SMALL DIFFERENCES CAN MAKE A LARGE DIFFERENCE OVER TIME

\$100,000 Invested Today					
ASSET MIX	HISTORICAL RETURN	RESULT AFTER 30 YEARS			
100% Stock	10%	\$1,744,940			
80/20	9.4%	\$1,480,879			
60/40	8.7%	\$1,221,480			
100% Bond	5.5%	\$498,395			

DECIDING WHICH STOCKS AND BONDS TO ADD TO YOUR PORTFOLIO

Choosing Your Own Allocation
Alternatives to Choosing Your Own Allocation
N.
Notes:

Sample Target Date Allocat	tion
VANGUARD 2050 89.7% Stocks 9.28% Bonds 1.02% Short Term Reserves	
Vanguard Total Stock Market Index Fund Investor Shares	54.10%
Vanguard Total International Stock Index Fund Investor Shares	36.40%
Vanguard Total Bond Market II Index Fund Investor Shares	6.50%
Vanguard Total International Bond Index Fund Investor Shares	2.90%
Vanguard Total International Bond II Index Fund	0.10%

Notes:			

The enemy of a good asset allocation is the quest for a perfect one. Fight the urge to be perfect.

RICHARD A. FERRI

� Step 4: Automate Your Investment Strategy

Automating your investing strategy lets you build wealth on autopilot without having to spend a lot of time managing your investments. Automating also makes it much easier to build the habit of investing your money and not touching it. Remember, this is the journey of a lifetime! The sooner you get started building the habit of consistently investing, the easier it will become and the more your nest egg will grow.

1	Choose the amount to contribute to each account.	
2	Decide how often you'll be contributing and divide the total amount by the number of contributions to get your periodic contribution amount.	
3	Set up payroll deductions to automatically deduct your contribution amount.	
4	Set up automatic bank transfers to withdraw money from your bank account and deposit it into the investment account.	
5	Turn on automatic investing in your brokerage account according to your preferred asset allocation mix.	
Notes:		

Step 5: Track Your Progress & Rebalance Over Time

As your investments grow over time, they'll likely get out of balance--meaning that your portfolio mix is no longer in the same ratio that you initially set it to. This happens because the different assets within your portfolio will perform differently in any given year. To keep your asset allocation on track, you'll need to rebalance your portfolio.

<u>OPTIO</u>	NA	
1	Choose your rebalancing frequency: 6 months 12 months 18 months	
2	Review your preferred asset allocation and make sure it's still what you want to do.	
3	Determine your portfolio's current allocation.	
4	Buy and sell investments to bring your portfolio back into balance.	
<u>OPTIO</u>	N B	
	ot in a that will automatically rebalance you folio over time.	our
Notes:		

When there are multiple solutions to a problem, choose the simplest one.

JOHN BOGLE

Navigating Market Downturns

In case we haven't said it enough, remember, investing carries risks. And one of those risks is the natural ups and downs of the market.

The Real Truth About Market Downturns

Market downturns are perfectly normal market behavior.

Do nothing. Remember, selling realizes your losses and locks them in.
Have a portfolio mix that matches your risk tolerance.
Keep investing.
Avoid watching the news.
Don't check your portfolio frequently if downturns upset you.
Track your progress over time and increase your contributions if need be.

Plan to have less volatile assets you can access in the short term as you near

retirement.

Notes:		

People who exit the stock market to avoid a decline are odds-on favorites to miss the next rally.

PETER LYNCH

Outsourcing Your Investing

By this point, you've learned a simple and effective way to grow a multi-million dollar portfolio on autopilot by doing it yourself. Still, you might decide that you're happy to take your shiny new knowledge and outsource it to other people--for a fee of course!

THINGS TO CONSIDER IF YOU CHOOSE TO OUTSOURCE INVESTING

	The increase in fees will lower your return which means you'll need to invest more money to hit your financial freedom number.
	88% of fund managers fail to outperform the market over a 15 year period.
	Make sure that you fully understand the costs and fees involved.
	It's not a substitute for understanding your investments and YOU knowing that you're on track to hit your financial freedom number.
	Have a metric for their success to make sure you know if they're effective.
Notes:	

Ç	Questions to Ask A Financial Advisor Before You Hire Them
1.	ARE YOU FIDUCIARY? (ARE YOU COMMITTED TO PUTTING MY BEST INTERESTS OVER YOURS?)
2.	WHAT SERVICES DO YOU PROVIDE?
3.	WHAT DO YOUR SERVICES COST? HOW ARE YOU COMPENSATED?
4.	HOW MANY CLIENTS DO YOU HAVE AND WHO DO YOU WORK WITH?
5.	DO YOU RECEIVE ANY COMMISSIONS OR FEES THAT ARE PAID DIRECTLY FROM MY PORTFOLIO?
6.	DO YOU RECEIVE COMMISSIONS FROM THE FINANCIAL INSTITUTIONS OR INVESTMENTS YOU RECOMMEND?
7.	WHAT ARE YOUR QUALIFICATIONS?

8. WHAT'S YOUR PORTFOLIO PERFORMANCE HISTORY YEAR OVER YEAR COMPARED TO OVERALL STOCK MARKET PERFORMANCE?
9. HOW OFTEN WILL WE MEET? HOW CAN I REACH YOU IF I HAVE QUESTIONS OR NEED HELP?
10. WHAT ASSET ALLOCATION DO YOU RECOMMEND AND WHY?
11. WHAT'S YOUR INVESTMENT PHILOSOPHY?
12. WHAT CUSTODIAN DO YOU USE? (WHERE DO YOU KEEP MY MONEY AND HOW CAN I SEE IT?)

Remember, life is the thing that happens between your goals. Enjoy the journey.

TASHA COCHRAN