Important Investing Concepts

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Who We Are

- 501(c)(3) non-profit organization
- 70 years of investing education
- Pioneer of modern investment clubs

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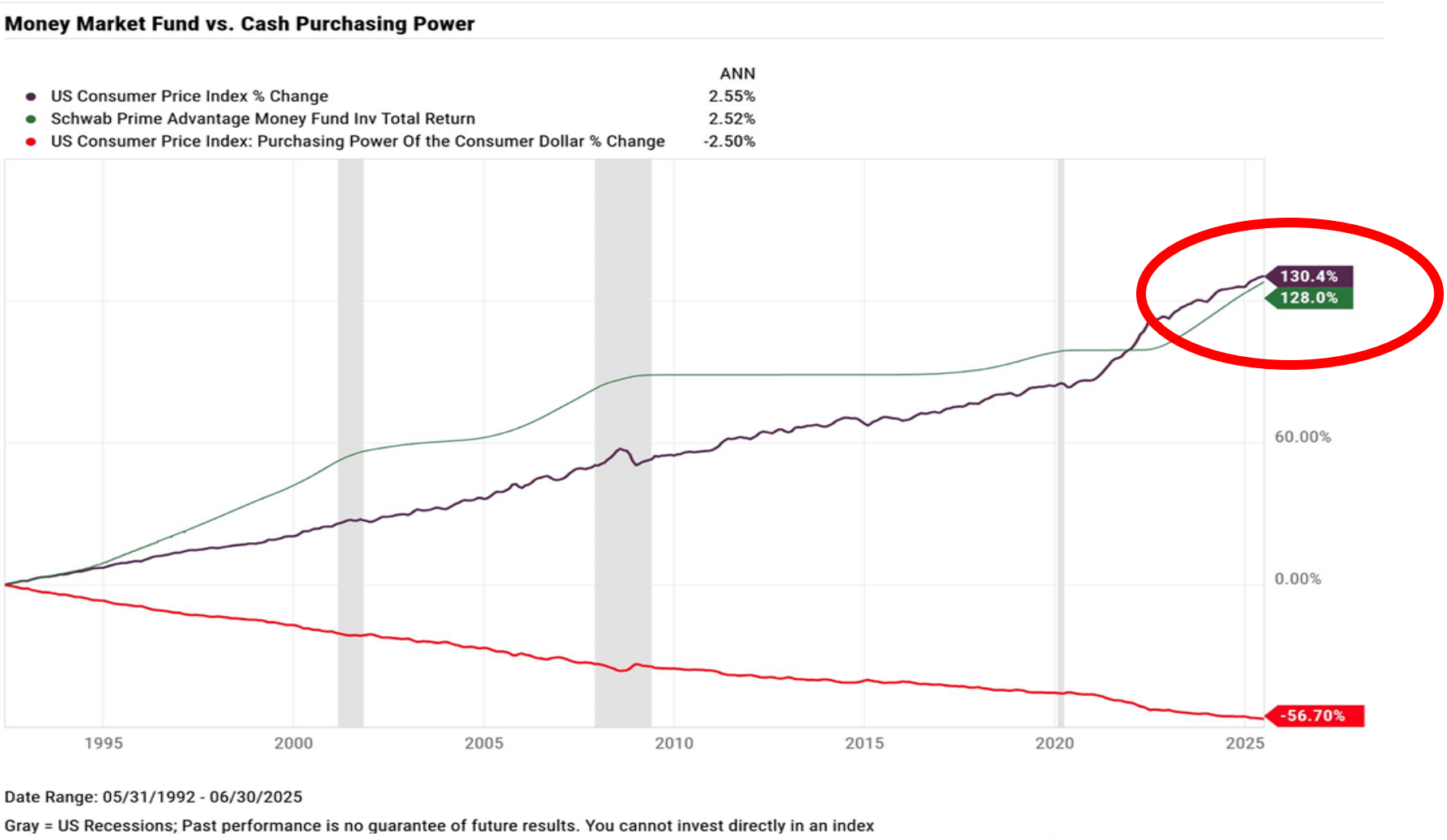
Mutual Investment Club, Florence, AL

Puget Sound Model Club, Seattle WA,

Important Ideas

- Get ready to invest
  - Build an emergency fund by paying yourself first.
  - Plug spending leaks; reduce debt
- Make savings and investing automatic.
- Stocks are good for growth over time
- Time in the market, NOT market timing – benefit from the power of compounding
- The Employer match in retirement plans is free money - take it
- Don’t ignore impact of inflation or fees
- Planning can help
- Investment Clubs can be good investment vehicles.

“Holding Cash is Better Than Investing”



Source: Y Charts. Date 7-30-25.

Inflation Eats Purchasing Power

- Inflation erodes the value of the dollar over time.
- Invest in securities that beat inflation

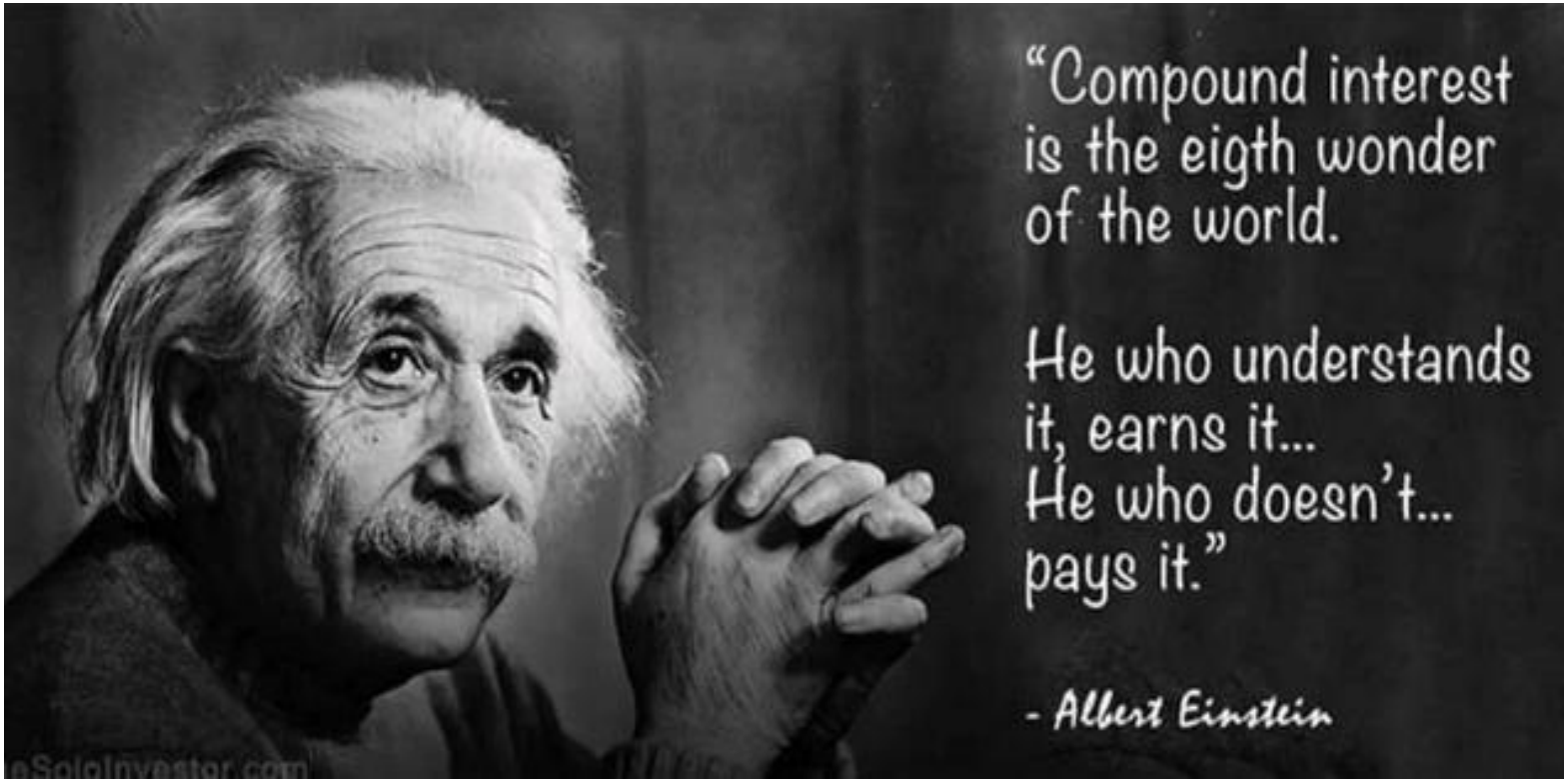
The Long-Term Power of Markets

To fight inflation

Stocks deliver the best return over the long term.

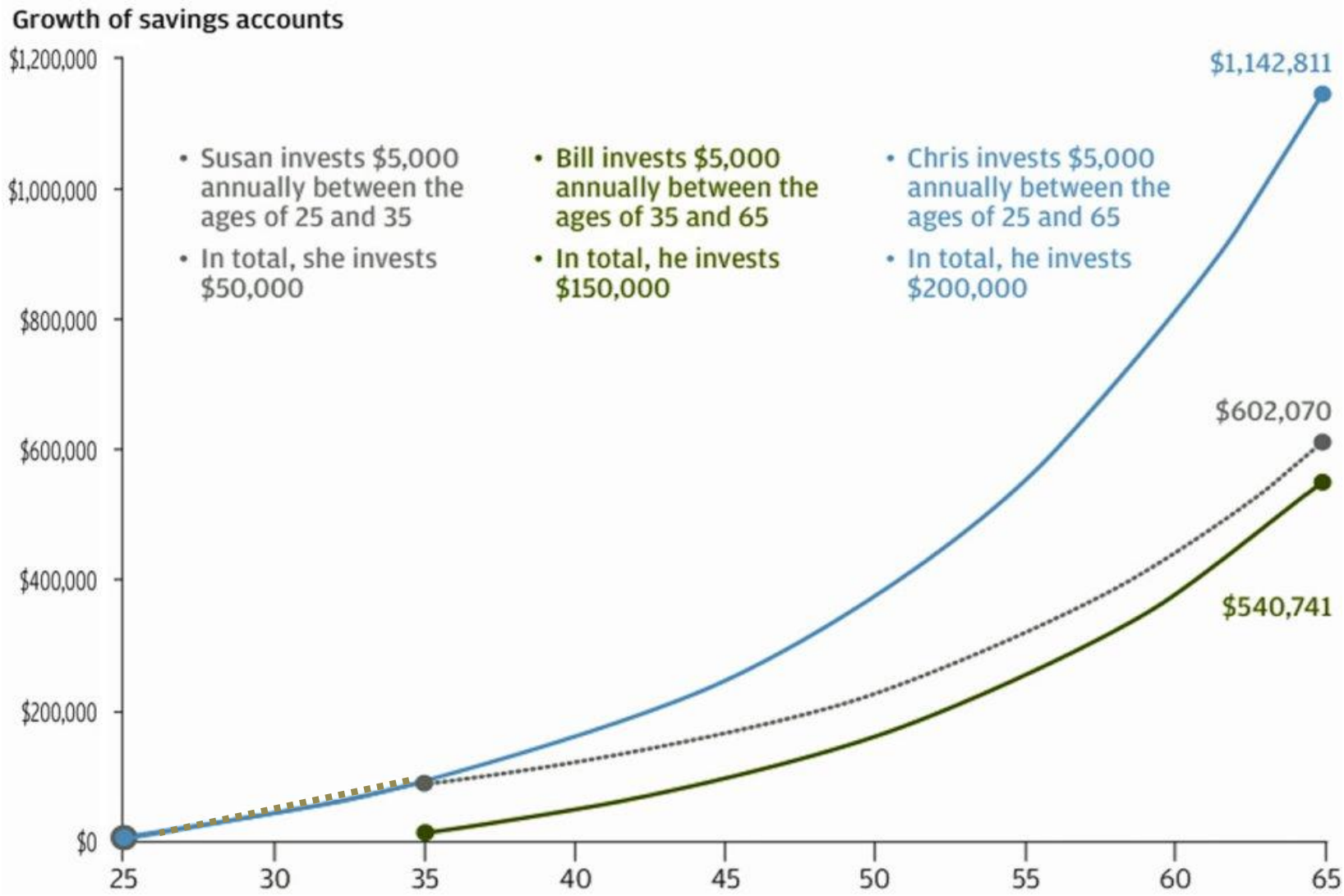
Source: Y Charts. Date 7-30-25.

Compound Interest



- "Compound interest is the most powerful force in the universe."
- The power of compound interest: ***Time***

Value of Time and Compounding



Have a Plan

- Pay down debt
- Build an emergency plan
- Make it automatic

Pay Yourself First

Build an **Emergency Fund** of a minimum of 6-12 months of expenses. Use for:

- Loss of Job
- Medical Emergencies
- Car Repairs
- Household Repairs
- Family Emergencies

- Use for: saving account or CD

- NEXT, build an account to ***Pay Yourself First***

Plug Spending Leaks

What is a spending leak?

- Seemingly small amounts of money spent on nonessentials that add up over time

Examples of spending leaks

- Soda, coffee drinks, needless subscriptions, habits such as cigarettes

Wants vs. needs

- Deciding if you want it or need it helps with spending leaks

Make it Automatic

- Take advantage of payroll deductions and automatic transfers from checking and saving into brokerage accounts.
- Investors who “set it and forget it” do better

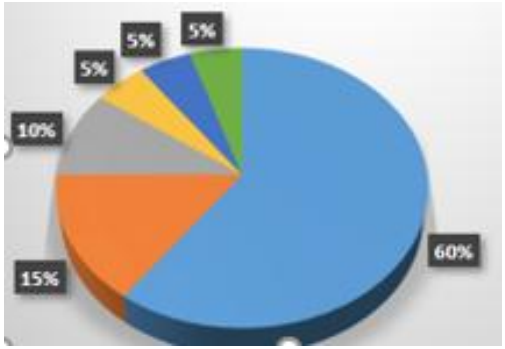
Tax-Advantaged Retirement Savings

Examples - 401k, 457b, 401a, 403b

- Some companies match a portion of your retirement investment
- At a minimum, contribute up to the match amount
- *Only 25% of employees take full advantage of an employer match*
- A common employer match is 50% up to first 5%
- Free money!

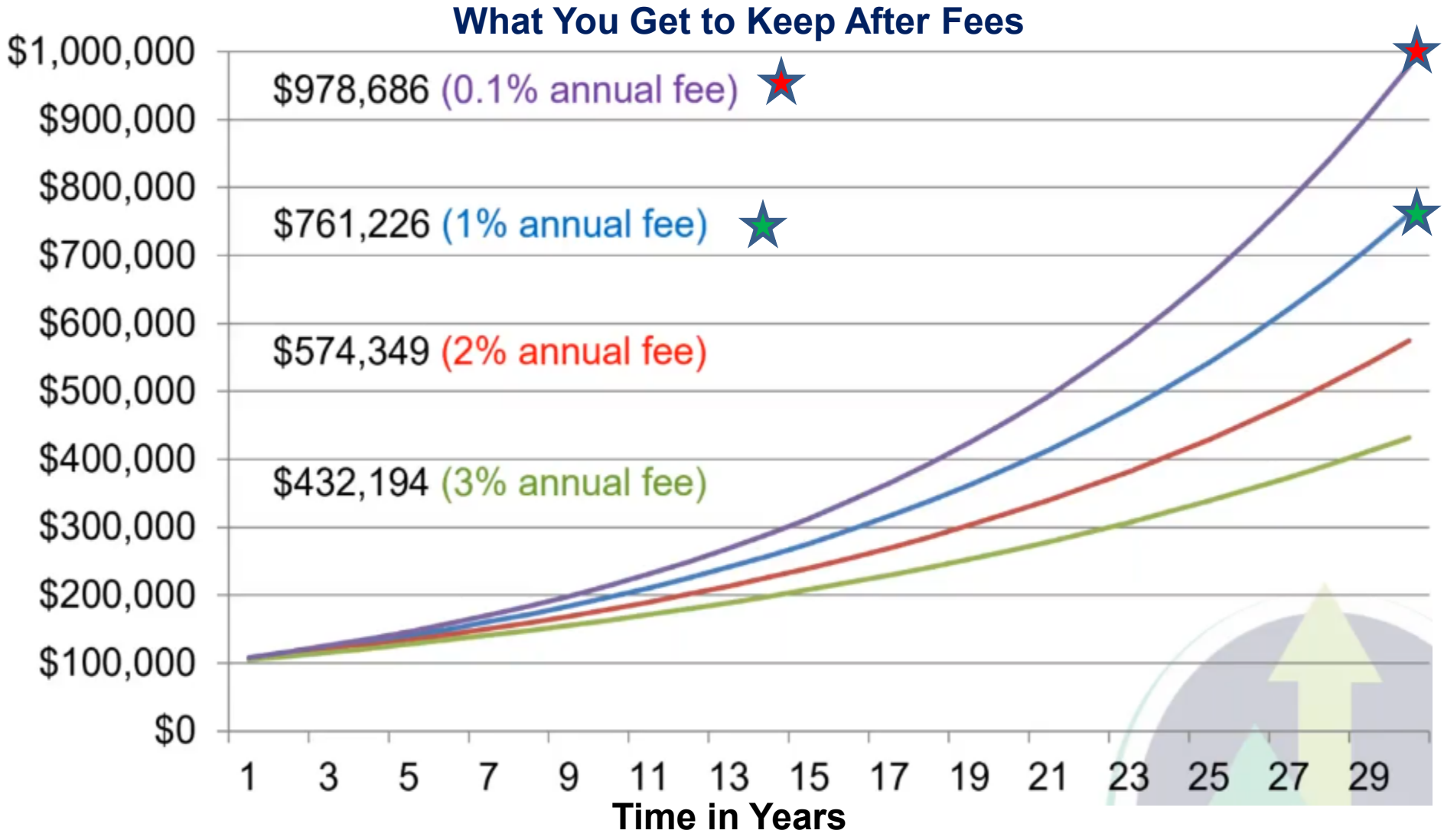
Focus on Asset Allocation

- Aim to balance risk and reward by breaking up a portfolio's assets according to an individual's goals, risk tolerance, and investment horizon
- Three main asset classes – with different levels of risk and return, so each will behave differently
  - ***Equities (stocks)***
  - ***Fixed-income (bonds)***
  - ***Cash and equivalents***



- **Goal: make sure that your investments don't end up in one single proverbial basket**

Impact of Fees



$100,000 invested; 8% annualized return over 30 years

Indexes Outperform

Over the past 15 years (as of June 30, 2019)

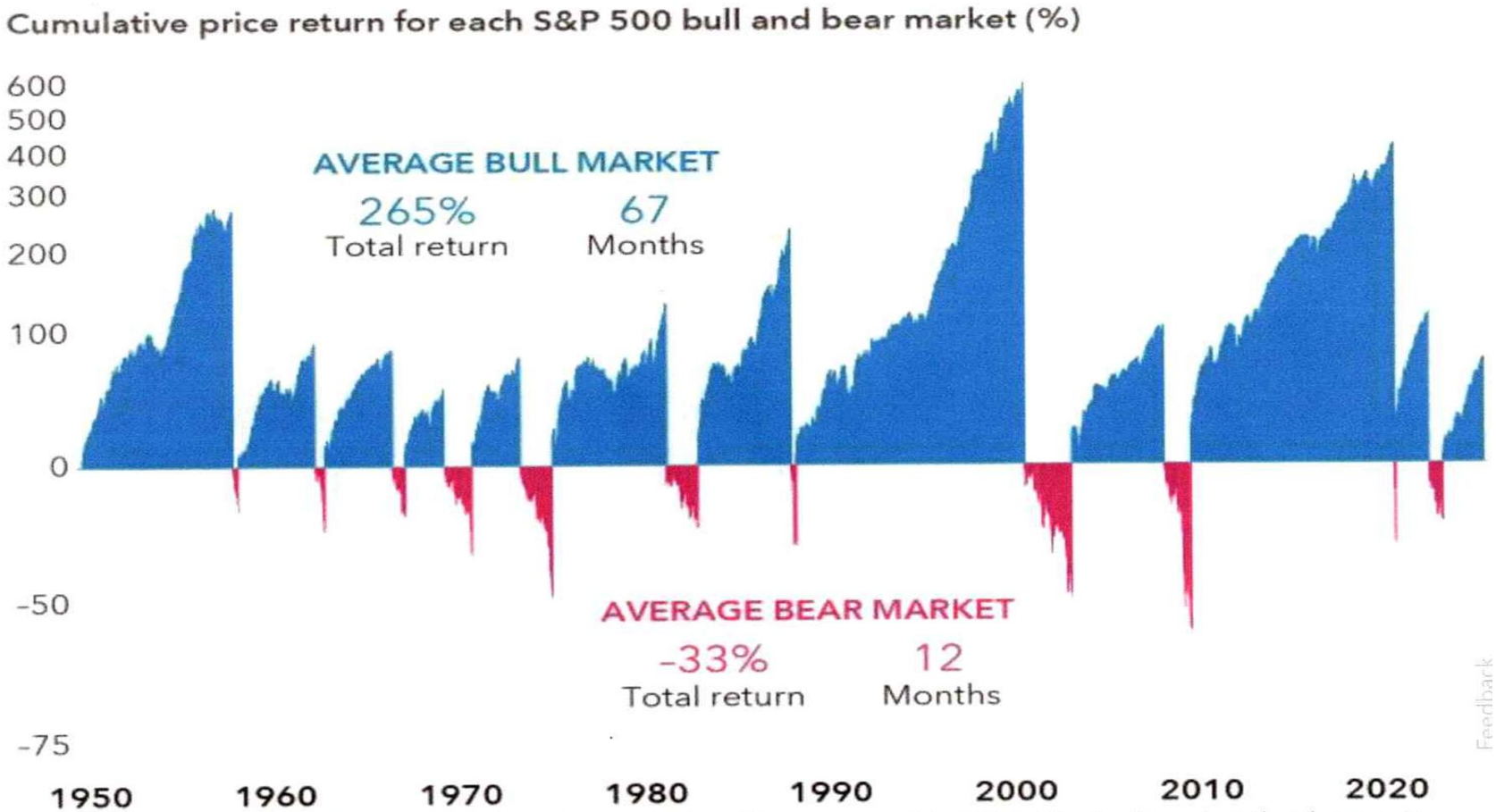
- S&P 500 outperformed large-cap funds **89.83%** of the time
- S&P MidCap 400 outperformed the mid-cap funds **90.33%**
- S&P SmallCap 600 outperformed small-cap funds **90.25%**

- **Over the past 15 years, 88% or more of active managers across all categories underperformed.**

- Very low expense ratios (0.03% – 0.2%)
- Offer tax-efficiency due to low turnover
- their respective benchmarks

Source: SPIVA U.S. Scorecard 2019. June 30, 2019

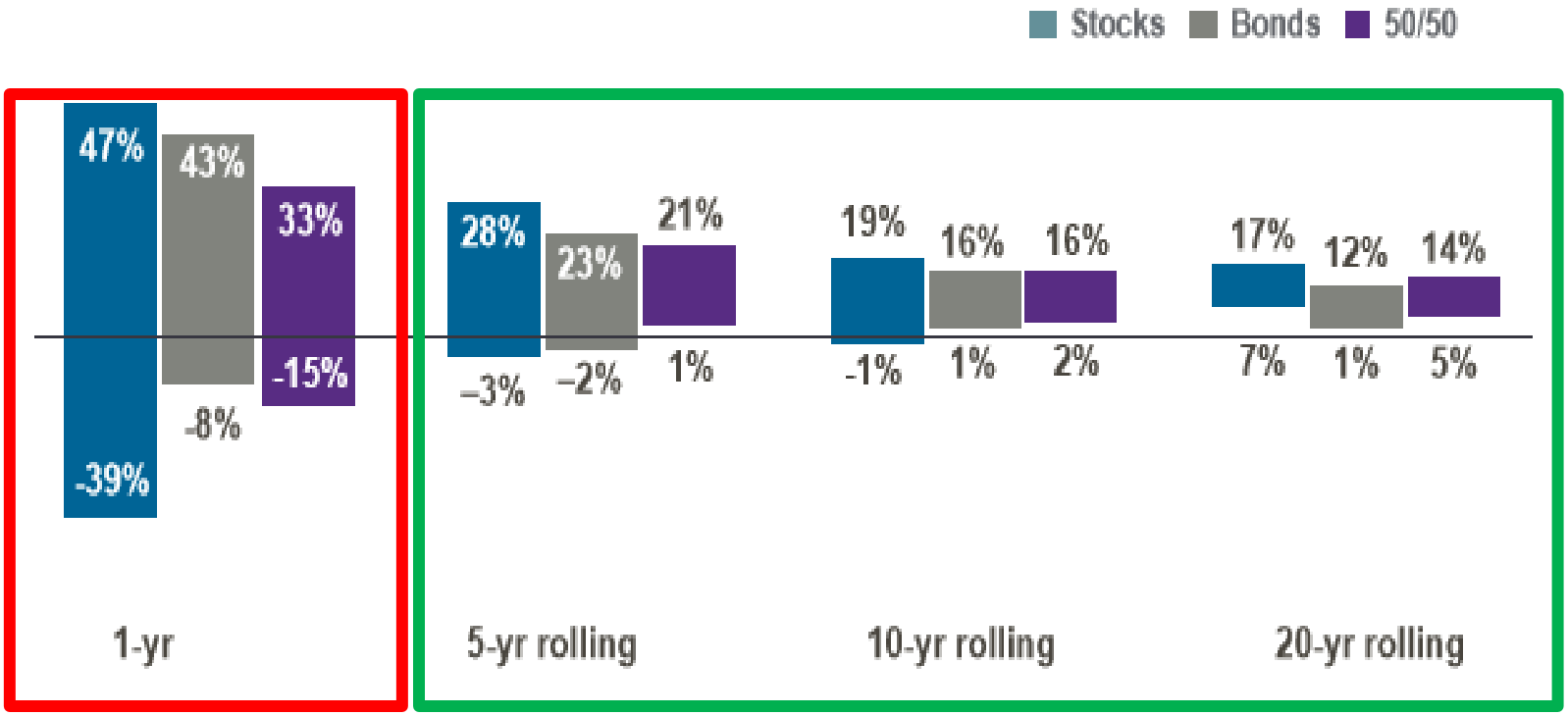
A Long-Term Perspective



Sources: Capital Group, RIMES, Standard & Poor's. As of December 31, 2024. The bull market that began in 2022 is considered current as of December 31, 2024, and is not included in the "average bull market" calculations. Bear markets are peak-to-trough price declines of 20% or more in the S&P 500, ending with a 50% recovery relative to the prior peak. Bull markets are all other periods. Returns shown on a logarithmic scale.

Range of Rolling Returns

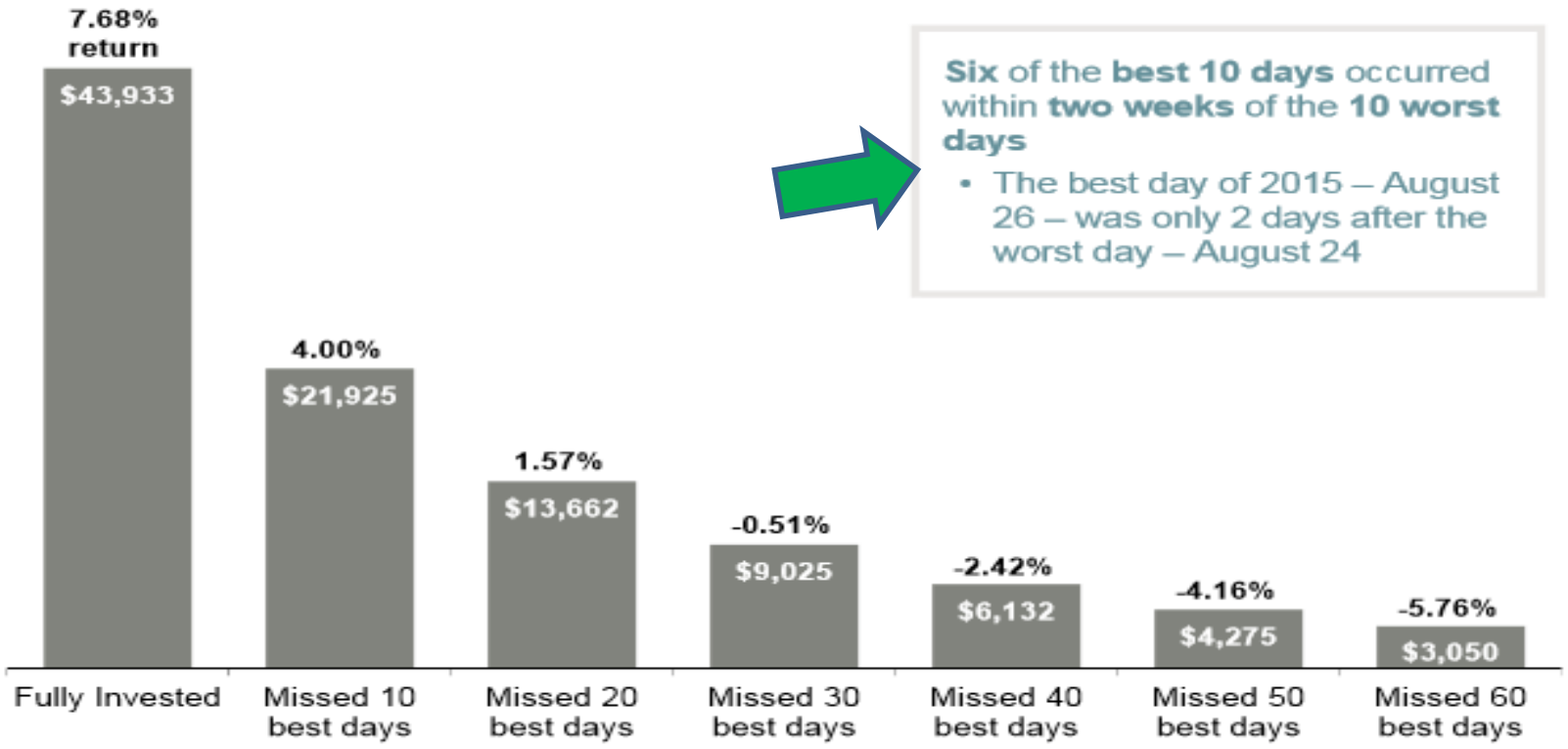
Range of stock, bond and blended total returns
Annual total returns, 1950-2016



Source: Barclays Capital, FactSet, Federal Reserve, Robert Shiller, Stategas/Ibbotson, J.P. Morgan Asset Management.

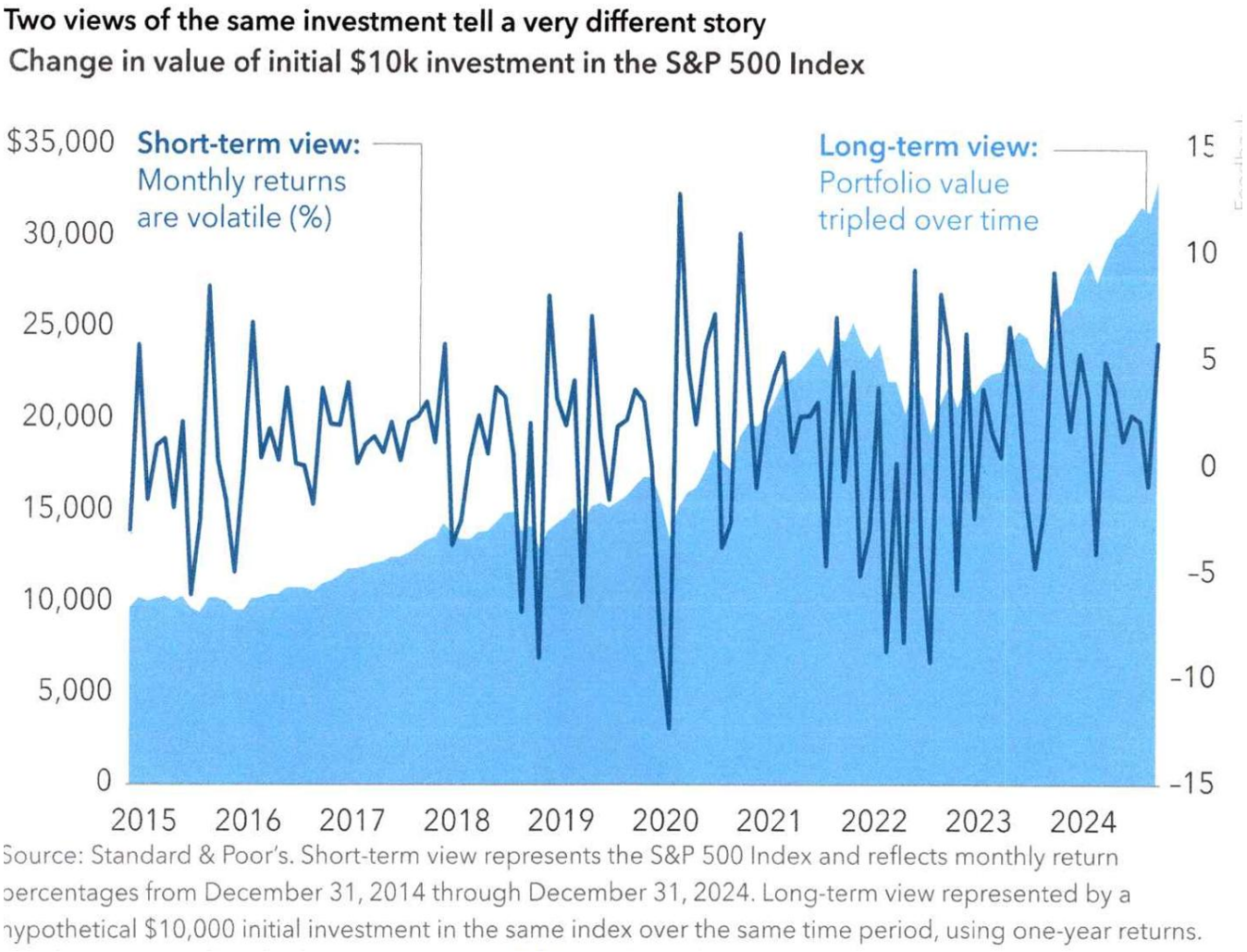
Being Out of the Market

Returns of the S&P 500
Performance of a $10,000 investment between January 1, 1997 and December 30, 2016



Source: J.P. Morgan Asset Management analysis using data from Bloomberg.

Focus on Big Picture, Not the Noise



Source: Capital Group

- To me, lots of people see the stock market as the squiggly line – going up and down.
- Just lots of volatility.

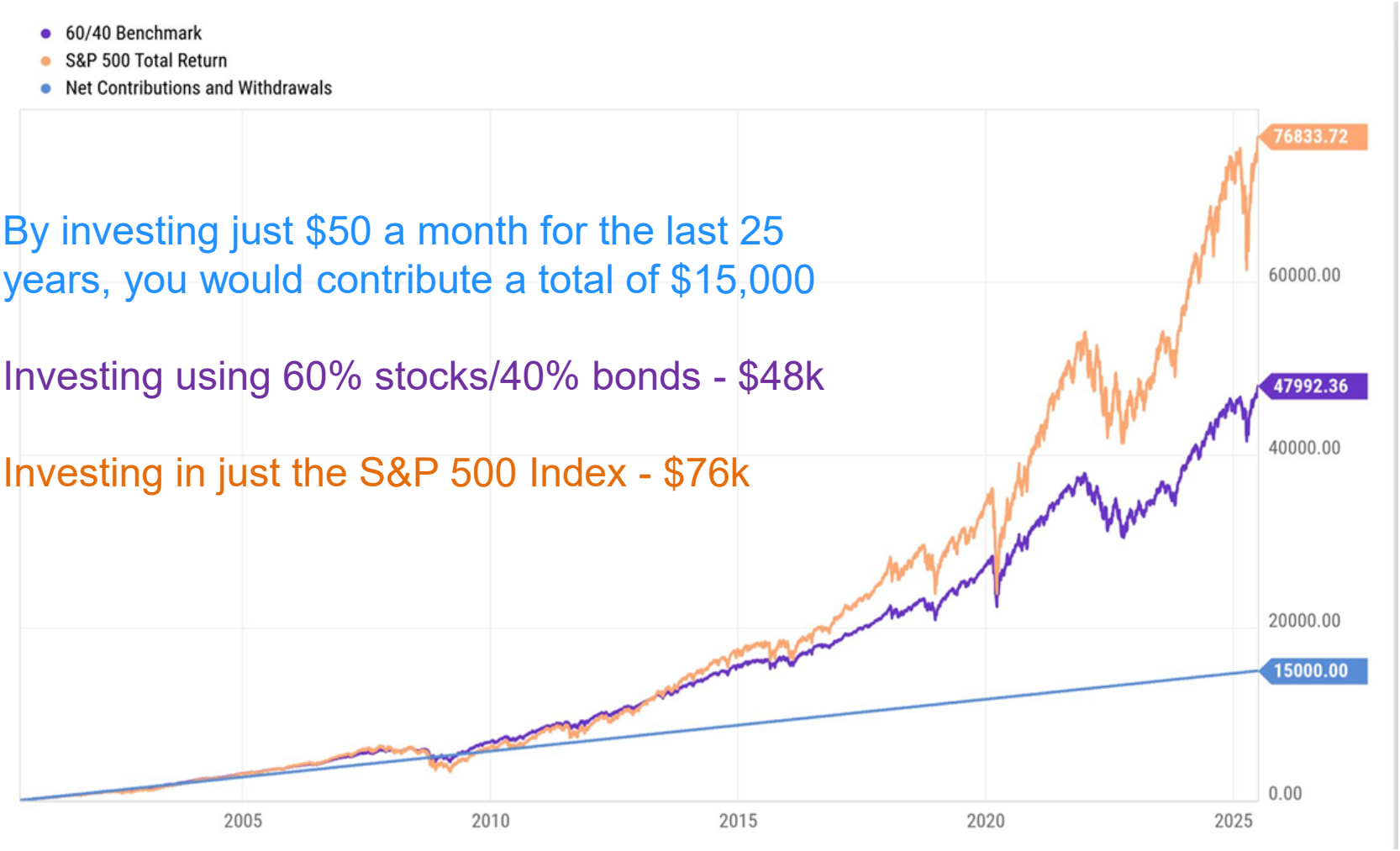
- In reality, the shaded blue shows the growth of the market over that same time frame.

Investing Is For Everyone!

By investing just $50 a month for the last 25 years, you would contribute a total of $15,000

Investing using 60% stocks/40% bonds - $48k

Investing in just the S&P 500 Index - $76k



Source: Y Charts. Date 7-30-25.

Investment and Model Clubs

- Visit clubs to learn more about how they operate
- Learn about BetterInvesting's (BI) tools and resources for stock analysis and club accounting
- Join an investment club to learn with others
  - How to study stocks
  - Learn to understand markets
  - Learn to manage your financial future
- Consider a Model Club. SF – 2nd Thursday of month

Invest with Like-Minded Investors

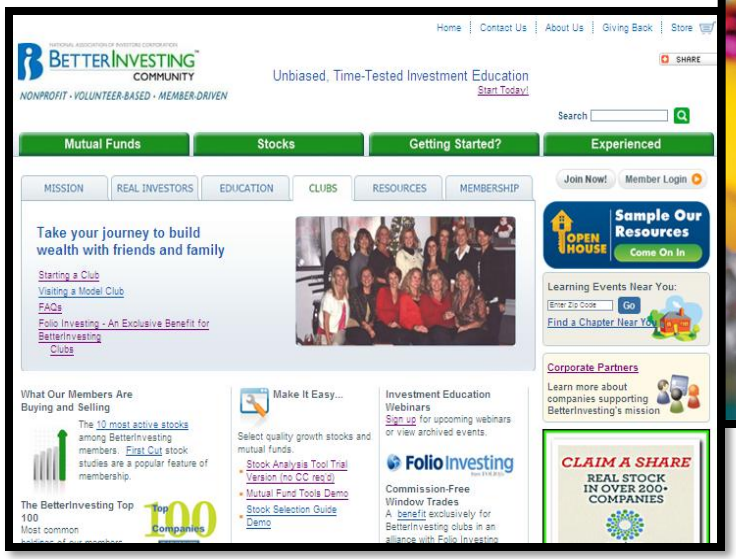
- Learn investment basics so you can sleep at night
- Quickly find and evaluate the best stocks to buy
- Keep emotions at bay
- Individual stocks may generate great returns

Picking my own stocks allows me to:

- Learn about the companies I invest in
- Invest with companies that share my values
- I watch my money better than others
- I avoid paying fees to others because I learned to invest

Some of the BetterInvesting Tools

- Common sense approach
- Education and Information
- Tools and Resources
- Community



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