Investing Made Easy

Investing used to be only for those who were better off. Now, with the advancement of technology, investing has become something everyone can be a part of.

1. Investors can set up automatic withdrawals from their paycheck allowing them to invest part of every paycheck without thinking about it.
2. Online websites have extensive amounts of data on all publicly traded companies along with mutual fund and real estate data.
3. There are now many websites devoted specifically to online investing. These sites have reduced the barriers to investing along with substantially lowering the cost of investing. Examples include: Etrade, Scottrade, Tradeking, Ameritrade.
4. Many banks have acquired investing services so you can now bank and invest with the same company.

> *"How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case."*
> *— Robert Allen*

Always feel free to stop into the **It Make$ Cents! Money Management Center** to talk investing or any other related financial topic with one of our peer mentors.

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UNIVERSITY OF WISCONSIN-LA CROSSE

IT MAKE$ CENTS!

Investing Basics

Making Sense of Investing

Why Invest?

1. Investing allows you to create wealth over time.
2. Investing your money allows you to earn a much higher return than if you simply put it into a savings account.
3. Investing allows you to earn money that you never worked for.

Types of Investments

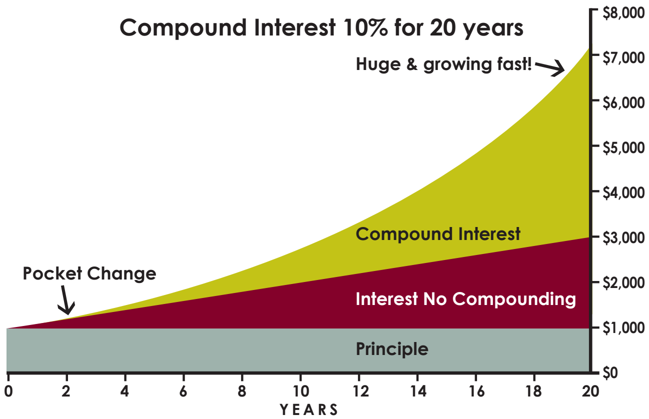
1. Stocks
2. Bonds
3. Mutual Funds
4. Real Estate
5 Commodities

Every investment has its own benefits and drawbacks. It is important for each individual investor to examine his/her investment goals when making a decision on which investments to choose.

Saving vs. Investing

SAVING

Holding money that you intend to spend on something in the future.
(Ex. Saving $50 a month for a year in a savings account to buy a new flat screen TV)



Compound Interest

The most important factor for dramatically increasing the value of your investments is compound interest. Compound interest, simply put, means interest on your interest. As you can see above, when you have compound interest, it makes a substantial difference in the value of your investment over time!

Investing Early

Other than compound interest itself, the next most important factor is time. If you give your money time to grow, it will grow more rapidly as time goes on. See the charts to the right for a visual of the difference it can make. Make sure to take advantage of this while you are still young!

INVESTING

Putting your money in some type of investment with the goal of your money gaining value over time.
(Ex. Investing $100 a month in a mutual fund to fund your retirement.)

THE STORY OF TWO SAVERS

Saver A spends his money partying for eight years, then, at age 26, opens a tax-deferred account earning 12% and invests $150/month for the next 40 years.

Saver B invests $150/month for eight years in a tax-deferred account earning 12% and saves NOTHING for the next 40 years.

CONTRIBUTIONS = $72,000 | **CONTRIBUTIONS = $14,400**

Which saver ends up with more money?

SAVER A			SAVER B		
Age	Annual Amount	Total	Age	Annual Amount	Total
18	$0	$0	18	$1,800	$1,902
19	0	0	19	1,800	4,046
20	0	0	20	1,800	6,462
21	0	0	21	1,800	9,183
22	0	0	22	1,800	12,250
23	0	0	23	1,800	15,706
24	0	0	24	1,800	19,600
25	0	0	25	1,800	23,989
26	1,800	1,902	26	0	26,868
27	1,800	4,046	27	0	30,092
28	1,800	6,462	28	0	33,703
29	1,800	9,183	29	0	37,747
30	1,800	12,250	30	0	42,277
35	1,800	34,506	35	0	74,506
40	1,800	74,937	40	0	131,305
45	1,800	148,388	45	0	231,405
50	1,800	281,827	50	0	407,815
55	1,800	524,245	55	0	718,709
60	1,800	964,644	60	0	1,266,610
65	1,800	1,764,716	65	0	2,232,200

Saver B has outpaced A by over $467,000!

Saving for Retirement

IRAs (Individual Retirement Accounts) come in two basic forms: Traditional and Roth. The simplest way to describe the difference in these two types is this:

Traditional IRA: Money is not taxed initially, but then taxed when taken out. (Principal + Interest are taxed)

Roth IRA: Money is taxed initially, but there is no tax when taken out. (Principal Taxed, Interest NOT taxed)

401k Plans: A very popular plan in today's business world is the 401k. A 401k is basically a type of Traditional IRA where your employer matches your contribution up to a certain amount. Always invest up to the max!