Start Investing Now to Gain Maximum Growth of Your Money

HOW TO START INVESTING?

1. Define the amount you can invest each month (Income – (a+b+c) = Amount to Invest)

a. Keep a budget and track monthly expenses

b. Keep an emergency fund of at least 3 - 6 months expenses in savings

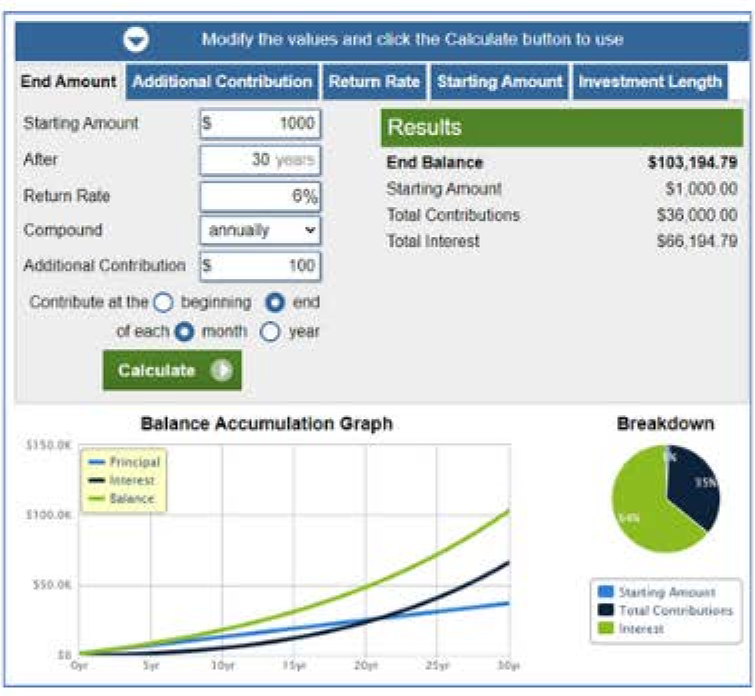
c. Pay off high-interest debts

2. Do not touch your investments

Do not touch investments for a 5-year minimum term. Investing is a long-term commitment in which you need to allow time for growth through compounding interest (interest building on interest).

The earlier you begin investing and putting your money to work for you the more wealth you will generate. Below are two examples of how compound interest can work for you. The example shows two people. One invests for 30 years (Example 1) and the other one invests only 15 (Example 2).

EXAMPLE 1: Invest $1000 to start and then contribute $100 per month to investment for 30 years at a return rate of 6%. Investment balance at the end of 30 years will be **$103,194.79.**

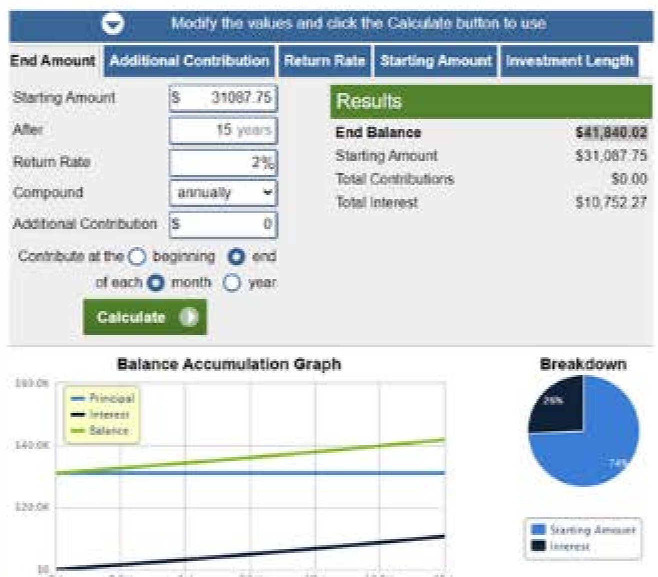


Annual Schedule

Annual Schedule | Monthly Schedule

	start principal	start balance	interest	end balance	end principal
1	$1,000.00	$1,000.00	$92.65	$2,292.65	$2,200.00
2	$2,200.00	$2,292.65	$170.21	$3,662.86	$3,400.00
3	$3,400.00	$3,662.86	$252.41	$5,115.29	$4,600.00
4	$4,600.00	$5,115.29	$339.58	$6,654.86	$5,800.00
5	$5,800.00	$6,654.86	$431.96	$8,286.80	$7,000.00
6	$7,000.00	$8,286.80	$529.90	$10,016.67	$8,200.00
7	$8,200.00	$10,016.67	$633.65	$11,850.32	$9,400.00
8	$9,400.00	$11,850.32	$743.67	$13,793.99	$10,600.00
9	$10,600.00	$13,793.99	$860.28	$15,854.28	$11,800.00
10	$11,800.00	$15,854.28	$983.92	$18,038.19	$13,000.00
11	$13,000.00	$18,038.19	$1,114.95	$20,353.14	$14,200.00
12	$14,200.00	$20,353.14	$1,253.83	$22,806.98	$15,400.00
13	$15,400.00	$22,806.98	$1,401.05	$25,408.05	$16,600.00
14	$16,600.00	$25,408.05	$1,557.13	$28,165.18	$17,800.00
15	$17,800.00	$28,165.18	$1,722.56	$31,087.75	$19,000.00
16	$19,000.00	$31,087.75	$1,897.92	$34,185.67	$20,200.00
17	$20,200.00	$34,185.67	$2,083.81	$37,469.46	$21,400.00
18	$21,400.00	$37,469.46	$2,280.81	$40,950.28	$22,600.00
19	$22,600.00	$40,950.28	$2,489.67	$44,639.95	$23,800.00
20	$23,800.00	$44,639.95	$2,711.05	$48,551.00	$25,000.00
21	$25,000.00	$48,551.00	$2,945.72	$52,696.71	$26,200.00
22	$26,200.00	$52,696.71	$3,194.46	$57,091.17	$27,400.00
23	$27,400.00	$57,091.17	$3,458.12	$61,749.29	$28,600.00
24	$28,600.00	$61,749.29	$3,737.62	$66,686.90	$29,800.00
25	$29,800.00	$66,686.90	$4,033.87	$71,920.77	$31,000.00
26	$31,000.00	$71,920.77	$4,347.90	$77,468.67	$32,200.00
27	$32,200.00	$77,468.67	$4,680.77	$83,349.44	$33,400.00
28	$33,400.00	$83,349.44	$5,033.63	$89,583.06	$34,600.00
29	$34,600.00	$89,583.06	$5,407.63	$96,190.69	$35,800.00
30	$35,800.00	$96,190.69	$5,804.10	$103,194.79	$37,000.00

EXAMPLE 2: Invest $1000 to start and then contribute $100 per month to investment for 15 years at a return rate of 6%. Investment balance at the end of 15 years will be $31,087.75. **If that investments sits in the bank for the following 15years at 2% savings rate, the account will have $41,840.02 at year 30.**



Annual Schedule

Annual Schedule | Monthly Schedule

	start principal	start balance	interest	end balance	end principal
1	$1,000.00	$1,000.00	$92.65	$2,292.65	$2,200.00
2	$2,200.00	$2,292.65	$170.21	$3,662.86	$3,400.00
3	$3,400.00	$3,662.86	$252.41	$5,115.29	$4,600.00
4	$4,600.00	$5,115.29	$339.58	$6,654.86	$5,800.00
5	$5,800.00	$6,654.86	$431.96	$8,286.80	$7,000.00
6	$7,000.00	$8,286.80	$529.90	$10,016.67	$8,200.00
7	$8,200.00	$10,016.67	$633.65	$11,850.32	$9,400.00
8	$9,400.00	$11,850.32	$743.67	$13,793.99	$10,600.00
9	$10,600.00	$13,793.99	$860.28	$15,854.28	$11,800.00
10	$11,800.00	$15,854.28	$983.92	$18,038.19	$13,000.00
11	$13,000.00	$18,038.19	$1,114.95	$20,353.14	$14,200.00
12	$14,200.00	$20,353.14	$1,253.83	$22,806.98	$15,400.00
13	$15,400.00	$22,806.98	$1,401.05	$25,408.05	$16,600.00
14	$16,600.00	$25,408.05	$1,557.13	$28,165.18	$17,800.00

Use the Investment Calculator provided in the link below to configure your own investment.

Investment Calculator (https://www.calculator.net/investment-calculator.html)

3. Understanding the basics of investments

a. **Stocks** – Higher Risk with Faster Growth

When you buy a stock, you own part of the company you invested in. As the company grows, your stock goes up in value. Some stocks will also share profits in the form of dividends. Stocks typically grow more than other assets over the long-term, but they also have a higher risk of losing value.

b. **Bonds** – Less Risky with Slower Growth

A bond is a loan to a company or government agency. Since the company or agency usually pays a fixed interest rate for the bond, bonds are considered a fixed-income asset. Bonds are considered less risky than stocks and are seen to reduce your portfolio risk but they don't grow in value as much as stocks do.

c. **Real Estate** – High Risk

Investing in real estate means purchasing property to improve upon – or rent out – for income. It can be a high-risk activity but may help you build wealth quickly. If you want to invest in real estate without buying a house, an REIT allows you to put money into an investment company that purchases, improves, and rents real estate for you (and gives you a piece of the profits).

d. **Money Markets, Certificates of Deposit (CD's)** – Low Risk with Smaller Growth

Both Money Market and Certificates of Deposit accounts are a form of savings yielding a higher interest rate than a standard savings account but allows the same quick access to the funds. Money Market Accounts have variable interest rates and can be withdrawn at will. Certificate of Deposits have a fixed interest rate and are short term investments with a specific timeline funds can be withdrawn. Certificate of Deposits are always insured by the FDIC. Money Markets are not always insured by the FDIC.

e. **Asset Allocation**

Asset allocation is how you split your investments across asset classes. In the investing world, this is typically measured by how much you have investing in stock, bonds, and other assets. Coming up with a proper asset allocation depends on your age, investing goals, and risk tolerance. Once you have an asset allocation that fits your investing style, you can use it to direct your investing strategies.

Below is a basic table illustrating allocation of assets based off age and risk level taken.

Low risk tolerance = "age in bonds"
Medium risk tolerance = "age minus 10"
High risk tolerance = "age minus 20"

Remember, asset allocation is written as a ratio of stocks to bonds, such as 80/20, which means 80% stocks and 20% bonds.

AGE	LOW RISK TOLERANCE	MEDIUM RISK TOLERANCE	HIGH RISK TOLERANCE
20	80/20	90/10	100/0
30	70/30	80/20	90/10
40	60/40	70/30	80/20
50	50/50	60/40	70/30
60	40/60	50/50	60/40
70	30/70	40/60	50/50
80	20/80	30/70	40/60
90	10/90	20/80	30/70
100	0/100	10/90	20/80

4. Mutual Funds are easy options to investing and a great place to begin.

Mutual Funds are a group of securities that provide diversification in your investments. This diversification provides protection against huge losses. For those companies, within the fund, having a bad year the losses are offset by other companies, within the fund, experiencing growth.

Before investing in Mutual funds research the annual fees.Annual fees will vary depending upon how actively the funds are managed.

5. Different Types of Investment Accounts

a. 401K or Simple IRA Retirement Account

Take advantage of employer matching programs. (PACIV matches 50 cents to every dollar you contribute up to 6% of your salary)

b. Individual Retirement Account (IRA)

c. Standard Brokerage Account

This is a good option if not saving for retirement and/or need funds sooner. These accounts and earnings are taxable. Unlike the traditional retirement accounts in which taxes can be deferred.

The earlier you begin investing your money the quicker it will grow through compounding interest. Long-term investing increases the amount of risk you can tolerate. Investing for an extended period of time balances out the bad years with the good years in the market. All enabling a secure, comfortable, and possibly early retirement.

This article is for illustration purposes, and it is not intended for use as financial advice. Wade, [D(G1] Jacob. (17 May, 2021).

The Best Way to Start Investing at a Young Age (investinganswers.com)