smartwomansecurities

Personal Finance, Saving, and Investing

Tonight’s Agenda

- Market Update
- Why is Personal Finance and Investing Important Now?
- How do I get Started?
- Investment Options
- Diversification and Risk
- Setting an Investment Strategy
- Introduction to Bessemer’s Summer Internship Program

Market Update

Why is Personal Finance and Investing Important Now?

Why does it matter when I start?

- Scenario 1: Right now, at age 20, you start investing $4,000 per year for 10 years by using your savings from summer jobs and eventually or full-time job. You never save another dime.

- Scenario 2: You decide that you don't have enough money to save right now because you need to live in that ultra chic apartment, so you decide to wait. At age 30, you start investing $4,000 per year for 10 years.

- Scenario 3: You don't start investing because you need money for a car and then a house, and before you know it, you are 40. You decide to start investing $4,000 per year for 10 years.

Scenario 1: Investing NOW

Interest Rate:	10%			
Age	**Year**	**Annual Investment**	**Interest**	**Assets**
21	1	$ 4,000	$ 400	$ 4,400
22	2	$ 4,000	$ 840	$ 9,240
23	3	$ 4,000	$ 1,324	$ 14,564
24	4	$ 4,000	$ 1,856	$ 20,420
25	5	$ 4,000	$ 2,442	$ 26,862
26	6	$ 4,000	$ 3,086	$ 33,949
27	7	$ 4,000	$ 3,795	$ 41,744
28	8	$ 4,000	$ 4,574	$ 50,318
29	9	$ 4,000	$ 5,432	$ 59,750
30	10	$ 4,000	$ 6,375	$ 70,125
31	11	$ -	$ 7,012	$ 77,137
32	12	$ -	$ 7,714	$ 84,851
33	13	$ -	$ 8,485	$ 93,336
34	14	$ -	$ 9,334	$ 102,670
35	15	$ -	$ 10,267	$ 112,936
36	16	$ -	$ 11,294	$ 124,230
37	17	$ -	$ 12,423	$ 136,653
38	18	$ -	$ 13,665	$ 150,318
39	19	$ -	$ 15,032	$ 165,350
40	20	$ -	$ 16,535	$ 181,885
41	21	$ -	$ 18,189	$ 200,074
42	22	$ -	$ 20,007	$ 220,081
43	23	$ -	$ 22,008	$ 242,089
44	24	$ -	$ 24,209	$ 266,298
45	25	$ -	$ 26,630	$ 292,928
46	26	$ -	$ 29,293	$ 322,221
47	27	$ -	$ 32,222	$ 354,443
48	28	$ -	$ 35,444	$ 389,887
49	29	$ -	$ 38,989	$ 428,876
50	30	$ -	$ 42,888	$ 471,764
51	31	$ -	$ 47,176	$ 518,940
52	32	$ -	$ 51,894	$ 570,834
53	33	$ -	$ 57,083	$ 627,917
54	34	$ -	$ 62,792	$ 690,709
55	35	$ -	$ 69,071	$ 759,780
56	36	$ -	$ 75,978	$ 835,758
57	37	$ -	$ 83,576	$ 919,334
58	38	$ -	$ 91,933	$ 1,011,267
59	39	$ -	$ 101,127	$ 1,112,394
60	40	$ -	$ 111,239	$ 1,223,634
61	41	$ -	$ 122,363	$ 1,345,997
62	42	$ -	$ 134,600	$ 1,480,597
63	43	$ -	$ 148,060	$ 1,628,656
64	44	$ -	$ 162,866	$ 1,791,522
65	45	$ -	$ 179,152	$ 1,970,674
TOTAL		$ 40,000	$ 1,930,674	$ 1,970,674

- You retire with almost $2 million at age 65.

Note: Assumes 10% annual return and no tax effect.

Scenario 2: Investing at 30

Interest Rate:	10%			
Age	**Year**	**Annual Investment**	**Interest**	**Assets**
21	1	$ -	$ -	$ -
22	2	$ -	$ -	$ -
23	3	$ -	$ -	$ -
24	4	$ -	$ -	$ -
25	5	$ -	$ -	$ -
26	6	$ -	$ -	$ -
27	7	$ -	$ -	$ -
28	8	$ -	$ -	$ -
29	9	$ -	$ -	$ -
30	10	$ -	$ -	$ -
31	11	$ 4,000	$ 400	$ 4,400
32	12	$ 4,000	$ 840	$ 9,240
33	13	$ 4,000	$ 1,324	$ 14,564
34	14	$ 4,000	$ 1,856	$ 20,420
35	15	$ 4,000	$ 2,442	$ 26,862
36	16	$ 4,000	$ 3,086	$ 33,949
37	17	$ 4,000	$ 3,795	$ 41,744
38	18	$ 4,000	$ 4,574	$ 50,318
39	19	$ 4,000	$ 5,432	$ 59,750
40	20	$ 4,000	$ 6,375	$ 70,125
41	21	$ -	$ 7,012	$ 77,137
42	22	$ -	$ 7,714	$ 84,851
43	23	$ -	$ 8,485	$ 93,336
44	24	$ -	$ 9,334	$ 102,670
45	25	$ -	$ 10,267	$ 112,936
46	26	$ -	$ 11,294	$ 124,230
47	27	$ -	$ 12,423	$ 136,653
48	28	$ -	$ 13,665	$ 150,318
49	29	$ -	$ 15,032	$ 165,350
50	30	$ -	$ 16,535	$ 181,885
51	31	$ -	$ 18,189	$ 200,074
52	32	$ -	$ 20,007	$ 220,081
53	33	$ -	$ 22,008	$ 242,089
54	34	$ -	$ 24,209	$ 266,298
55	35	$ -	$ 26,630	$ 292,928
56	36	$ -	$ 29,293	$ 322,221
57	37	$ -	$ 32,222	$ 354,443
58	38	$ -	$ 35,444	$ 389,887
59	39	$ -	$ 38,989	$ 428,876
60	40	$ -	$ 42,888	$ 471,764
61	41	$ -	$ 47,176	$ 518,940
62	42	$ -	$ 51,894	$ 570,834
63	43	$ -	$ 57,083	$ 627,917
64	44	$ -	$ 62,792	$ 690,709
65	45	$ -	$ 69,071	$ 759,780
TOTAL		$ 40,000	$ 719,780	$ 759,780

- You retire with $700,000 at age 65.

Note: Assumes 10% annual return and no tax effect.

Scenario 3: Investing at 40

Interest Rate:	10%			
Age	**Year**	**Annual Investment**	**Interest**	**Assets**
21	1	$ -	$ -	$ -
22	2	$ -	$ -	$ -
23	3	$ -	$ -	$ -
24	4	$ -	$ -	$ -
25	5	$ -	$ -	$ -
26	6	$ -	$ -	$ -
27	7	$ -	$ -	$ -
28	8	$ -	$ -	$ -
29	9	$ -	$ -	$ -
30	10	$ -	$ -	$ -
31	11	$ -	$ -	$ -
32	12	$ -	$ -	$ -
33	13	$ -	$ -	$ -
34	14	$ -	$ -	$ -
35	15	$ -	$ -	$ -
36	16	$ -	$ -	$ -
37	17	$ -	$ -	$ -
38	18	$ -	$ -	$ -
39	19	$ -	$ -	$ -
40	20	$ -	$ -	$ -
41	21	$ 4,000	$ 400	$ 4,400
42	22	$ 4,000	$ 840	$ 9,240
43	23	$ 4,000	$ 1,324	$ 14,564
44	24	$ 4,000	$ 1,856	$ 20,420
45	25	$ 4,000	$ 2,442	$ 26,862
46	26	$ 4,000	$ 3,086	$ 33,949
47	27	$ 4,000	$ 3,795	$ 41,744
48	28	$ 4,000	$ 4,574	$ 50,318
49	29	$ 4,000	$ 5,432	$ 59,750
50	30	$ 4,000	$ 6,375	$ 70,125
51	31	$ -	$ 7,012	$ 77,137
52	32	$ -	$ 7,714	$ 84,851
53	33	$ -	$ 8,485	$ 93,336
54	34	$ -	$ 9,334	$ 102,670
55	35	$ -	$ 10,267	$ 112,936
56	36	$ -	$ 11,294	$ 124,230
57	37	$ -	$ 12,423	$ 136,653
58	38	$ -	$ 13,665	$ 150,318
59	39	$ -	$ 15,032	$ 165,350
60	40	$ -	$ 16,535	$ 181,885
61	41	$ -	$ 18,189	$ 200,074
62	42	$ -	$ 20,007	$ 220,081
63	43	$ -	$ 22,008	$ 242,089
64	44	$ -	$ 24,209	$ 266,298
65	45	$ -	$ 26,630	$ 292,928
TOTAL		$ 40,000	$ 252,928	$ 292,928

- You retire with $250,000 at age 65.

Note: Assumes 10% annual return and no tax effect.

Money Grows with Time

- **Power of Compounding Interest**
  - Start with $1,000
  - Put it in an investment that earns 10% each year
    - o 10% of $1,000 = $100, so after the first year, you then have $1,100
    - o Approximately every seven years, your money doubles
    - o "Rule of 72": 72 ÷ Annual percentage rate = Amount of time to double your money

      i.e., 72 ÷10 = 7.2 years

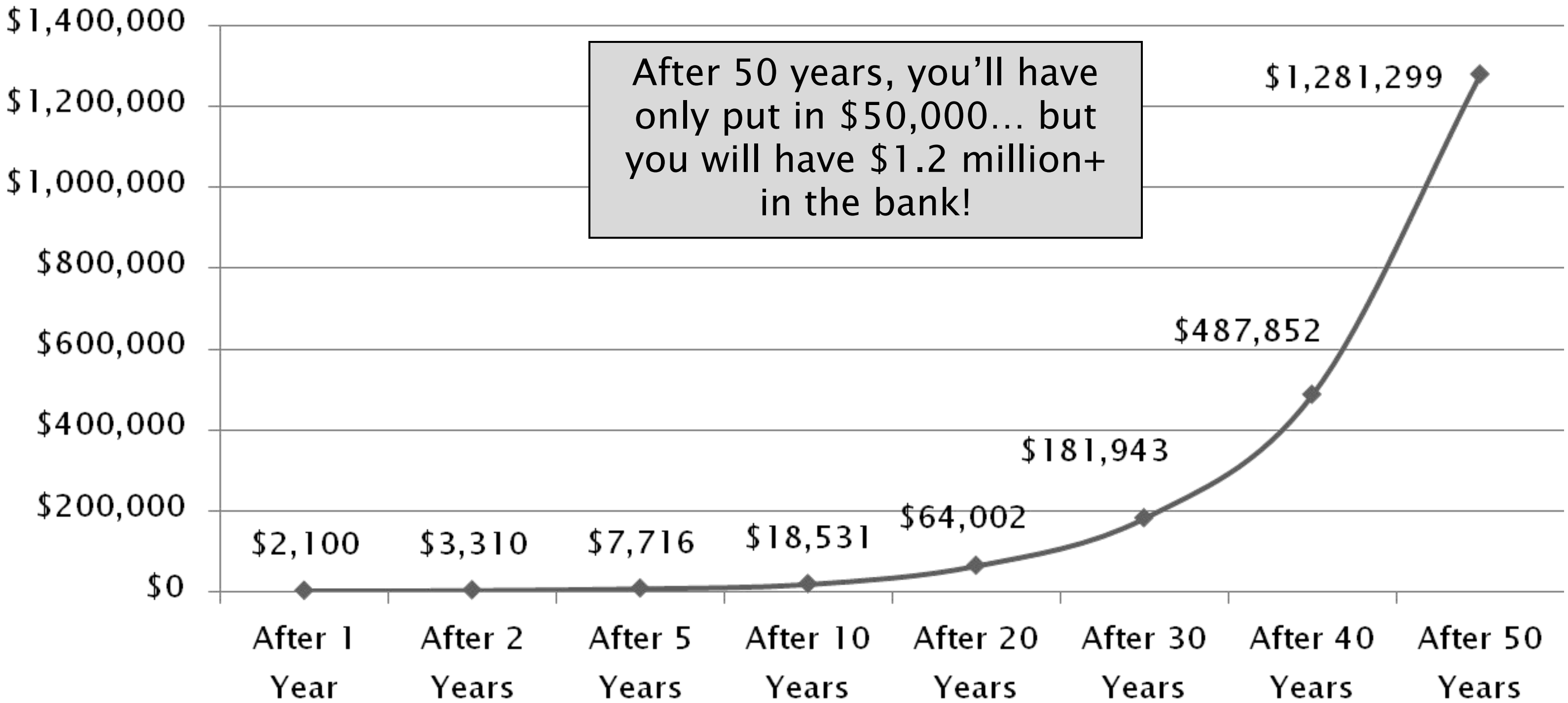
After 7 years	$2,000
After 14 years	$4,000
After 21 years	$8,000
After 28 years	$16,000
After 70 years	$1,004,000

All with an initial investment of only $1,000!

Source: Neuberger Berman, "Investing 101" from Oct. 20, 2005

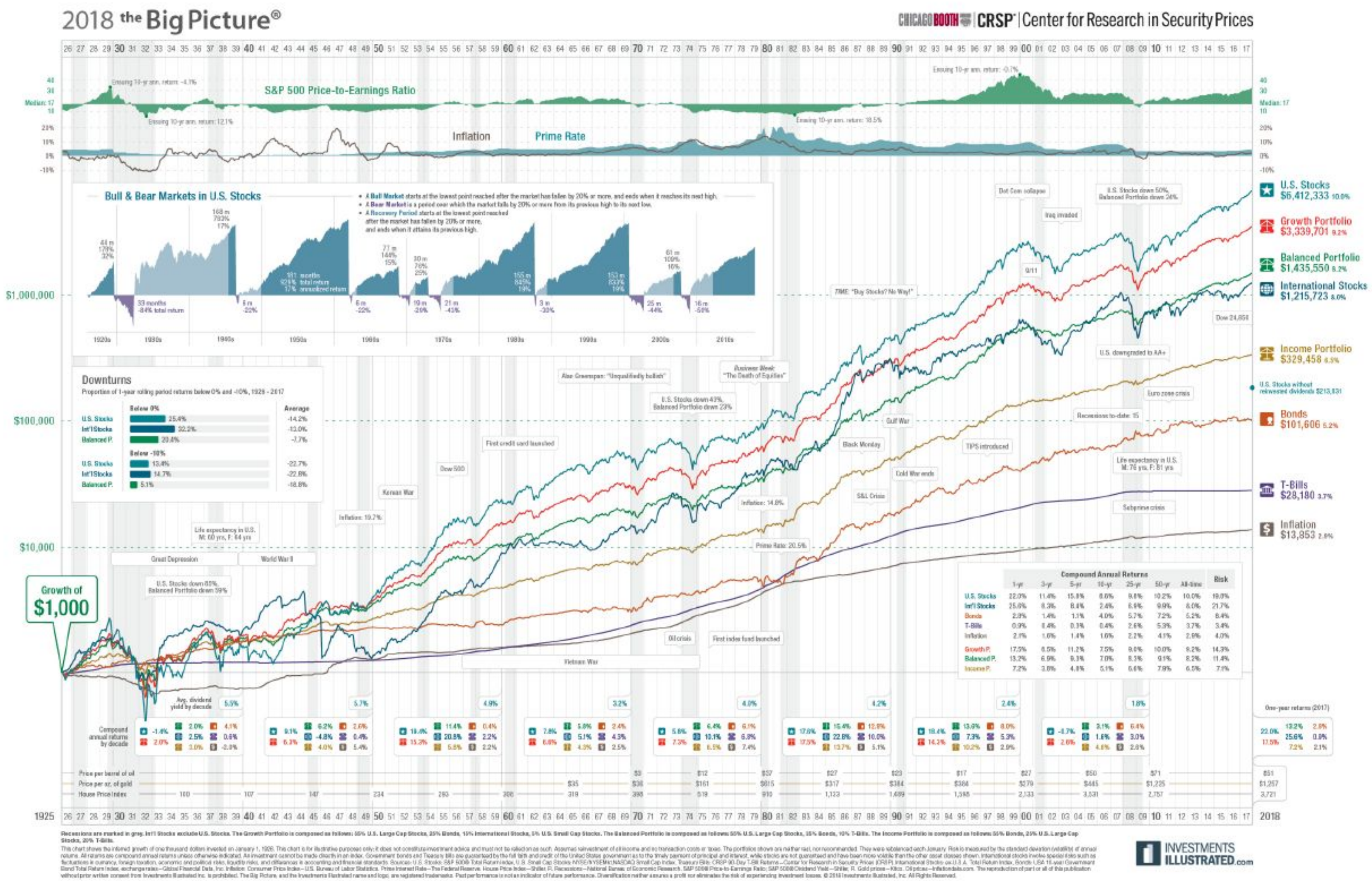
The Time Value of Money

- Time value of money
  - Start with $1,000, earning 10% each year … but also ADD $1,000 every year



Source: Neuberger Berman, "Investing 101" from Oct. 20, 2005

The Big Picture



How Do I Get Started?

Personal Investing Steps

- Step 1: Set your financial goals
- Step 2: Understand investment vehicles
- Step 3: Understand risks and returns
- Step 4: Develop an investment strategy
- Step 5: Implement your strategy
- Step 6: Monitor the performance of your investments

Source: Adapted from Ernst & Young Personal Finance Guide

Step 1: Set Your Financial Goals

- In order to set your goals, you need to:
  – Determine a time horizon (Are you saving to buy a car, a house, or retirement?)
  – Determine your investment profile (What stage in your life are you? How much money do you need to live on? How much risk can you tolerate?)
  – Understand your priorities (What goals are the most important to you?)
  – Quantify your priorities (How much money are you planning to save and invest and how much do you wish to have? Do these align?)

Step 2: Understand Investment Vehicles

three main asset classes

- **Stocks** → *growth*
- **Bonds** → *income*
- **Cash** → *liquidity* *stability*

alternative investments

- real estate
- hedge funds
- private equity
- venture capital
- options
- futures
- commodities

Stocks (Primary Source for Growth)

- A stock is a piece of ownership in a "public" company
  - Anyone can purchase this stock
  - # of Shares = how much of a company you own
- As the company's business grows, the per share value of the stock grows to reflect this
  - Many companies also pay back dividends to shareholders (for example, a company may pay out $1 per share each year)
- Your investment return = Dividends (money the company pays out to share holders) + Returns (rising value of shares also called capital gains)

Bonds (Primary Source for Income)

- A bond is an "I.O.U."
  - You are loaning money to someone (Federal Government, Municipal Authorities, or Corporations)
- You expect the initial loan amount will be returned to you at a stated time in the future with periodic interest payments.
  - This is a reason why bonds are also referred to as "fixed income"
  - You also receive additional regular "payments" for use of your money, often called "coupons"

- Types of bonds (taxable fixed income)
  - Bank CDs = safety and insurance
  - U.S. Treasuries = safety
  - Corporate bonds = high/medium quality
  - High yield bonds = lower quality/high volatility ("junk bonds")
- Tax-exempt
  - Municipal bonds - federal, state, local

Cash (Primary Source for Stability & Liquidity)

- Also known as "money market" accounts
  - Checking/Savings Accounts with interest
  - Bank Money Market Funds
  - Mutual Fund Money Market Funds
    - Taxable
    - Tax-exempt
  - Short-Term Bonds (less than one year)
    - Treasury Bills
- Low yield/return… but you know your money will be there when you need it

You may have checking or savings accounts at banks like Bank of America or Chase Bank.

Do you know what return you're earning from your bank?

0.00%

Checking Account at Bank of America

0.20%

Regular Savings Account at Bank of America

1.80%

Ally Bank Savings Account

(As of July 2010)

Alternative Investments

- Mutual Funds
- Index Funds
- Derivatives
- Other
  - Commodities
  - Real Estate
  - Hedge Funds
  - Private Equity
  - Venture Capital

Mutual Funds, Index Funds, and Derivatives (options, futures) are generally focused on returns from stocks (or a group of stocks)

There are many other types of investments; these are just some that you may have heard before

Step 3: Understand Risk and Returns

- These are two important components when judging investments
  - The earlier examples about the time value of money were based on earning a 10% return every year
    - But 10% return a year is not always possible
- Not all investments have the same risk; thus, not all investments yield the same return
  - For example, Treasury Bonds (issued by the US Treasury) are considered low risk, and therefore offer a lower return
- Higher risk often leads to higher returns
  - You must be compensated for taking on higher risk investments whose growth is harder to predict (more volatile) than lower risk investments
- Returns are relative to the market
  - If your return is 10% a year, but the market return is 15% a year, then you are doing worse than the market
  - Other factors, such as inflation, must be considered as well. If inflation is 10% and your investment return is 10%, your "real" return is 0%

Risk Tolerance Spectrum

High Risk

High Return

Small Company Stocks

International Stocks

Large Company Stocks

Corporate Bonds

Government Bonds

Cash Equivalents

Low Risk

Low Return

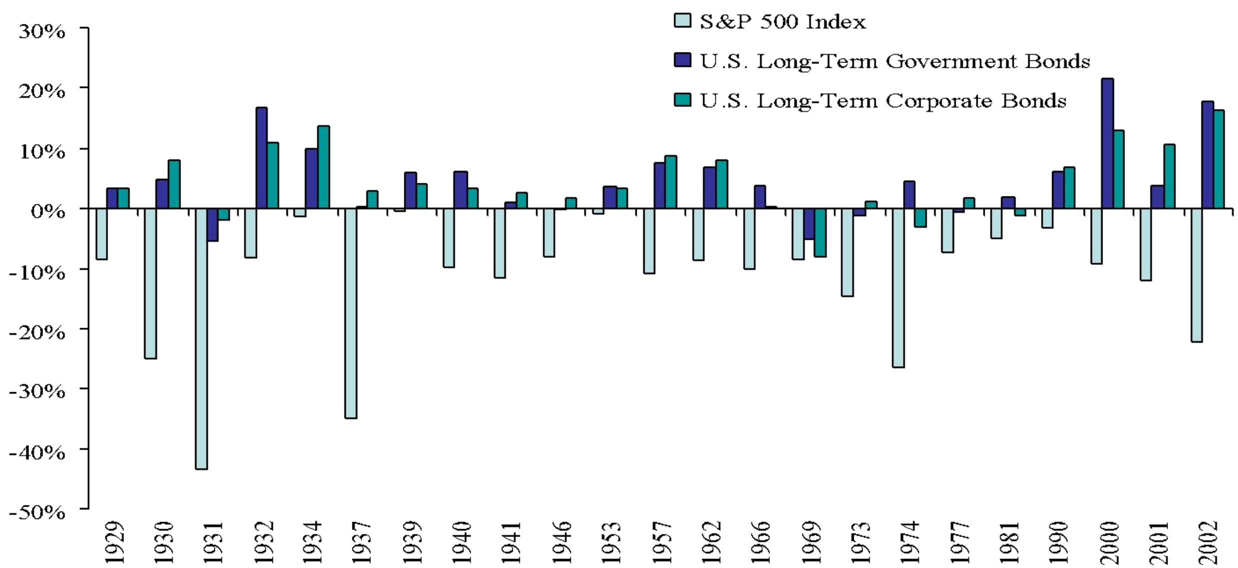
Source: Ibbotson Associates. Past performance is no guarantee of future results.

So, what should I invest in?

- Now that we know some of the main categories of investments, what should we invest in?
  - Depends on your risk profile
  - No one allocation is best
  - Diversification is key in handling risk
    - Don't just buy stocks, but diversify by buying stocks, bonds, and keeping cash to provide balanced returns
  - Also have a diverse mix within any one asset class
    - For example, within stocks, you may have large-cap and small-cap, growth and value, and stocks from different sectors

Diversification

- Diversify to:
  - Capitalize on low-correlation of asset classes or sectors
  - Diminish single-class investment risk in the event of a downturn
  - Offset losses in one asset class or sector with gains in another
    - Example: When stocks are negative, bonds tend to be positive



Source: Ibbotson Associates. Selected years shown represent all calendar years from 1929 to 2005 in which the S&P 500 Index had a negative total return.U.S. Long-Term Government Bonds are represented by the 20-year U.S. Government Bond and U.S. Long-Term Corporate Bonds are represented by the Citigroup U.S. Broad Investment Grade Index.Past performance is not indicative of future results. Please note that indices are unmanaged and do not take into account any fees or expenses of investing in the individual securities that they track, and that individuals cannot invest directly in an index. Data about the performance of these indices are prepared or obtained by Neuberger Berman and include reinvestment of all dividends and capital gain distributions. See Appendix for complete description of each index. The data presented herein represents securities industry market data as of the dates specified. It does not represent Neuberger Berman performance nor does it reflect the fees and expenses associated with managing a portfolio. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. This material is not intended to be a formal research report and should not be construed as an offer to sell or the solicitation of an offer to buy any security. A bond's value may fluctuate based on interest rates, market conditions, credit quality and other factors. You may have a gain or loss if you sell your bonds prior to maturity. Of course, bonds are subject to the credit risk of the issuer. Government bonds and Treasury Bills are backed by the full faith and credit of the United States Government as to the timely payment of principal and interest.

No Asset Class Leads Every Year

The Callan Periodic Table of Investment Returns

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
S&P 500 Growth 42.16%	MSCI Emerging Markets 66.84%	Russell 2000 Value 22.83%	Russell 2000 Value 14.02%	Bloomberg Barclays Agg 10.26%	MSCI Emerging Markets 55.82%	MSCI Emerging Markets 25.55%	MSCI Emerging Markets 34.00%	MSCI Emerging Markets 32.17%	MSCI Emerging Markets 39.38%
S&P 500 28.58%	Russell 2000 Growth 43.09%	Bloomberg Barclays Agg 11.63%	Bloomberg Barclays Agg 8.43%	Bloomberg Barclays High Yield -1.37%	Russell 2000 Growth 48.54%	Russell 2000 Value 22.25%	MSCI World ex USA 14.47%	MSCI World ex USA 25.71%	MSCI World ex USA 12.44%
MSCI World ex USA 18.77%	S&P 500 Growth 28.24%	S&P 500 Value 6.08%	Bloomberg Barclays High Yield 5.28%	MSCI Emerging Markets -6.16%	Russell 2000 47.25%	MSCI World ex USA 20.38%	S&P 500 Value 5.82%	Russell 2000 Value 23.48%	S&P 500 Growth 9.13%
S&P 500 Value 14.68%	MSCI World ex USA 27.92%	Russell 2000 -3.02%	Russell 2000 2.49%	Russell 2000 Value -11.43%	Russell 2000 Value 46.03%	Russell 2000 18.33%	S&P 500 4.91%	S&P 500 Value 20.81%	Russell 2000 Growth 7.05%
Bloomberg Barclays Agg 8.67%	Russell 2000 21.26%	Bloomberg Barclays High Yield -5.86%	MSCI Emerging Markets -2.61%	MSCI World ex USA -15.80%	MSCI World ex USA 39.42%	S&P 500 Value 15.71%	Russell 2000 Value 4.71%	Russell 2000 18.37%	Bloomberg Barclays Agg 6.97%
Bloomberg Barclays High Yield 1.87%	S&P 500 21.04%	S&P 500 -9.11%	Russell 2000 Growth -9.23%	Russell 2000 -20.48%	S&P 500 Value 31.79%	Russell 2000 Growth 14.31%	Russell 2000 4.55%	S&P 500 15.79%	S&P 500 5.49%
Russell 2000 Growth 1.23%	S&P 500 Value 12.73%	MSCI World ex USA -13.37%	S&P 500 Value -11.71%	S&P 500 Value -20.85%	Bloomberg Barclays High Yield 28.97%	Bloomberg Barclays High Yield 11.13%	Russell 2000 Growth 4.15%	Russell 2000 Growth 13.35%	S&P 500 Value 1.99%
Russell 2000 -2.55%	Bloomberg Barclays High Yield 2.39%	S&P 500 Growth -22.08%	S&P 500 -11.89%	S&P 500 -22.10%	S&P 500 28.68%	S&P 500 10.88%	S&P 500 Growth 4.00%	Bloomberg Barclays High Yield 11.85%	Bloomberg Barclays High Yield 1.87%
Russell 2000 Value -6.45%	Bloomberg Barclays Agg -0.83%	Russell 2000 Growth -22.43%	S&P 500 Growth -12.73%	S&P 500 Growth -23.59%	S&P 500 Growth 25.66%	S&P 500 Growth 6.13%	Bloomberg Barclays High Yield 2.74%	S&P 500 Growth 11.01%	Russell 2000 -1.57%
MSCI Emerging Markets -25.34%	Russell 2000 Value -1.49%	MSCI Emerging Markets -30.71%	MSCI World ex USA -21.40%	Russell 2000 Growth -30.26%	Bloomberg Barclays Agg 4.10%	Bloomberg Barclays Agg 4.34%	Bloomberg Barclays Agg 2.43%	Bloomberg Barclays Agg 4.33%	Russell 2000 Value -9.78%

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bloomberg Barclays Agg 5.24%	MSCI Emerging Markets 78.51%	Russell 2000 Growth 29.09%	Bloomberg Barclays Agg 7.84%	MSCI Emerging Markets 18.23%	Russell 2000 Growth 43.30%	S&P 500 Growth 14.89%	S&P 500 Growth 5.52%	Russell 2000 Value 31.74%	MSCI Emerging Markets 37.28%
Bloomberg Barclays High Yield -26.16%	Bloomberg Barclays High Yield 58.21%	Russell 2000 26.85%	Bloomberg Barclays High Yield 4.98%	Russell 2000 Value 18.05%	Russell 2000 38.82%	S&P 500 13.69%	S&P 500 1.38%	Russell 2000 21.31%	S&P 500 Growth 27.44%
Russell 2000 Value -28.92%	Russell 2000 Growth 34.47%	Russell 2000 Value 24.50%	S&P 500 Growth 4.65%	S&P 500 Value 17.68%	Russell 2000 Value 34.52%	S&P 500 Value 12.36%	Bloomberg Barclays Agg 0.55%	S&P 500 Value 17.40%	MSCI World ex USA 24.21%
Russell 2000 -33.79%	MSCI World ex USA 33.67%	MSCI Emerging Markets 18.88%	S&P 500 2.11%	MSCI World ex USA 16.41%	S&P 500 Growth 32.75%	Bloomberg Barclays Agg 5.97%	Russell 2000 Growth -1.38%	Bloomberg Barclays High Yield 17.13%	Russell 2000 Growth 22.17%
S&P 500 Growth -34.92%	S&P 500 Growth 31.57%	Bloomberg Barclays High Yield 15.12%	S&P 500 Value -0.48%	Russell 2000 16.35%	S&P 500 32.39%	Russell 2000 Growth 5.60%	MSCI World ex USA -3.04%	S&P 500 11.96%	S&P 500 21.83%
S&P 500 -37.00%	Russell 2000 27.17%	S&P 500 Value 15.10%	Russell 2000 Growth -2.91%	S&P 500 16.00%	S&P 500 Value 31.99%	Russell 2000 4.89%	S&P 500 Value -3.13%	Russell 2000 Growth 11.32%	S&P 500 Value 15.36%
Russell 2000 Growth -38.54%	S&P 500 26.47%	S&P 500 15.06%	Russell 2000 -4.18%	Bloomberg Barclays High Yield 15.81%	MSCI World ex USA 21.02%	Russell 2000 Value 4.22%	Russell 2000 -4.41%	MSCI Emerging Markets 11.19%	Russell 2000 14.65%
S&P 500 Value -39.22%	S&P 500 Value 21.17%	S&P 500 Growth 15.05%	Russell 2000 Value -5.50%	S&P 500 Growth 14.61%	Bloomberg Barclays High Yield 7.44%	Bloomberg Barclays High Yield 2.45%	Bloomberg Barclays High Yield -4.47%	S&P 500 Growth 6.89%	Russell 2000 Value 7.84%
MSCI World ex USA -43.56%	Russell 2000 Value 20.58%	MSCI World ex USA 8.95%	MSCI World ex USA -12.21%	Russell 2000 Growth 14.59%	Bloomberg Barclays Agg -2.02%	MSCI Emerging Markets -2.19%	Russell 2000 Value -7.47%	MSCI World ex USA 2.75%	Bloomberg Barclays High Yield 7.50%
MSCI Emerging Markets -53.33%	Bloomberg Barclays Agg 5.93%	Bloomberg Barclays Agg 6.54%	MSCI Emerging Markets -18.42%	Bloomberg Barclays Agg 4.21%	MSCI Emerging Markets -2.60%	MSCI World ex USA -4.32%	MSCI Emerging Markets -14.92%	Bloomberg Barclays Agg 2.65%	Bloomberg Barclays Agg 3.54%

- SWS focuses on the stock market, but we encourage members to learn about other classes.

No Equities Sector Leads Every Year

Annual Percentage Returns by S&P Global Sector (2007-2017)

Broad Sector Performance

(December 31, 2006 - January 17, 2017)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	Cumulative 2007-2017*
Energy 35.34%	Consumer Staples -17.12%	Technology 48.80%	Consumer Discretionary 25.66%	Utilities 14.81%	Financials 26.08%	Consumer Discretionary 40.87%	Real Estate 27.54%	Consumer Discretionary 8.33%	Energy 24.87%	Consumer Discretionary 3.32%	Consumer Discretionary 119.24%
Basic Materials 19.79%	Healthcare -24.81%	Basic Materials 45.07%	Industrials 25.48%	Consumer Staples 10.85%	Consumer Dicretionary 21.58%	Healthcare 39.02%	Utilities 24.36%	Healthcare 5.34%	Financials 20.15%	Healthcare 2.35%	Technology 112.68%
Utilities 15.28%	Utilities -31.42%	Consumer Discretionary 38.02%	Real Estate 24.00%	Healthcare 10.13%	Healthcare 14.96%	Industrials 37.89%	Healthcare 23.34%	Consumer Staples 4.12%	Industrials 17.37%	Technology 2.30%	Healthcare 110.69%
Technology 14.62%	Consumer Discretionary -34.04%	S&P 500 23.45%	Energy 19.72%	Real Estate 5.54%	S&P 500 13.41%	Financials 33.37%	Technology 15.70%	Technology 3.58%	Basic Materials 14.46%	Basic Materials 1.89%	Consumer Staples 100.04%
Industrials 11.85%	S&P 500 -38.49%	Real Estate 21.42%	Basic Materials 16.43%	Consumer Discretionary 4.30%	Technology 13.36%	S&P 500 29.60%	Financials 13.13%	Real Estate 0.80%	Technology 12.91%	S&P 500 1.30%	Industrials 79.18%
Consumer Staples 10.26%	Energy -39.80%	Energy 19.34%	S&P 500 12.78%	Energy 1.29%	Real Estate 13.31%	Energy 23.93%	Consumer Staples 12.82%	S&P 500 -0.73%	Utilities 12.22%	Consumer Staples 1.04%	S&P 500 59.90%
Healthcare 5.43%	Industrials -40.19%	Industrials 18.66%	Financials 10.76%	Technology 1.03%	Industrials 12.30%	Technology 23.88%	S&P 500 11.39%	Financials -3.64%	S&P 500 9.54%	Utilities 0.97%	Basic Materials 45.48%
S&P 500 3.53%	Real Estate -41.52%	Healthcare 17.02%	Consumer Staples 10.73%	S&P 500 0.00%	Basic Materials 12.06%	Consumer Staples 23.15%	Industrials 8.27%	Industrials -6.31%	Consumer Discretionary 4.14%	Industrials 0.82%	Utilities 33.55%
Consumer Discretionary -14.75%	Technology -42.20%	Financials 15.02%	Technology 9.86%	Industrials -3.21%	Consumer Staples 7.42%	Basic Materials 23.12%	Consumer Discretionary 7.96%	Utilities -8.34%	Consumer Staples 2.42%	Real Estate 0.18%	Energy 27.65%
Real Estate -21.12%	Basic Materials -45.47%	Consumer Staples 10.89%	Healthcare 1.38%	Basic Materials -12.78%	Energy 3.31%	Utilities 8.73%	Basic Materials 5.11%	Basic Materials -10.62%	Real Estate 1.88%	Energy -0.64%	Real Estate 6.45%
Financials -21.26%	Financials -56.72%	Utilities 6.85%	Utilities 1.03%	Financials -18.50%	Utilities -2.95%	Real Estate -2.33%	Energy -10.56%	Energy -23.80%	Healthcare -4.29%	Financials -1.29%	Financials -23.07%

Average % Differential *(Best Performing - Worst Performing)*

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	Cumulative 2007-2017*
56.60%	39.60%	41.95%	24.63%	33.31%	29.03%	43.20%	38.10%	32.13%	29.16%	4.61%	33.85%

- It is important to be diversified across sectors since it is tough to know which sector will outperform.

Source: Rowewealth

- SWS Analysts research sectors including:
  - consumer, financials, healthcare, industrials, industrials, and technology

Step 4: Develop an Investment Strategy

- Select an asset allocation plan (How much money do you want to put into stocks, bonds, etc.?)
  - Should be dependent on some of the characteristics we discussed earlier.
  - Should change with time as your needs and risks change.
- Some possible asset allocations:
  - Contingency Plan – primarily money market accounts
  - Retiring in 50 years – primarily stocks
  - Retiring in 10 years – primarily bonds
- Take into consideration transaction costs and tax effects

Important Risk Controls

- Understand Your Current Allocation of Funds for Long-Term Investment
  - 5-10 Year Rule for Stocks
  - 3-5 Years for Longer Term Bonds
  - 1-3 Years for Short-Term Bonds
  - 1 Year or Less Money Market / Savings Accounts
- You should always make sure that you take a long term look to investing – don't invest money that you'll need within the next 1-3 years.
- Avoid trying to time the market – getting in and out at certain times
- Don't follow the herd – resist the urge to do what everyone else is
- Diversify so that you aren't too reliant on any one investment.

Step 5: Implement Your Strategy

- You can buy various investment vehicles through:
  - An investment advisor or financial planner
  - Broker – either online (E*Trade) or full-service (Fidelity)
  - A mutual fund
- Many do dollar cost averaging strategy when deciding when to buy
  - For example, if you have $2500 to invest, instead of doing it all at once, you invest $500 a month for 5 months.
- You can also invest through an IRA (more to come on this) or when you start working through your 401K with your company

Step 6: Monitor Your Performance

- Monitor your investments from time-to-time to make sure they still align with your financial goals.
- Trading frequently results in high transaction costs, which lessens your return, so be cognizant of how often you are trading.
- Be aware of tax differences between long and short term holdings.

Investment Options

Your Choices

- Do It Yourself – Brokerage Accounts
  - Discount Broker (No Advice)
    - Fidelity, Schwab, TD Ameritrade, Zecco
  - Full Service Broker (Advice)
    - Smith Barney, Merrill Lynch
- Hire A Professional
  - Mutual Funds (Off the Rack – Pooled Funds)
    - Fidelity Investments, Vanguard, American Funds
    - Small Minimums ($500)
  - Separate Accounts (Couture - Individual)
    - Neuberger Berman, J.P. Morgan
    - Minimums are Large ($1,000,000)
- Invest through an IRA or 401K
  - IRA (Roth or Traditional)
  - 401K (Through your company when you get a full-time job)

Fees and Commissions

- Commissions – Fees Charged to Buy and Sell
  - How To Buy and Sell Per Share
  - Per Share vs. Flat Fees Per Trade
    - Evaluate How Many Shares You Are Trading

- Account Minimum Fees
  - Look For Low Minimums and No Trading Minimums

- Annual Fees
  - Avoid Account Maintenance Fees

Discount Brokerages

- Research and Understand All Fees
- Search for Firms with No Minimums and No Annual Account Maintenance Fees

more established	low fees
Fidelity	Scottrade
www.fidelity.com	www.scottrade.com
E*Trade	Sharebuilder
www.etrade.com	www.sharebuilder.com
TD Ameritrade	Zecco
www.ameritrade.com	www.zecco.com
Charles Schwab	Trade King
www.schwab.com	www.tradeking.com

Buying A Stock

- Stocks Are Bought and Sold Through Brokers
  - Individuals Place An "Order" to Buy or Sell
    - At the "Market"
    - "Limit" My Order
    - Sell or Buy Only After "Stop"

	Buying	**Selling**
Market Order	Buy at the best available price	Sell at the best available price
Limit Order	Buy below or at a certain price	Sell above or at a certain price
Stop Order	Buy at a specified price, which is currently above the market price.	Sell at a specified price, which is currently below the market price.

Source: insightstockpicks.com

Mutual Funds

- Pooled Investment Funds
  - Stocks, Bonds, Cash, Etc
  - You Own Shares In the Investment Pool
  - Investors Participate Together in Returns
  - Traded Daily Based Upon Share Price (NAV)
    - NAV = Net Asset Value
  - Annual Fees Based On Percentage of Investment
    - Total Expense Ratios = % of Value Charged Per Year
    - Sometimes Quoted In Basis Points (100^{th} of a Percent)
    - Example: 125 Basis Points = 1.25%
  - More Funds Today Than Stocks Listed On Exchanges
    - Vanguard, Fidelity, American Funds

Mutual Funds

- Active and Passive
  - Active Funds Are Managed by Portfolio Manager to Outperform Indices
    - Peter Lynch at Magellen
  - Passive Funds Are Managed to Track Indices
    - S&P500, Russell 2000, Etc..
    - Vanguard, State Street
- Passive funds (or index funds) are typically the best option for new investors.
  - They have low fees, so you aren't paying a lot to get mediocre performance.
  - They track the market, so you'll perform how the market performs.

Mutual Funds

- Key Considerations
  - Quantitative and Qualitative
  - Performance Vs. Peer Groups and Benchmarks
    - Look for Consistency
    - Past Performance Is No Guarantee of Future Performance
  - Consistent Disciplined Process
  - Consistent Management
  - Ownership

401K

- A 401K is an employer-sponsored retirement account that's funded by contributions from your paycheck.
- Typically only full-time jobs offer 401Ks, so these will be more relevant after you graduate.
- Many employers even match your contributions, in which case we recommend taking full advantage of the match, because it amounts to free money!
- With a 401(k), your contributions are tax-deductible and tax-deferred, which means that you won't be charged taxes until you're ready to take the money out at retirement.

Traditional IRA

- Anyone who has income can open a Traditional IRA, even if it is a school or summer job.
- Similar to a 401(k), your contribution is tax-deductible and grows tax-deferred until retirement.
- You are penalized for removing money before you're 59.5 years old, but there are exceptions if you're using the money to buy your first home, pay for higher education, or for extraordinary medical costs or disability.

Roth IRA

- A Roth IRA is considered "tax exempt" meaning you put money in that you have already paid taxes on—so your Roth investment grows tax-free.
- Again, you have to have some income from a summer or semester job.
- You can open a Roth IRA if you make less than $105,000 per year as a single person.
- Roth IRAs have many perks, so they are often the favorite investment vehicle of experts.

Why Roth IRA?

- Compounds Tax Free
- Withdrawals Are Tax Free At Retirement*

- Save money from age 20 to 65
  - 4k per year for 45 years at 8% = $1,669,704
- What if you wait 1 year?
  - 4k per year for 44 years at 8% = $1,542,022
  - You lose $127,682 !!!

- Current tax rules require a person to start taking taxable distributions age 70 ½) and not before 59 ½. Complex rules apply and tax professional should be consulted.

401K and IRAs

	401k	Traditional IRA	Roth IRA
Where do you get it?	Your employer	At a bank/ brokerage	At a bank/ brokerage
Maximum contribution for 2010	$16,500	$5,000	$5,000
You can open it if…	Your employer provides it	So long as you have money to contribute	You make less than $105,000
The amount you save is taxed...	Later	Later	Now
EX. If you make 50,000, and contribute the maximum, your taxable income this year is then…	$33,500	$45,000	$50,000
But you will be taxed at retirement…	Yes	Yes	No

Source: LearnVest

Traditional vs. Roth IRAs

	Traditional IRA	Roth IRA
Your Income today	$50,000	$50,000
Your Annual contribution each year	$5,000	$5,000
You pay taxes today on your contribution	no	Yes
Your total contributions after 40 years:	$200,000	$200,000
At 65, assuming a 8% return, your IRA total before taxes would be:	$1,398,905	$1,398,905
Value after TAXES	$1,212,271	$1,398,905
The Take Away:	Simply put, since you did not pay taxes on the money you put in, you now have to pay taxes on the money you take out. This is considered "tax-deferred" savings.	With a Roth, you owe nothing in taxes when you're 65 since you already paid the taxes when you contributed the money. This is considered "tax-exempt" savings since you don't have to pay taxes on all that interest earned!

If your tax rate is going to be lower now than in the future (almost always the case for students), then a Roth IRA is the way to go.

Source: LearnVest

Accounts and Taxes

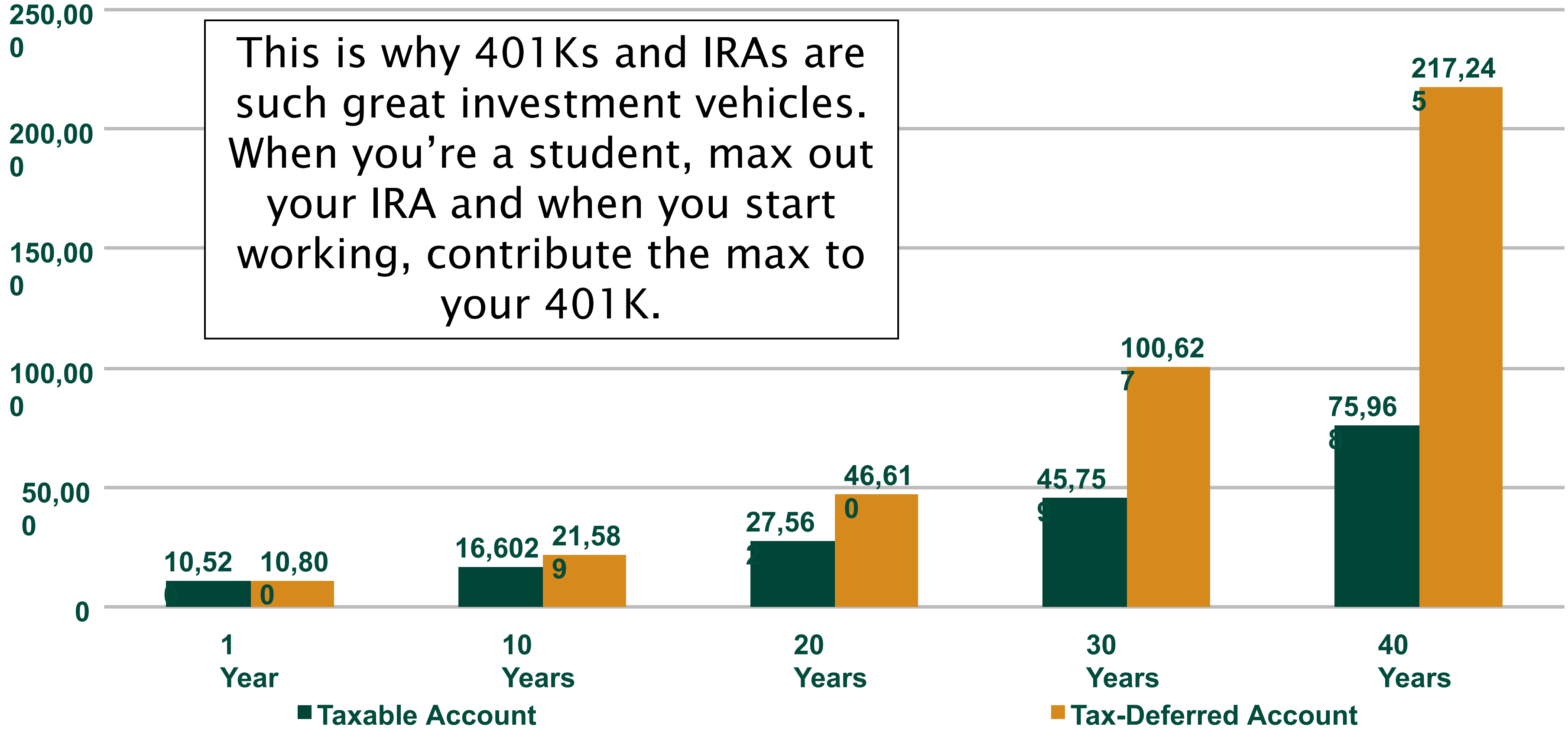
- Taxable (Taxed Every Year)
  - Cash Account
  - Margin Account (borrowing money)
  - Option Account (options and futures)

- Tax Deferred (Taxes Due At Retirement Age*)
  - Employer Sponsored
    - 401(k) and 403(b)
    - Pension / Defined Benefit
  - Government Sponsored Individual Accounts
    - IRAs (Traditional and Roth)

* Current tax rules require a person to start taking taxable distributions age 70 ½). Complex rules apply and tax professional should be consulted. Different rules apply for Roth IRAs.

Benefits of Tax Deferral

This is why 401Ks and IRAs are such great investment vehicles. When you're a student, max out your IRA and when you start working, contribute the max to your 401K.



Source: Ibbotson Associates.
Hypothetical value of $10,000 investment returning 8% annually with a 35% marginal tax rate. The taxable account is taxed every year, while the tax-deferred account is not taxed. Tax-deferred accounts are typically subject to taxation at ordinary income rates upon withdrawal. Estimates are not guaranteed. Past performance is no guarantee of future results. The hypothetical results presented herein are based on historical index data. The results do not represent the performance of any Neuberger Berman managed account or product and do not reflect the fees and expenses associated with managing a portfolio. These returns are used for discussion purposes only. They are not intended to represent, and should not be construed to represent a prediction of future rates of return.
Clients should consult with their tax advisors before making any tax-related investment decisions, as Financial Advisors do not provide tax advice.

Further Research

Online Resources

General Market Information

- Newspapers
  - Wall Street Journal
  - Financial Times
- On-Line
  - Google Finance (finance.google.com)
  - Yahoo Finance: (finance.yahoo.com)
  - CBS Marketwatch (marketwatch.com)
  - Reuters (reuters.com)

Stocks and Mutual Fund Research

- Brokerage Firms
  - Fidelity, Vanguard
- Independent Research
  - Zacks Investment Research www.zacks.com
  - Value Line
  - Morning Star: www.morningstar.com
  - Motley Fool: www.fool.com
  - Seeking Alpha (blog): www.seekingalpha.com

Personal Finance

LearnVest (learnvest.com)
Motley Fool (fool.com)
Mint (mint.com)
Credit Karma (creditkarma.com)

Seminar Recap

- It's important to start saving and investing now because of the time value of money and compounding interest!
- Create a financial plan for your personal investing needs, goals, and risk tolerance.
- Remember that diversification can help mitigate risk.
- Fully understand the risks and returns of investing in different asset classes before making your decision.
- Do your research on brokerages, mutual funds, IRAs, and other opportunities before investing your money.
- Be aware of the costs of investing, specifically transaction costs and tax effects that have a large impact on your returns.
- Monitor your portfolio to make sure that your investments align with your financial goals, but don't trade too frequently.

Coming Up

Week 2

- Introduction to stocks
- How the stock market works
- How investor behavior affects investment decisions
- Lessons from successful investors

Weeks 3-4:

- Learning how to find investment ideas, find information, and create investment reports

Weeks 5-7:

- Learning how to analyze a company through its financials

Week 8:

- Putting it all together with an investment recommendation

Weeks 9-10:

- Guest lectures/presentations