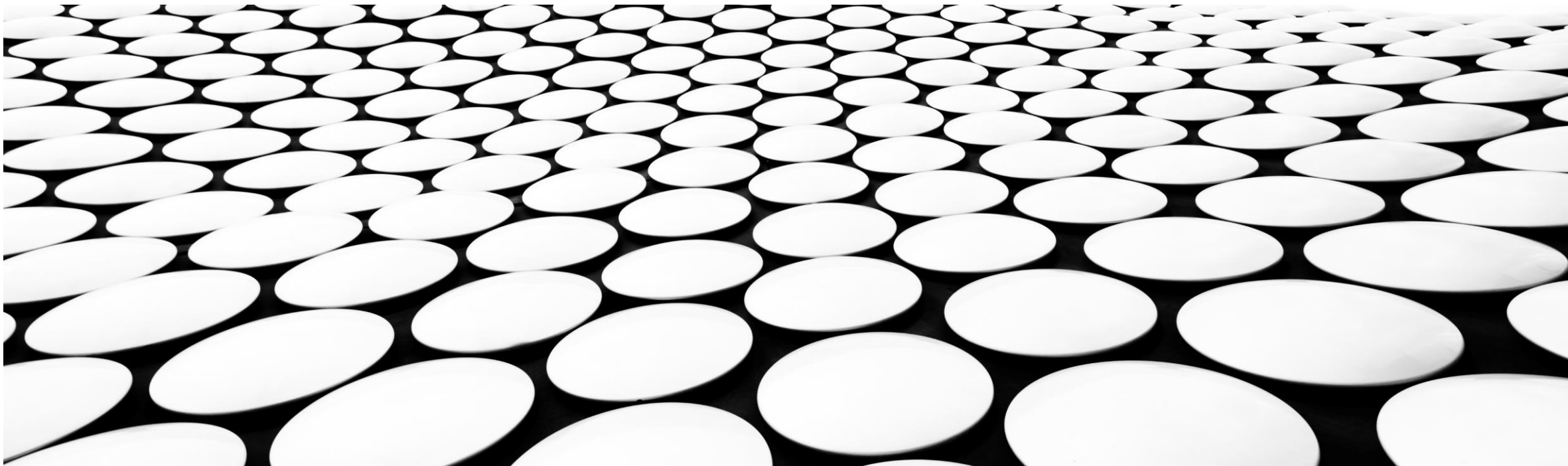


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# INVESTING 101

BY: ANAND SHETH





# AGENDA

- Disclosure
- My Background
- Why Invest?
- How much to save & invest?
- Professionals vs. Do-it-yourself (Financial Planning)
- Resources



## DECK DOWNLOAD

- Visit this to download the deck.  
<https://www.pulse360.com/investing-101/>



## **DISCLOSURE - YOU CAN LOSE 100% OF YOUR MONEY.**

- Investing money involves risk. Information presented here is for educational purpose and not investment advice. Past performance is not an indication of future results. Calculations may not include the impact of taxes and fees. Do your own due diligence. Resources and Links shared here are for informational purposes only and are not recommendations. This content and any opinions are presented pro-bono by Anand R Sheth, as an individual, and not attributable to Pulse360. Anand Sheth or Pulse360 are not liable for your investment choices or decisions and losses.

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# WHAT THE HELL DO YOU KNOW ANAND? **YOU ARE A STARTUP FOUNDER!**

- 20 years in the financial advisory world – from compliance, strategy to operations.
- I have gone through uncertain times - DotCom bust and subsequent recession of 2001, September 11, Enron, Iraq War, Afghanistan War, SARS, Swine Flu, Ebola, MERS, 2008-2009.
- I have allocated, traded and managed up to \$500 million. In one day, I have traded \$400 million.
- I have run thousands of financial plans and helped hundreds of folks with their retirement, death, divorce, health issues, etc.

## I COME FROM THE FINANCIAL PLANNING ANGLE.



# WHY INVEST?

KEEP IT ALL UNDER THE MATTRESS!



## CONCEPTS

For more details, you can google these terms.

- Time value of Money
- Interest Rates / Rates of Returns / Inflation Rates
- Time Horizon
- Risk
- Diversification (Allocation)
- Financial Planning (Taxes, Fees)

# INFLATION

Time value of money. In simplest terms, every thing costs more as time goes.

@ 2.5%	Today	1 yr	5 yr	10 yr
Milk	\$3	\$3.08	\$3.39	\$3.84
Camera	\$1,000	\$1,025	\$1,131	\$1,280
Car	\$20,000	\$20,500	\$22,628	\$25,601
House	\$300,000	\$307,500	\$339,422	\$384,025



# INFLATION

Invisible killer.

## KEEPING IT UNDER A MATTRESS

@ 2.5%	Today	1 yr	5 yr	10 yr
Car	\$20,000	\$20,500	\$22,628	\$25,601

- In one year, you have lost \$500 to inflation
- In five years, you have lost \$2,628 to inflation
- In 10 years, you have lost \$5,601 to inflation

## CASH IN BANK VS. INVESTED

Where do you put your cash if not under a mattress?

1% + / - against inflation

@ 2.5%	Today	1 yr	5 yr	10 yr
Car	\$20,000	\$20,500	\$22,628	\$25,601

## BANK SAVINGS

@ 1.5%	Today	1 yr	5 yr	10 yr
Car	\$20,000	\$20,300	\$21,545	\$23,300
Difference	N/A	(\$200)	(\$1,083)	(\$2,301)

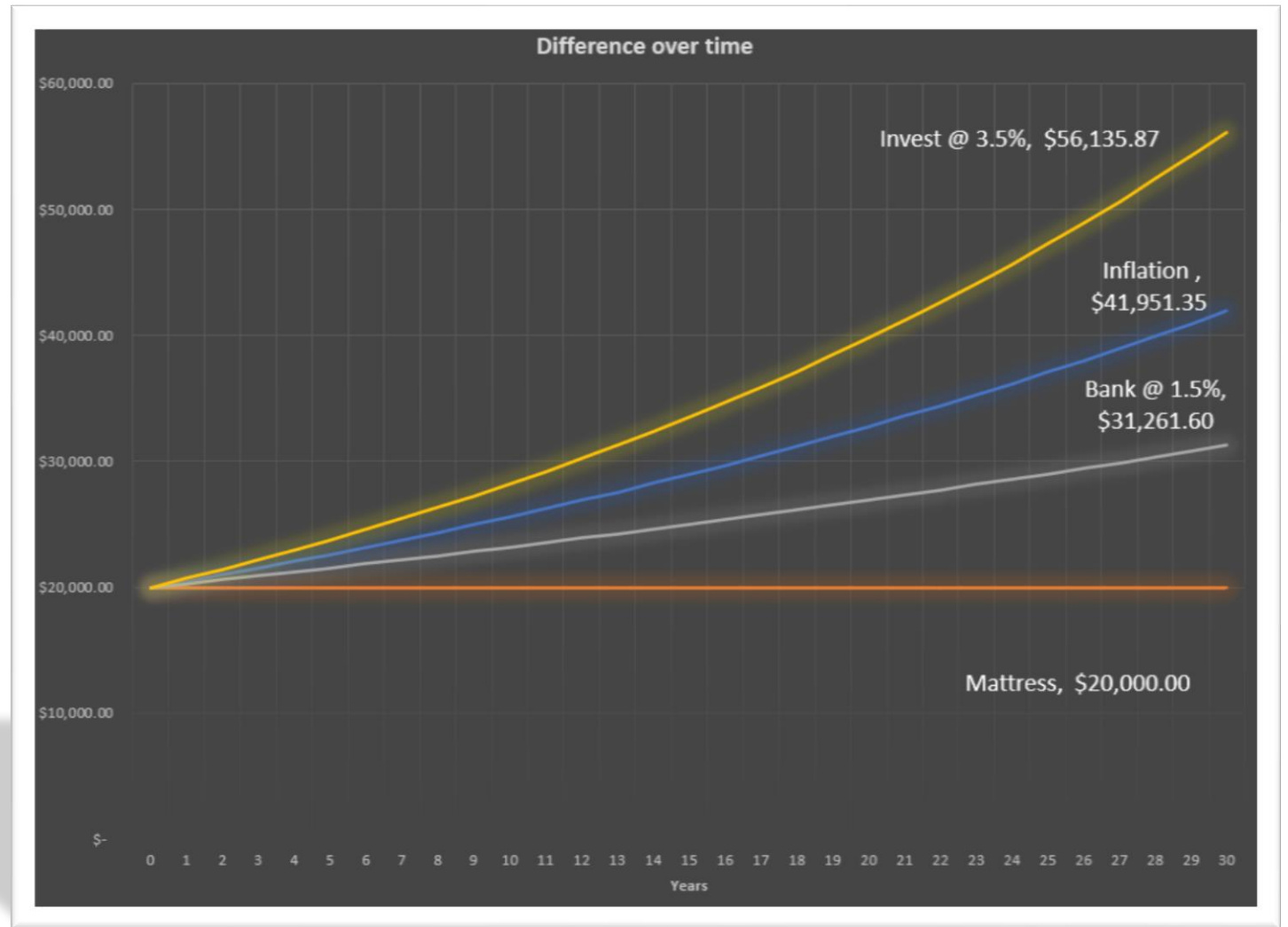
## INVESTED

@ 3.5%	Today	1 yr	5 yr	10 yr
Car	\$20,000	\$20,700	\$23,754	\$28,212
Difference	N/A	\$200	\$1,126	\$2,611

## TIME HORIZON

Over-time, the different rates make a huge impact.

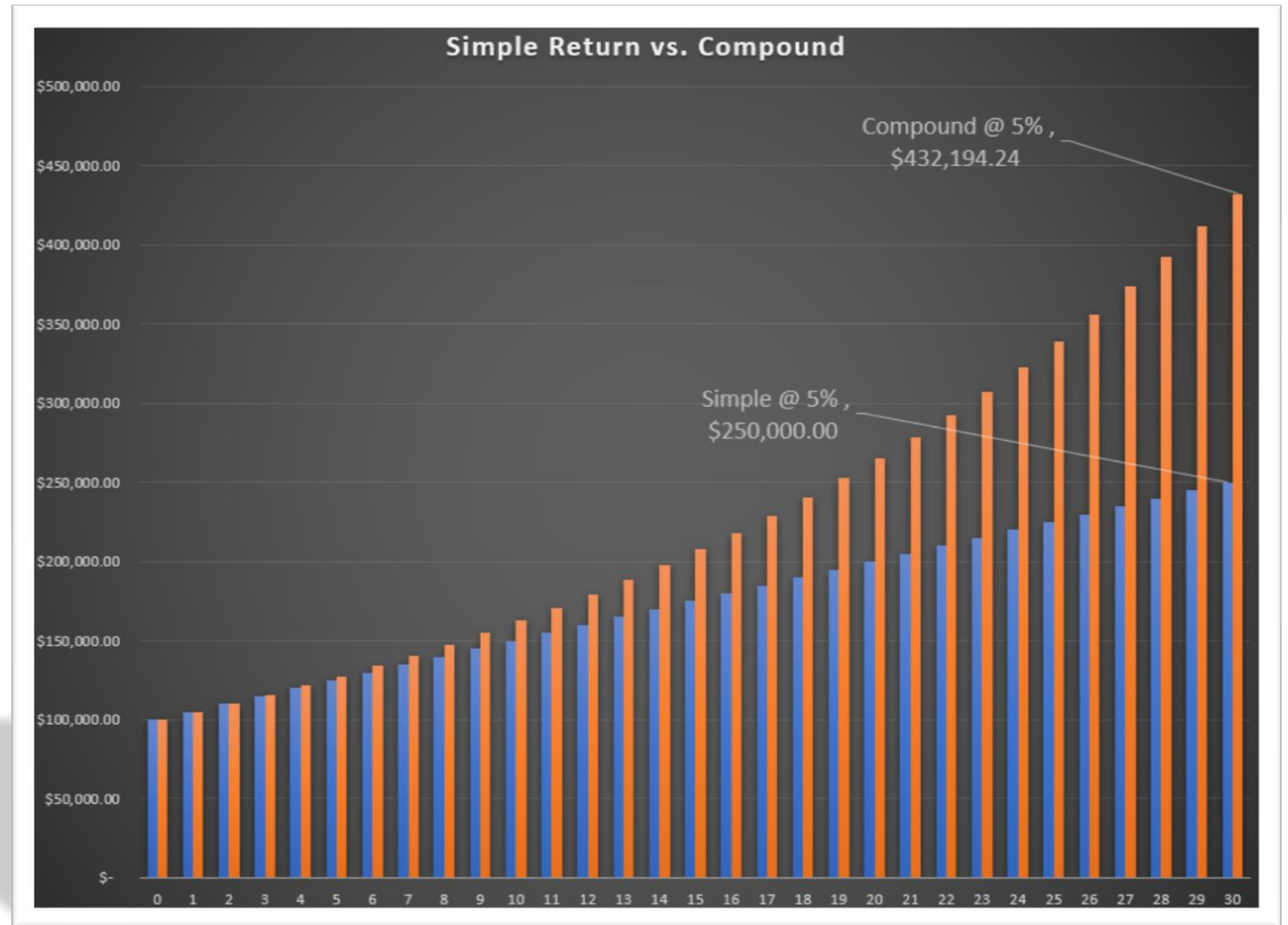
Watch for fees – just like returns, they will grow over time too.



## RETURN TYPES

Simple returns vs. Compound.  
You always want compounding  
returns...unless you have debt. In  
that case, you want simple.

Starting with \$100K @ 5%





# STOCKS, BONDS, ALLOCATIONS

WTF?



# WHAT IS A STOCK? AND SHARES?

Companies need money to start and run their businesses. To raise the money, they will “sell” part ownership of the company to you. That, in it’s simplest form, is a stock. Shares are the quantity of stock you purchase. Example, 100 shares of Coca-Cola stock.



## WHAT IS A MUTUAL FUND OR ETF?

Individual stocks are very risky. If you have invested in just one company and that goes belly-up, your funds are gone. One way to reduce your risk is to diversify. Mutual funds or ETFs is the first step in diversification – they combine other stocks in a pool and sell your shares of the “basket”. If one banana goes bad, you still have other fruits ---or stocks. ☺

### Stocks



Timing and Sector Dependant

### Mutual Funds



Diversified and Risk Adjusted



## WHAT IS A BOND?

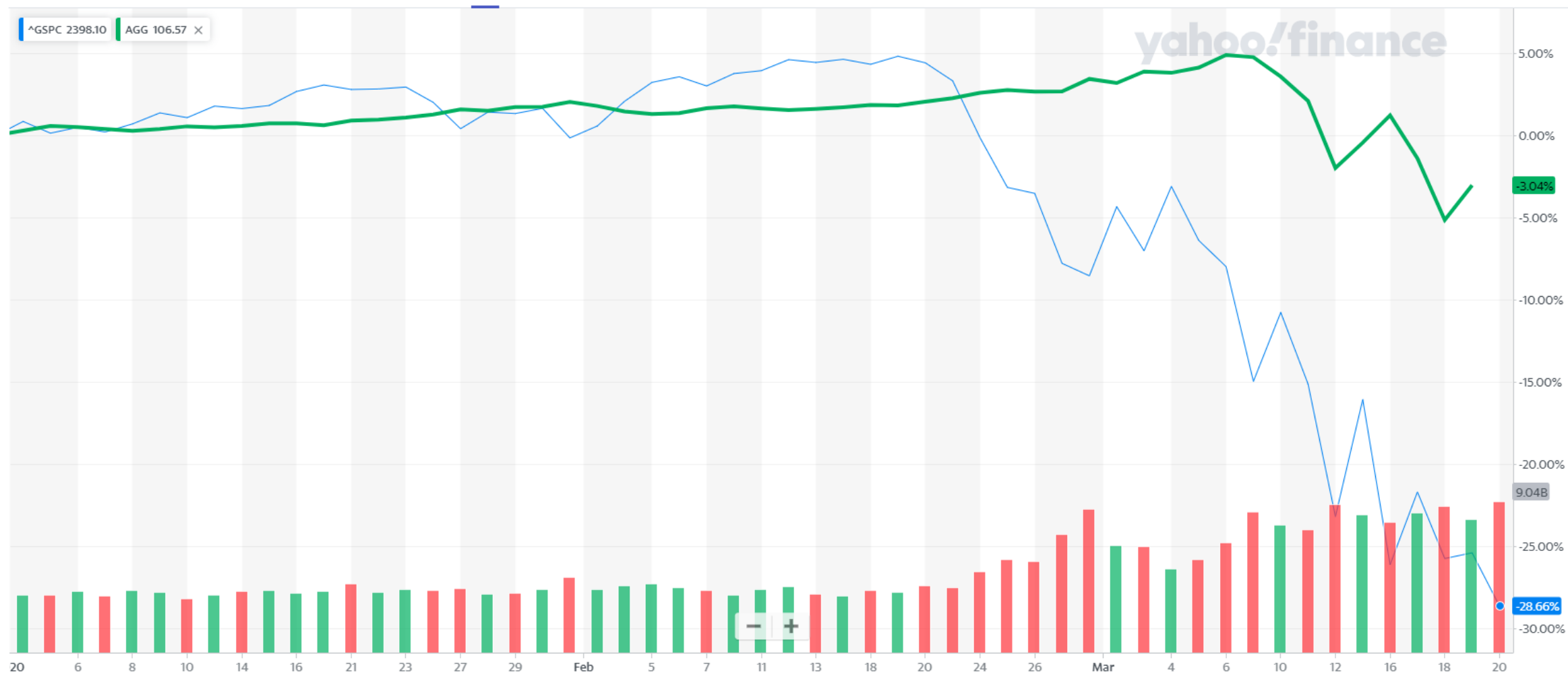
Unlike stocks, Bonds are considered loans to the company or government. You do not “own” part of the company. In exchange for your money, you get interest on your bond that is paid to you.

Bonds generally don't behave the same as stocks when it comes to volatility.

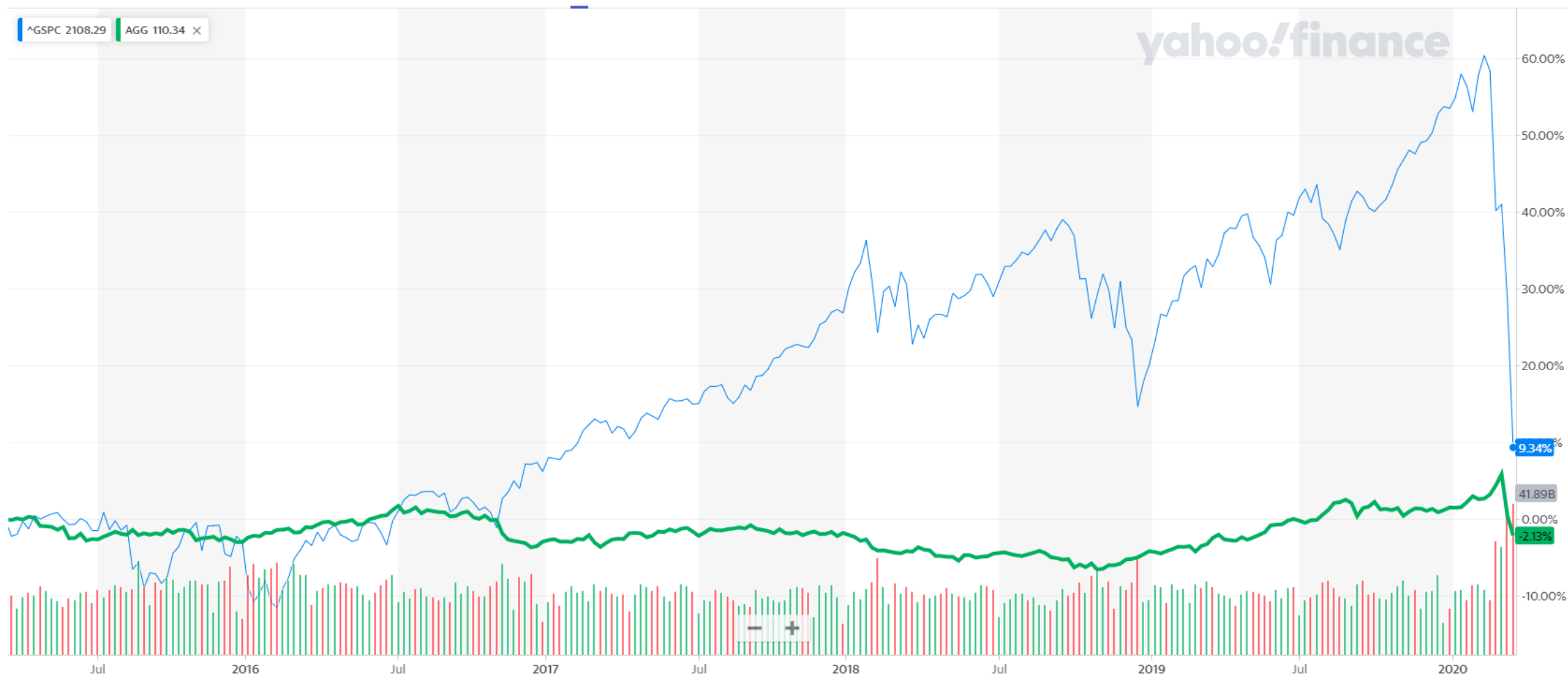




# ALLOCATION? HOW TO REDUCE RISK.



# ALLOCATION? HOW TO REDUCE RISK.





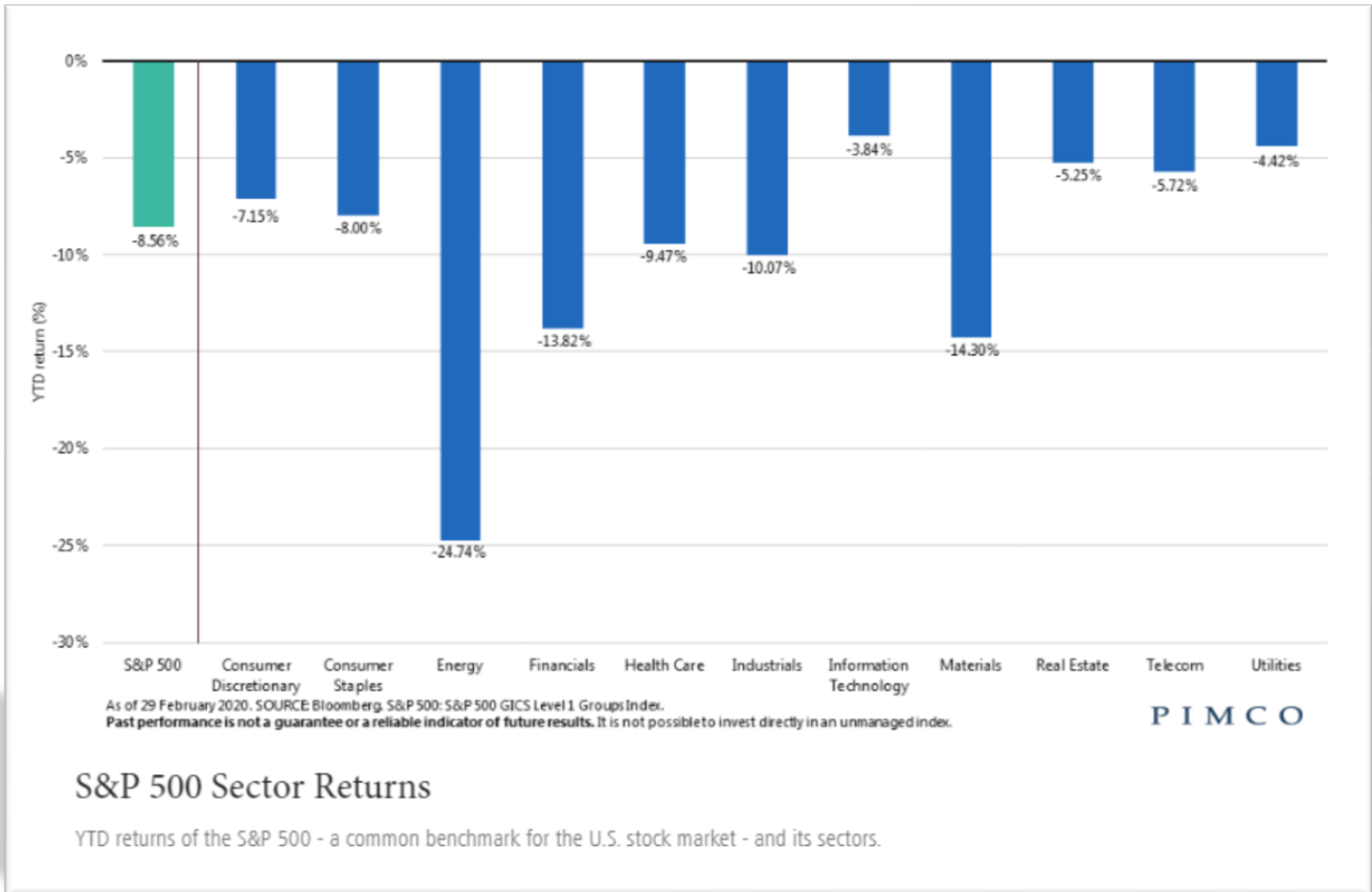
## WHAT IS S&P 500, DOW JONES AND AGG?

- S&P 500 is an index composed of 500 public company stocks (large, medium and some small companies)
- Dow Jones is an index composed of 30 large public company stocks
- AGG is an ETF index representing different bonds

# S&P 500

It is made of 500 different companies across a variety of sectors.

Feb 2020





# INVESTING 101

CONCEPTS YOU NEED TO UNDERSTAND



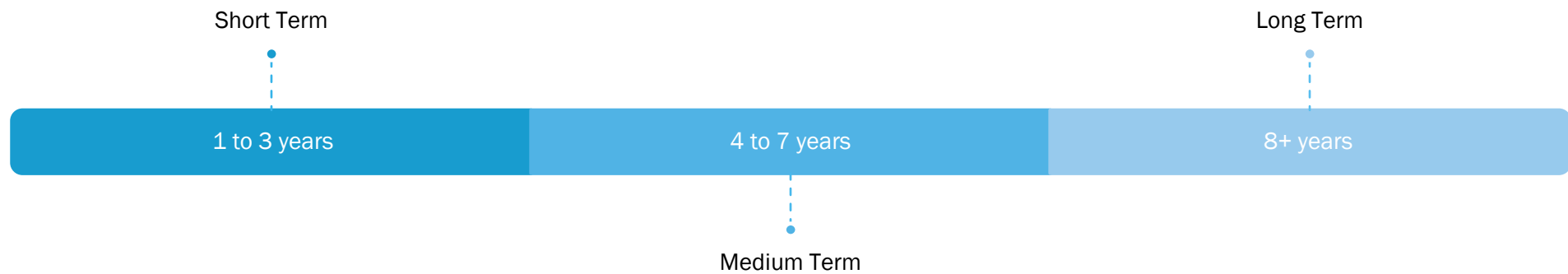


**~~HOW MUCH TO SAVE?~~ WRONG QUESTION**

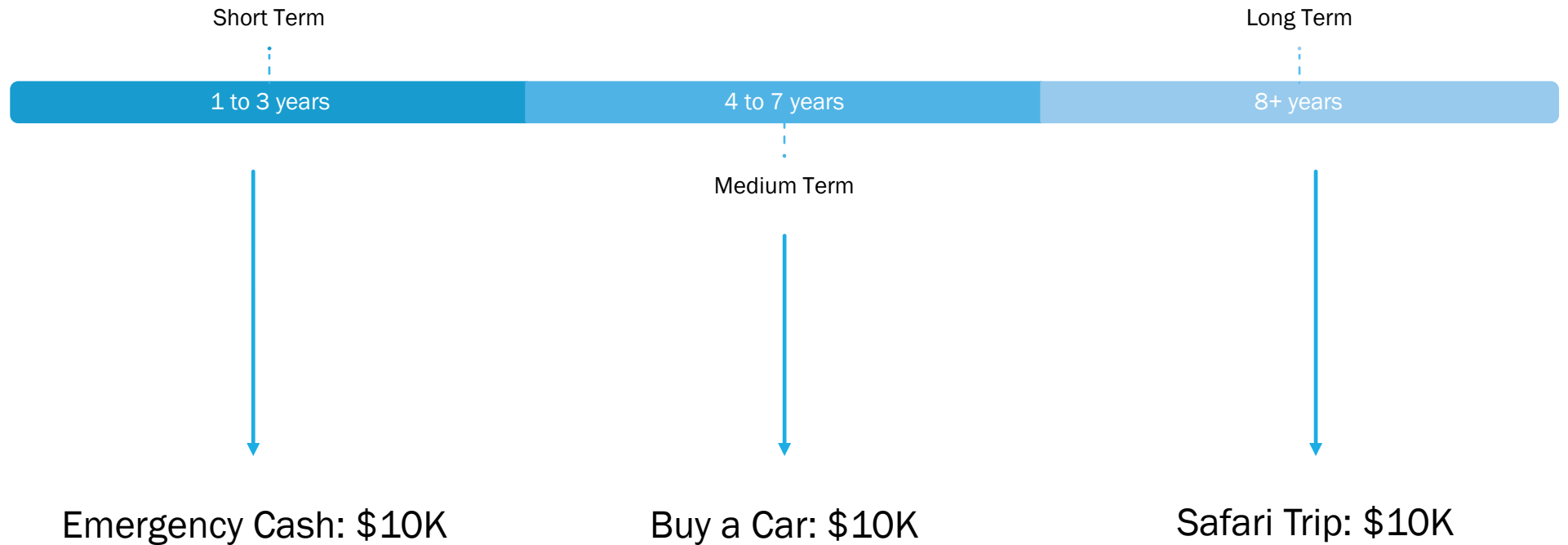
**YOU SHOULD BE ASKING:**

**HOW MUCH WILL YOU NEED AND WHEN?**

# TIME HORIZON – WHEN DO YOU NEED THE MONEY?



# HOW MUCH WILL YOU NEED?

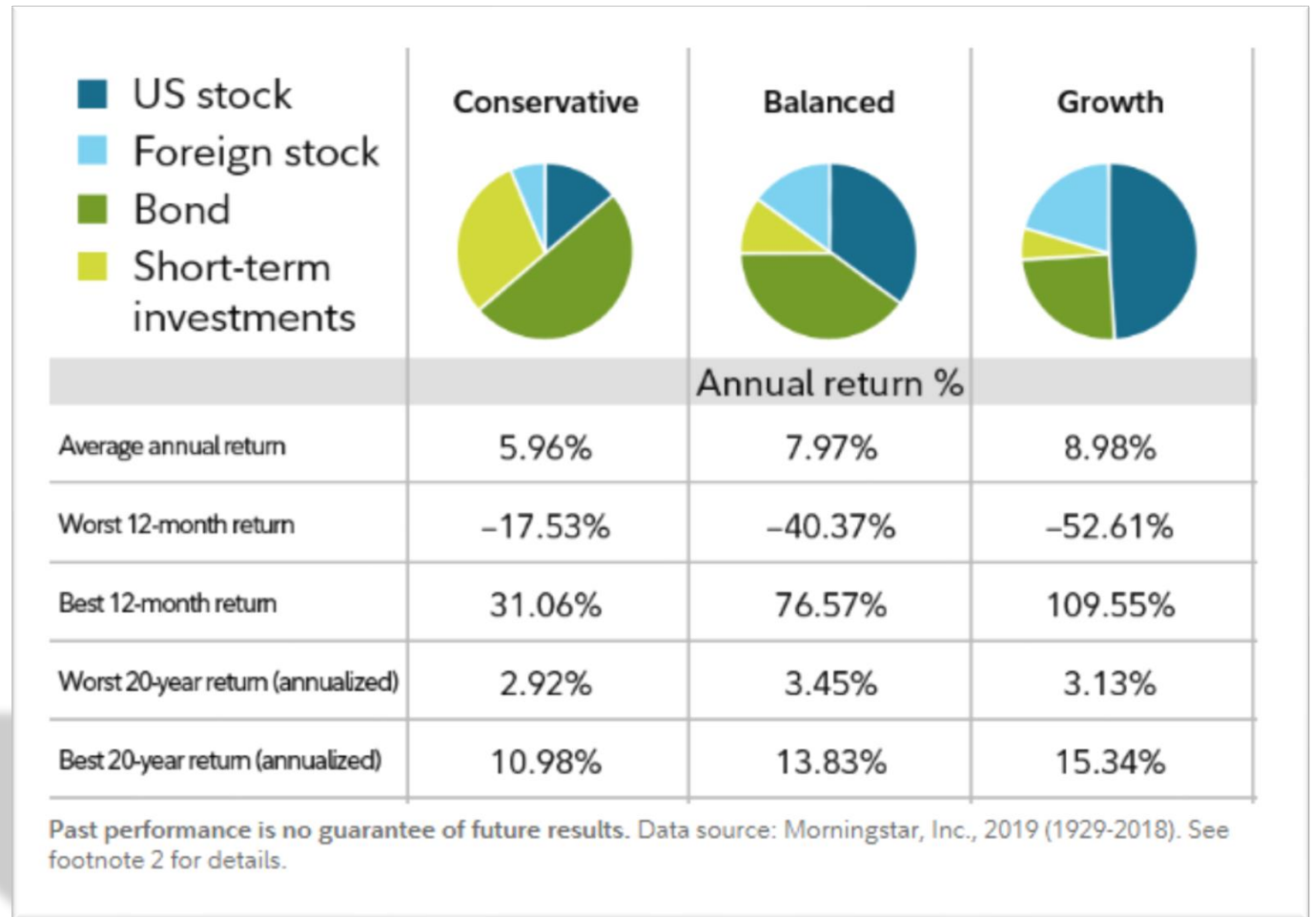




## RISK / REWARD

Figure out your risk tolerance.  
Choose an allocation and know  
how much loss you could incur. It  
is a guide – not an exact science.

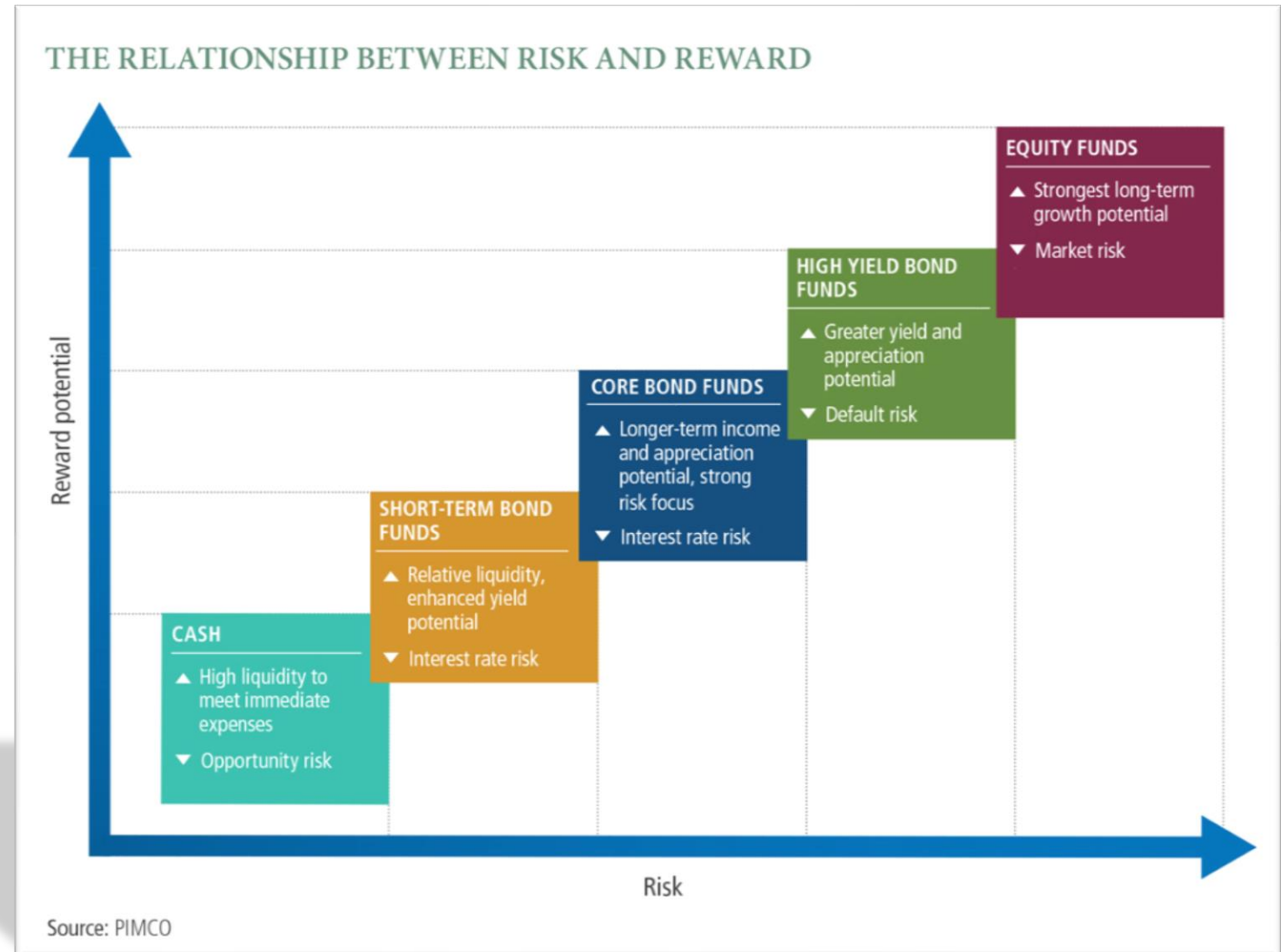
End 2018



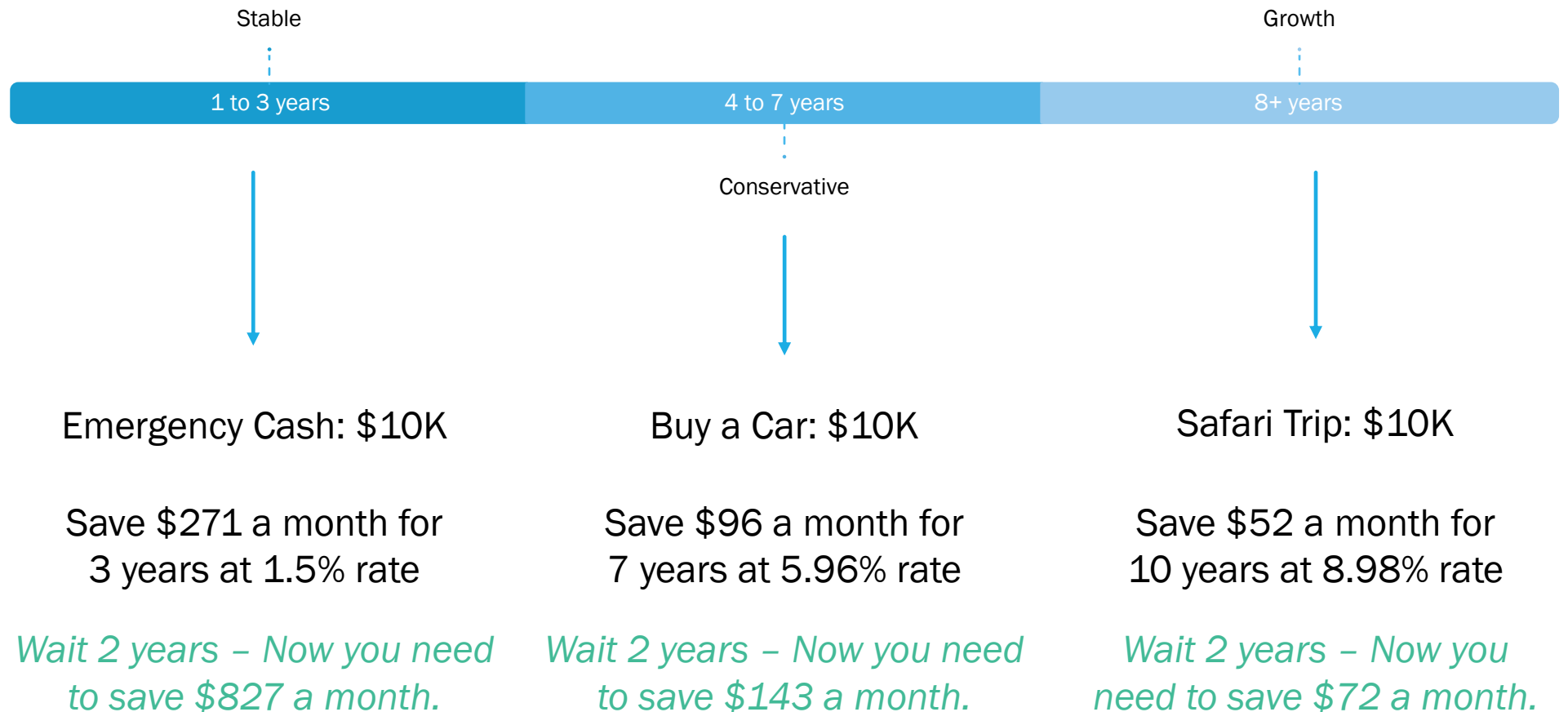
## RISK / REWARD

The higher risk you take, the higher the potential for better returns. On the flipside, when markets go down, the higher losses will be incurred.

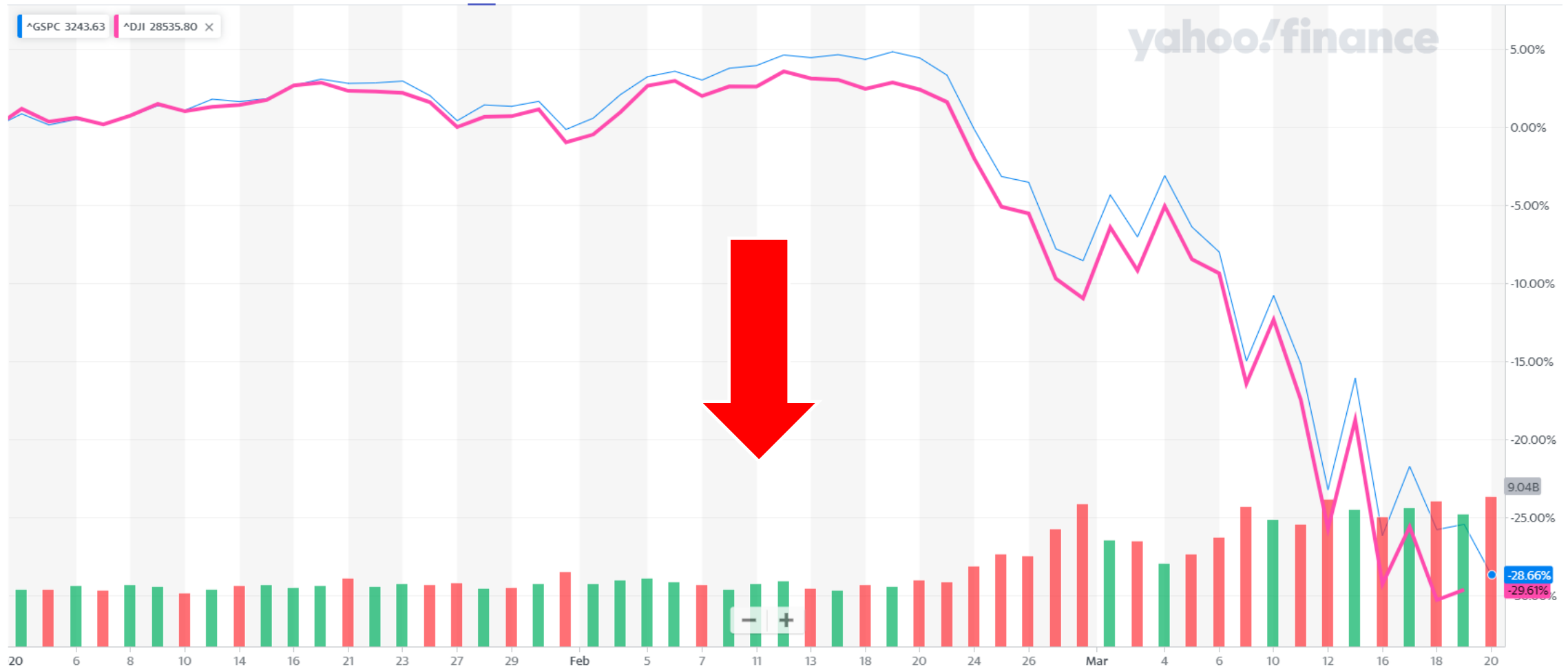
All the latest investment firms have risk tolerance calculator. Use it.



## NOW FIGURE OUT HOW MUCH TO SAVE & INVEST?

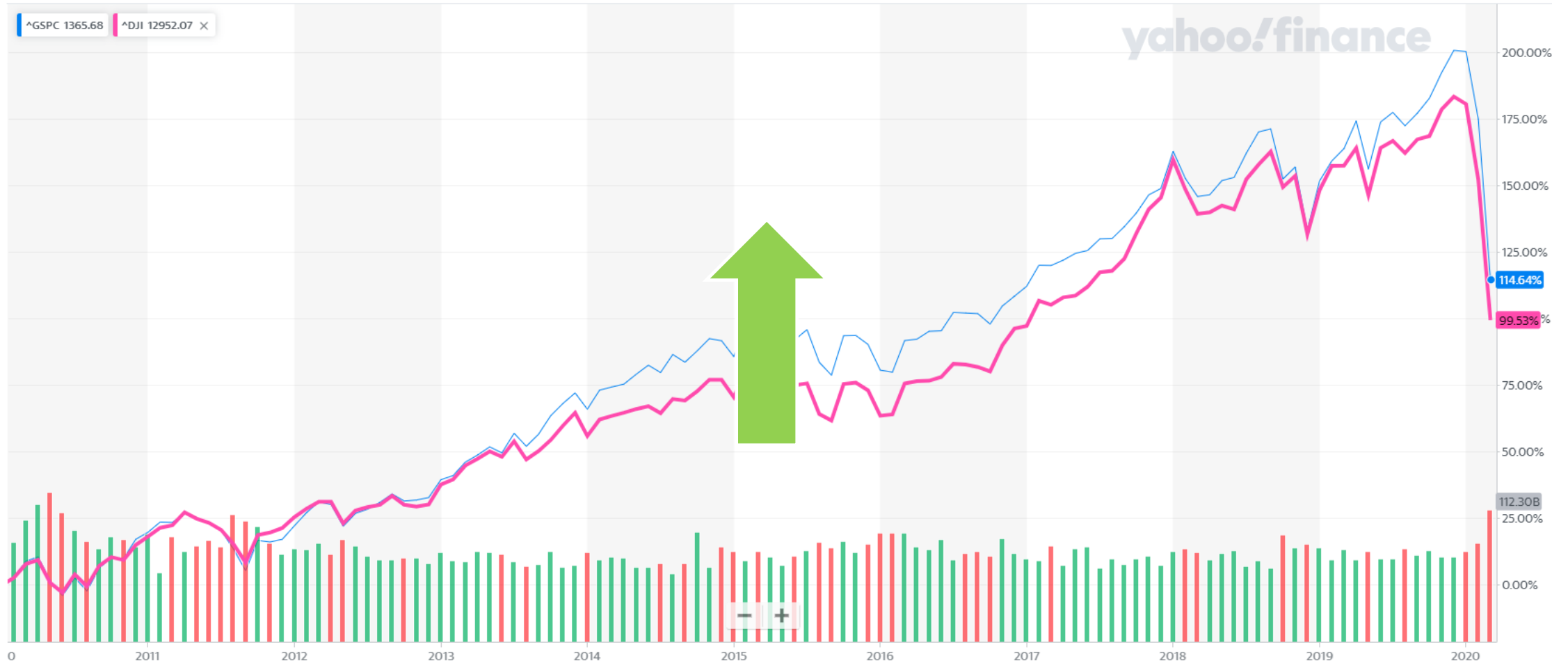


# MARKETS ARE CRAZY RIGHT NOW.



## UMM, I WILL WAIT FOR THE BOTTOM.

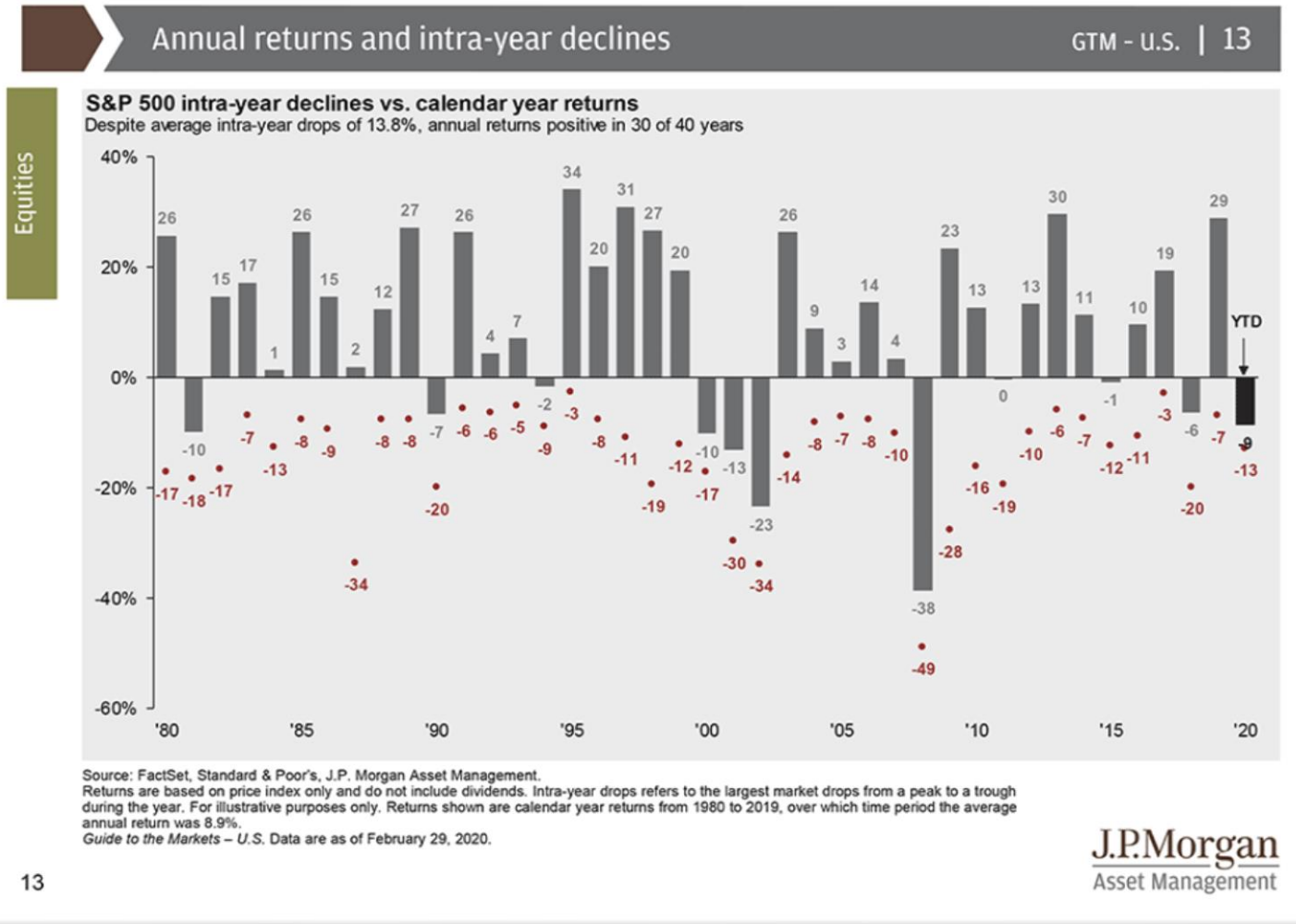
# DEPENDS ON YOUR TIME HORIZON



S&P 10-YEAR RETURN = 115% / ANNUAL: 9.7%

# INTRA-YEAR DECLINES

Declines through the year are a normal occurrence.



# YOUR BEHAVIOR

If you are invested for long-term, staying the course is generally recommended.



January 2006 to December 2010. Source: Morningstar, Bloomberg, PIMCO

**Hypothetical example for illustrative purposes only. Not indicative of the past or future performance of any PIMCO product.**

\* Stocks are represented by S&P 500 Index. Bonds are represented by Barclays U.S. Aggregate Index. It is not possible to invest in an unmanaged index.

\*\* These results are based on hypothetical modeling and are intended for illustrative purposes only. Emotional Investor is assumed to move to cash on 10/31/2008 and back to 60% Stocks / 40% Bonds on 04/30/2010. Hypothetical and simulated examples have many inherent limitations and are generally prepared with the benefit of hindsight. There are frequently sharp differences between simulated results and the actual results. There are numerous factors related to the markets in general or the implementation of any specific investment strategy, which cannot be fully accounted for in the preparation of simulated results and all of which can adversely affect actual results. No guarantee is being made that the stated results will be achieved.

PIMCO

## The Benefits of Staying Invested

Investors are more likely to reach their long-term goals if they remain invested

## MARKET TIMING

If you try to figure out the best time to enter the market, you could miss out on the best days.

Fidelity chart here. Data from 1980 to 2018.

No fees or taxes accounted here.







# PROS OR DO-IT-YOURSELF?

HOW MUCH TIME DO YOU HAVE?





# DO-IT-YOURSELF

- You don't need a Professional financial advisor. You can do it yourself. That's not the question.
  - How much time do you have?
  - Will you research impact of taxes? Changing regulations?
  - Will you know what opportunities exist for you?
  - Can you run the #s every year?
- There are plenty of platforms now that are free to low fees. Choose one.

## PROFESSIONALS – CFP AND FEE-ONLY ADVISORS ONLY.

- They can run analysis and keep you abreast of changes. They can't avoid losses.
- Select a fee-only financial advisor that is a CFP® certificant.
- Ask for a referral from a friend but do your own research too.
- Bank Advisors are typically not appropriate.
- I would guide you to independent advisors or advisors with large non-bank firms. Such as Ameriprise, LPL, Raymond James, Edward Jones, Schwab, Vanguard, Fidelity.
- There is a fee to pay. Though check out Schwab – they have a new program for \$300 a year and get access to a CFP person. Vanguard also may have a similar program.
- Make sure you keep your fees low. Those add up.

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## MY ADVICE

**RESEARCH & START WITH THE ROBO-ADVISORS - NOW.**

**KNOW WHAT YOU NEED AND RUN A FINANCIAL PLAN.**

**SELECT THE CORRECT RISK TOLERANCE AND ALLOCATION.**

**DON'T FREAK OUT IF FUNDS ARE FOR LONG-TERM.**

**SEEK HELP FROM A PROFESSIONAL AS YOUR MONEY GROWS**



QUESTIONS?



# CALCULATOR RESOURCES

- <https://smartasset.com/>
- <https://www.dinkytown.net/financialcalculators.html>
- <https://www.personalcapital.com/>

# LEARNING RESOURCES

- <https://www.investor.gov/>
- <https://www.nerdwallet.com/blog/category/investing/>
- <https://www.wealthsimple.com/en-us/class/stock-market-beginners>
- <https://www.pimco.com/en-us/resources/education/stepping-up-the-risk-reward-spectrum/>
- <https://www.fidelity.com/viewpoints/investing-ideas/six-tips>
- <https://www.kiplinger.com/>
- <https://money.com/>
- <https://www.wealthbase.com/> - simulated trading
- <https://www.investopedia.com/simulator/> - simulated trading

# DO-IT-YOURSELF FIRMS

- <https://www.wealthsimple.com/en-us/>
- <https://www.betterment.com/>
- <https://www.wealthfront.com/>
- <https://robinhood.com/us/en/>
- <https://www.acorns.com/>
- <https://www.ellevest.com/>
- <https://investor.vanguard.com/financial-advisor/digital-advisor>
- <https://intelligent.schwab.com/>



# PROFESSIONALS

- <https://www.letsmakeaplan.org/>
- <https://www.napfa.org/>
- <https://www.plannersearch.org/>
- <https://foundationforfinancialplanning.org/volunteers/>
- <https://www.xyplanningnetwork.com/>
- <https://zoefin.com/>