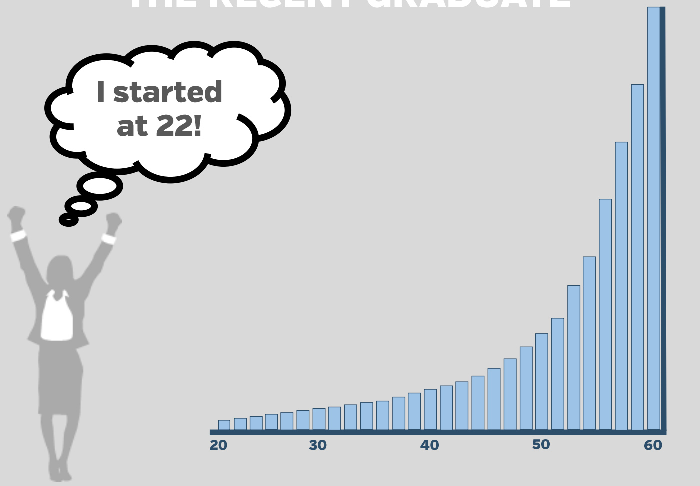
WEALTH BUILDING

MoneySmart Lakers

College students and recent graduates often don't realize that they have the most powerful tool in their possession when it comes to making money: ***time.***

THE RECENT GRADUATE



If I invest $500 a month with 10% average rate of return

I will have **$4,300,000** at age 66.

When I retire, I will have an annual salary of $170,000 just by collecting 4% interest on my investments.

THE COMFORTABLE WORKER

If I invest $500 a month with 10% average rate of return

I will have **$720,000** at age 66.

When I retire, I will have an annual salary of $28,800 just by collecting 4% interest on my investments.

THE LAW OF COMPOUNDING INTEREST—*EXPLAINED*

When interest is earned on an investment, you can either pocket your earnings or you can reinvest them. When you reinvest your earnings, those earnings are added to your original lump sum of money, which makes your investment larger.

Because you have made your investment larger, the next amount of interest you earn will consequently be larger as well.

It is when you repeat this process of reinvesting your earnings that are made larger each time you reinvest them that allows you to have exponential growth on your investment over a long period of time.

TIPS FOR SUCCESS

START EARLY

The earlier you start saving for retirement, the exponentially larger your retirement account will be because of **the law of compounding interest.**

DIVERSIFY

Invest in a wide variety of products to reap the benefits of multiple products and to reduce the risk of losing all of your contributions on one product that underperformed.

BE PATIENT

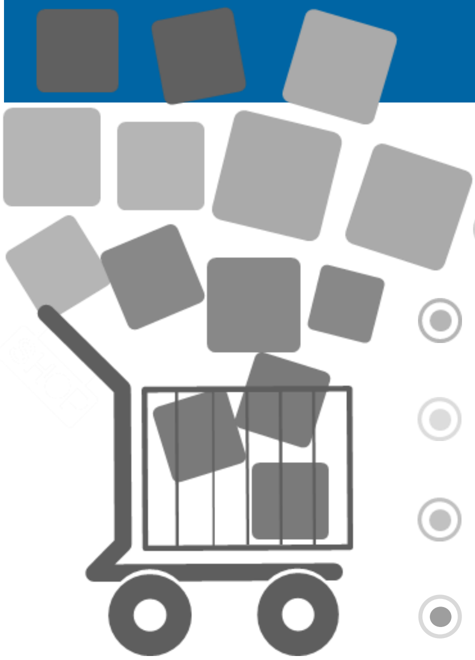
Though returns will be small in the short-term, the largest returns await you in the long-term. If you withdraw your investment or interest earned prematurely, your total profits will substantially decrease.

BE CONSISTENT

Investing consistently and early on, even if you can only afford small amounts at a time, will give you a leg-up until you are more financially stable.

Investment Products

Weighing your Options



- **BONDS : HIGH SECURITY, LOW RETURN**
- **MUTUAL FUNDS : HIGH RETURN, HEAVY BUY-IN**
- **REITREMENT FUNDS : HIGH RETURN, LONG TERM**
- **STOCKS : LESS SECURITY, POTENTIALLY HIGH RETURN**
- **U.S. TREASURY SECURITIES : MORE SECURE, LOW RETURN**
- **REAL ESTATE : HIGH RETURN, LONG TERM**

Before you invest you should:

1. Know the risk. Investments are not FDIC Insured. Take a risk-tolerance quiz to determine the right investment strategy for you.

2. View your investment as money that has been spent. Don't plan on touching your investment for 5 -10 years.

3. Establish an emergency fund. Save 3-6 months of your salary for life's unexpected expenses.

4. Pay down high-interest debt. Interest earned on investments can quickly be diminished by interest collected on debts.

Remember, investing in any product that has lower than a 3% rate of return for over a 5 year period will ***cause your investment to lose value because of inflation. When deciding between different investment products, try to aim for ***at least a 4% rate of return***.

Getting Started

ACORNS

Invest spare change automatically from everyday purchases into a diversified portfolio. Acorns works by letting you connect your credit or debit cards (with a simple sign-up using your online bank credentials), and automatically rounds up the change from every purchase to add to your investment portfolio. You can choose between five different risk options, from aggressive to conservative, and watch how your investments are performing over time.

ROBINHOOD

Become a trader—buy and sell individual stocks for $0 a trade. The firm is a FINRA-approved broker-dealer, registered with the U.S. Securities and Exchange Commission, and is a member of the Securities Investor Protection Corporation (SIPC). It connects with the user's bank account, allows the user to transfer money into their Robinhood account and trade stocks with that money.

BETTERMENT

The largest, fastest-growing automated investing service, helping people to better manage, protect, and grow their wealth. They make investing easy for beginners by focusing on simple asset allocation, goal setting features, and low-cost portfolio management. It connects with your bank account to make automated investments each month.

THE BASICS

INDIVIDUAL RETIREMENT ACCOUNTS (IRA's):

ROTH IRA: Contributions to Roth IRA's are taxed at the time of the contribution. Because tax rates are based on your annual income, Roth IRA's can be highly beneficial for young investors and college students, because typically people in this age group are in a much lower tax bracket than they will be as they grow older and advance within their careers. With this type of investment account, you may not withdraw any of the *earnings* until you are approximately 60 years old; however, you may withdraw portions of your *contributions* at any point in time, penalty free. Earnings will be taxed according to the tax bracket at the time of withdrawal.

TRADITIONAL IRA: Contributions to traditional IRA's are taxed at the time of withdrawal. The benefit of Traditional IRA's is that the gross amount that you contribute stays in the account without being taxed until the time of withdrawal, so a larger amount of your contribution is able to gain earnings and accumulate interest. Both contributions and earnings will be taxed at the time of withdrawal in a Traditional IRA.

EMPLOYER MATCH PROGRAMS: This type of retirement account allows you to receive a partial contribution from your employer. In companies that offer an employer match program, they will match up to a certain amount or percentage of your annual income to help you contribute to your retirement. This is a great option for anyone whom it is made available to, because it is the only instance that you will receive a substantial amount of free money that will be invested on your behalf.

MUTUAL FUNDS: A mutual fund is a collection of different investment products pooled into one investment account that is professionally managed. The perk to this type of account is that if your investment is not making money, the manager of the account loses her/his job. While it is common for varying mutual funds to have different rates of return, it is pretty rare to see this type of fund lose money. The downside to most mutual funds is that if you'd like to buy-in to a mutual fund without hiring a financial advisor, you have to contribute up to $2500 just to hold a portion of the mutual fund.

BONDS: A bond is a loan you are making to the government or to a company. Typically, bonds have fairly low rates of return because they are relatively safe. Some perks to purchasing bonds are that they will pay coupons or monthly paychecks of your earned interest, and then return the original amount at which the bond was bought at the end of the bond's term.