



| SEC

Before You Invest, **Investor.gov**



Money Smart Week

Basics of Saving and Investing UMBC

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SEC's Mission

- Protect Investors
- Maintain Fair, Orderly, and Efficient Markets
- Facilitate Capital Formation

What We Do

The SEC accomplishes its mission by:

- Administering and enforcing federal securities laws
- Overseeing brokerage firms and investment advisers
- Reviewing filings by most public companies



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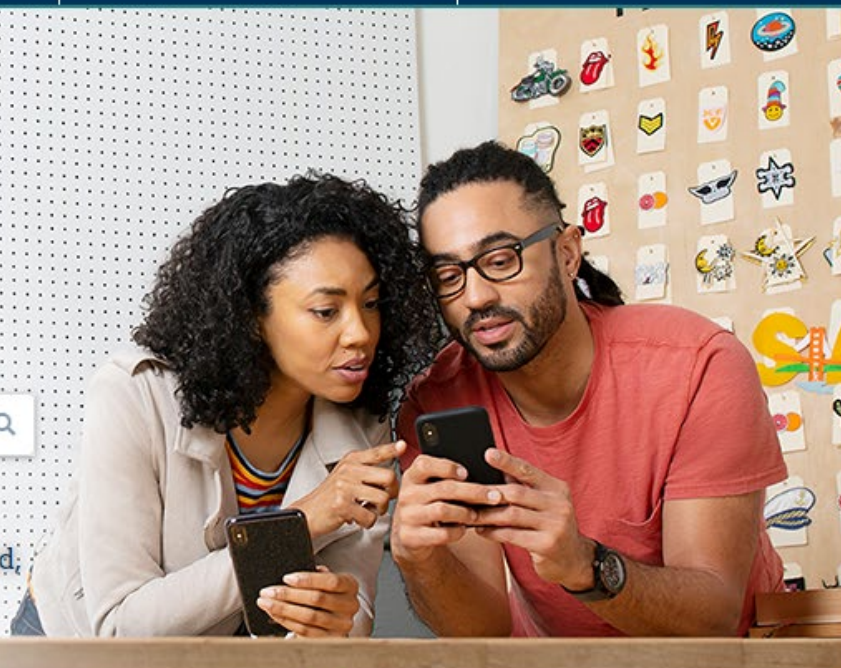
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Check Out Your INVESTMENT PROFESSIONAL

Individual ▾



It's a great first step toward protecting your money. Learn about an investment professional's background, registration status, and more.



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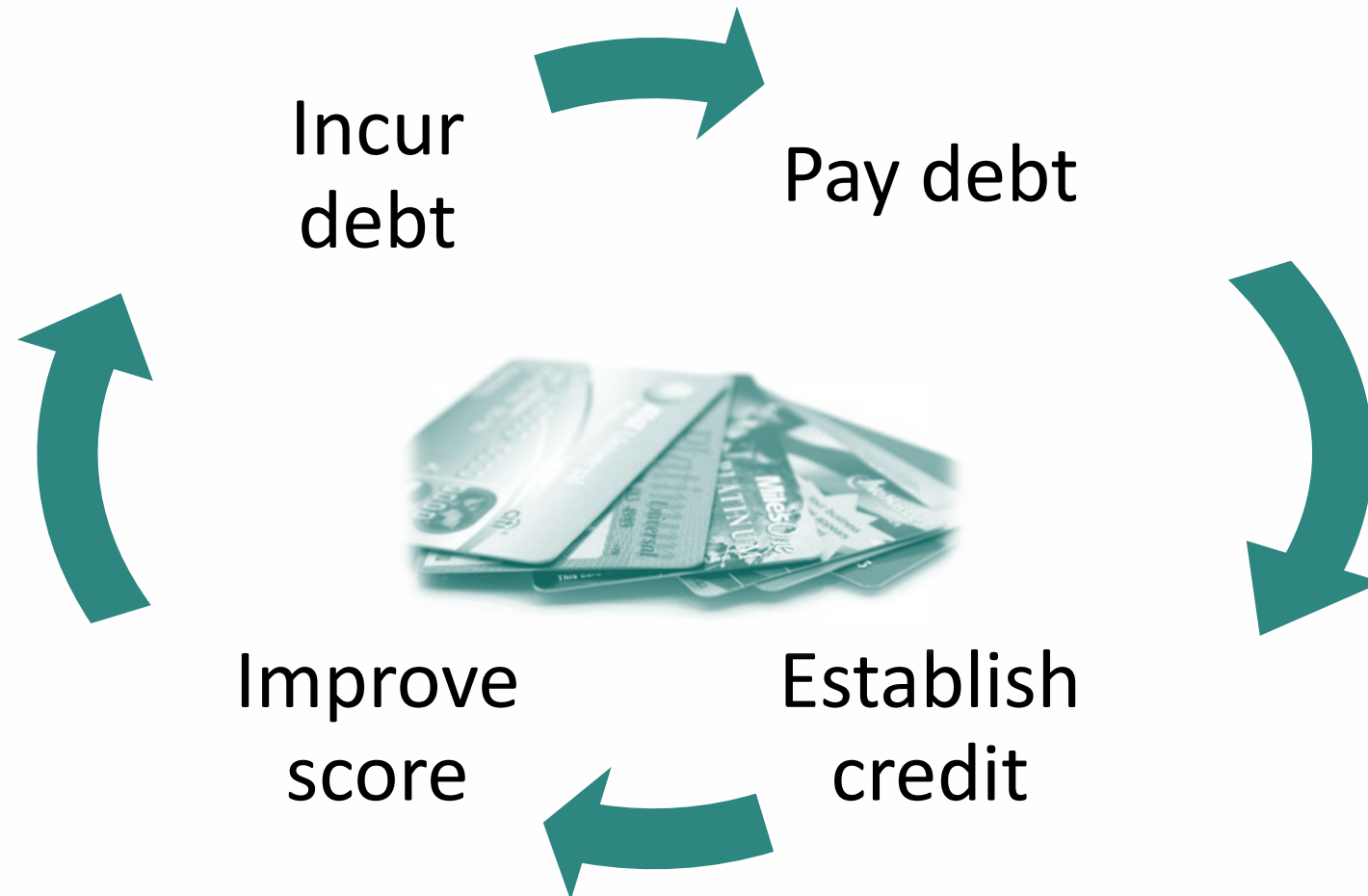


What We Will Cover

- Debt and Credit
- Saving and Investing
- Start Investing Early: Your First Job
- Protecting Against Fraud

Debt and Credit

Ideal Credit-Debt Relationship



Understanding the Cost of Credit

2022: \$2000



Paid in full up front

2027: \$2850



Paid only \$50 each month

Credit Score = Financial Barometer



Higher Scores = Lower Payments

You Can Improve Your Credit

These guidelines may help:

- Pay your bills on time, every time
- Don't get close to your credit limit
- A long credit history will help your score
- Only apply for credit that you need
- Check your credit report regularly and make sure the information is correct at [AnnualCreditReport.com](https://www.annualcreditreport.com)

Saving

Smart Money Management Begins with Saving

Saving is important for:

- Emergencies
- Education
- Big Purchases
- Family



Saving vs. Investing

Saving:

The money you earn but don't spend

Investing:

Making that money grow

Why Not Just Save?



1996 Ford F-150
\$14,150 MSRP

Source: Autotrader.com



2021 Ford F-150
Starting at: \$28,940

Source: Ford.com



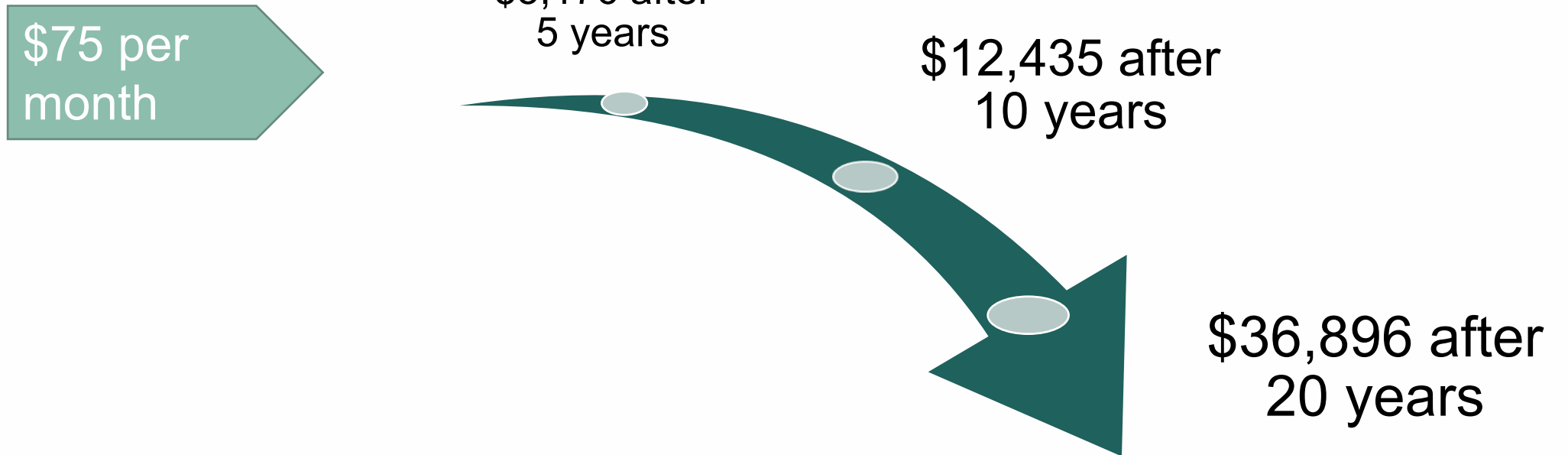
Emergency Fund

Save enough to have a buffer for life's unexpected expenses:

- **Set a savings goal**, such as 3-6 months of living expenses
- **Take advantage of one-time opportunities**, such as tax refunds or gift money
- **Save automatically**, such as by setting up a direct deposit to a savings account with each paycheck



Automate Your Saving and Investing

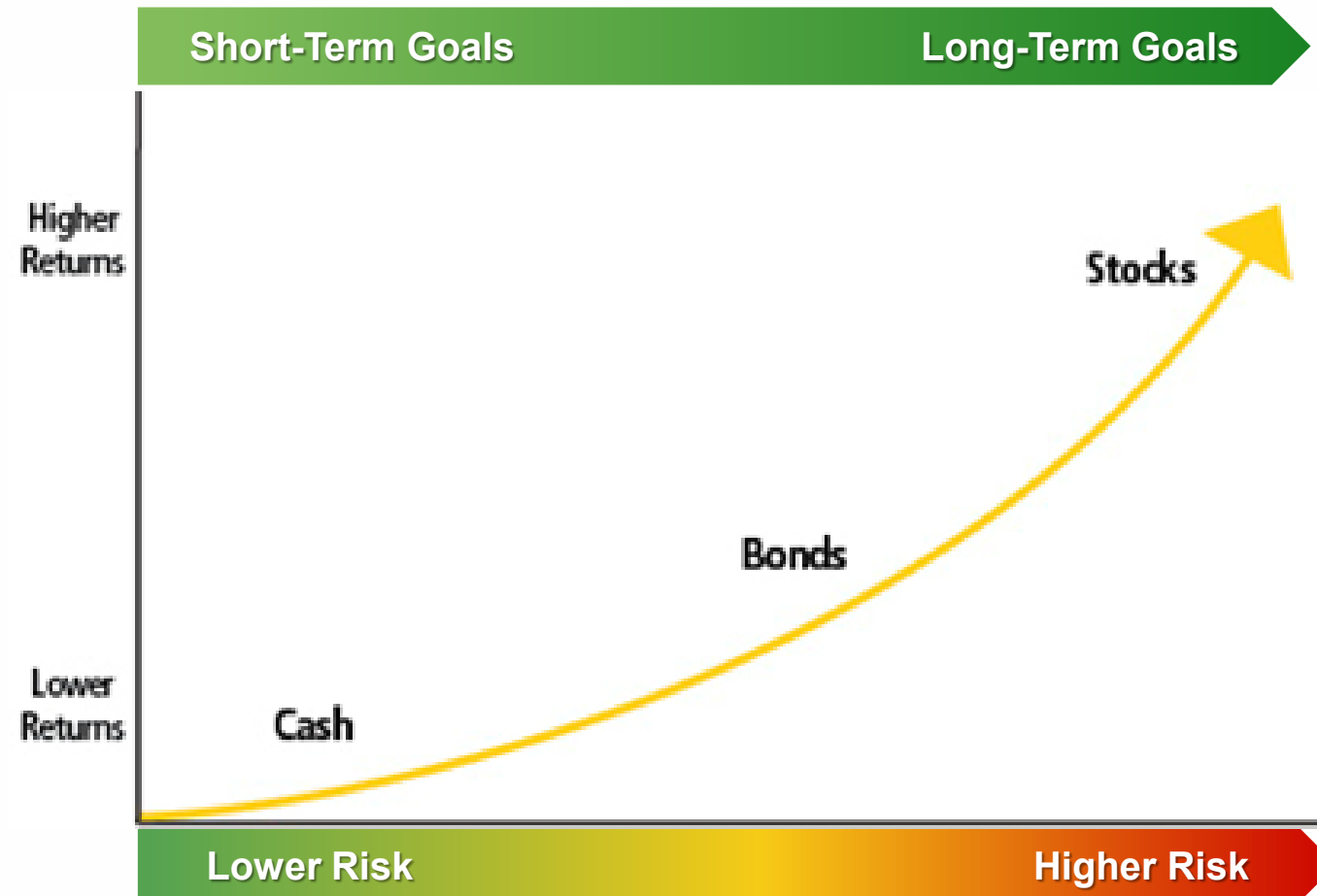


Investing

All Investments Have...



Investment Risks/Returns



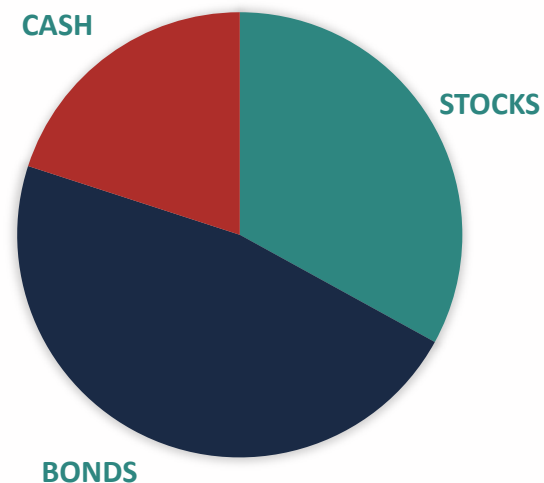
There are steps you can take to manage risk.

Asset allocation and diversification are two ways to avoid putting all of your investment eggs in one basket



Asset Allocation

Asset allocation involves dividing an investment portfolio among different asset categories, such as stocks, bonds, and cash



Time Horizon

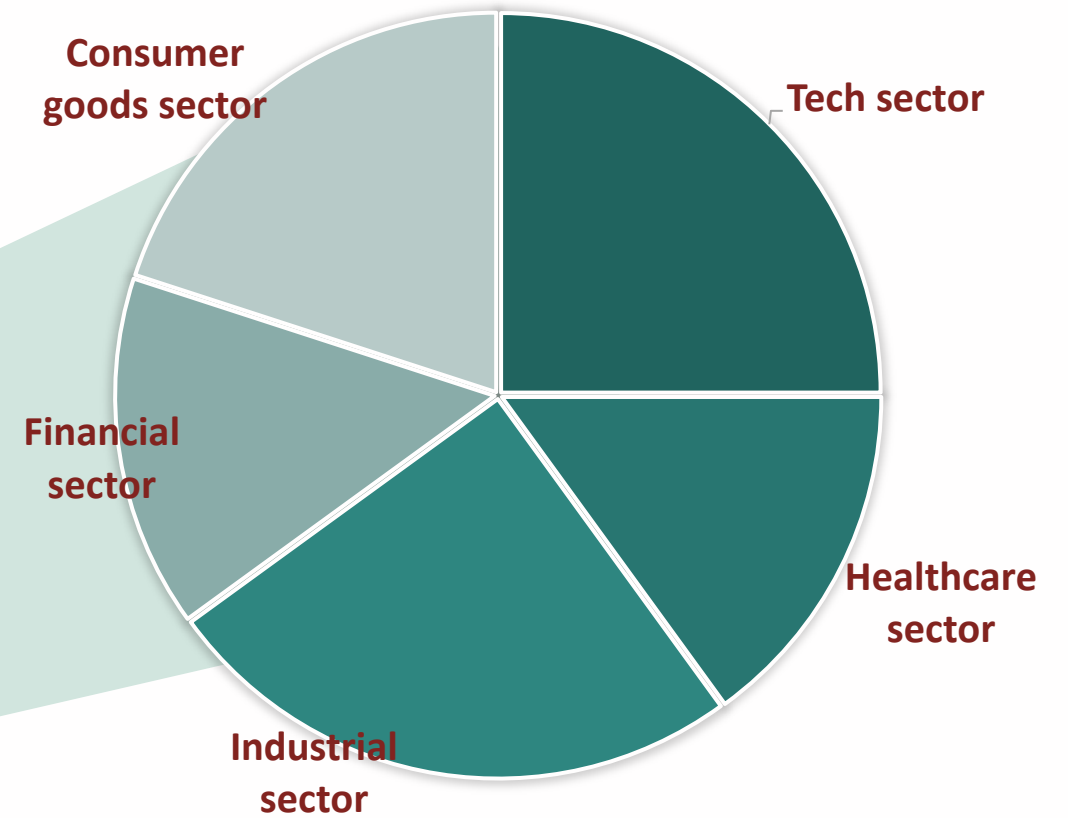
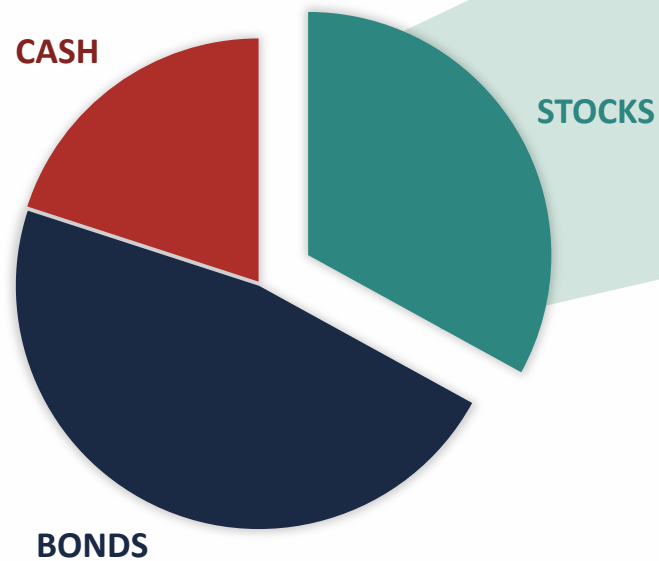
August 2055						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Risk Tolerance



EXAMPLE OF DIVERSIFICATION

EXAMPLE OF ASSET ALLOCATION



Mutual Funds and Exchange-Traded Funds

Both mutual funds and exchange-traded funds (aka ETFs) are basically pools of money invested by an investment company in stocks, bonds or other securities – or some combination of those investments

Benefits:

Diversification, professional management, affordability

Risks:

Typically the same as the underlying securities

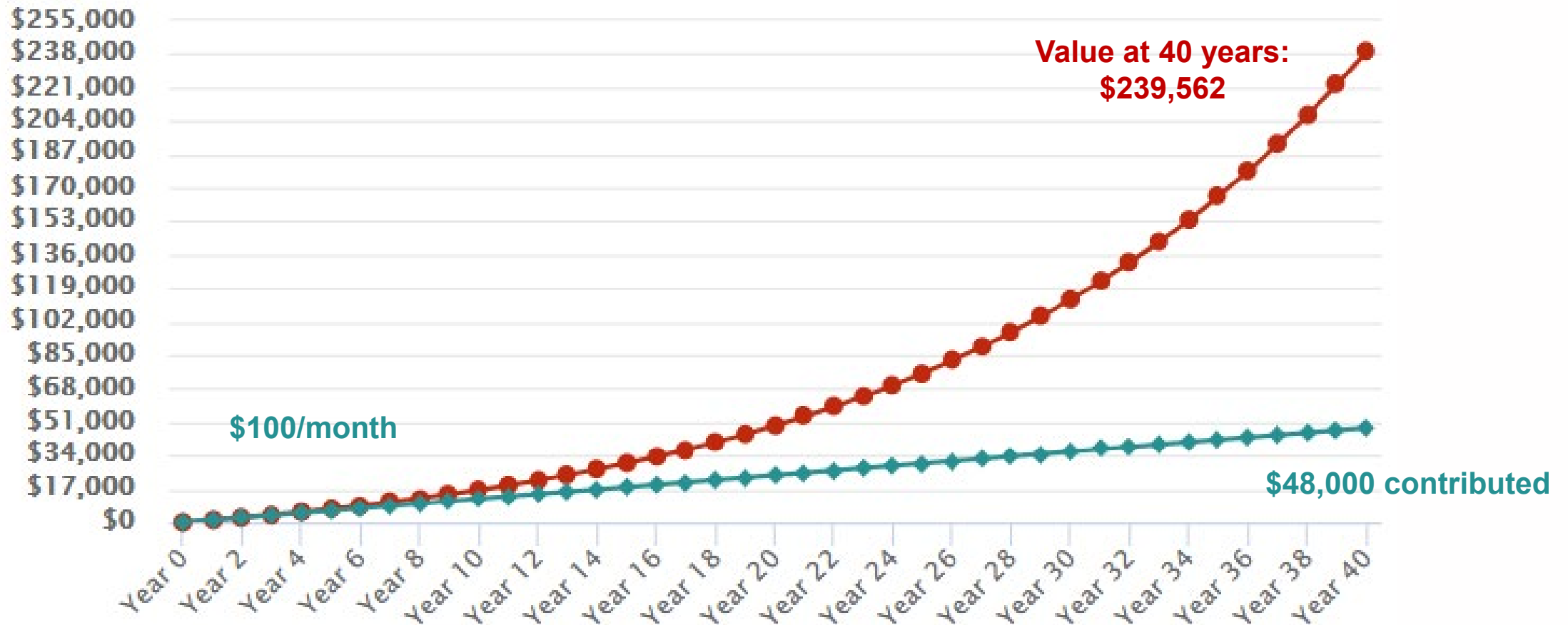
Start Investing Early: Your First Job

Compounding --the Power of Starting Early

The earlier you start, the less money you need to invest to reach your goals

	\$250,000 by 65	\$500,000 by 65
Age 25	\$104/month	\$209/month
Age 35	\$221/month	\$441/month
Age 45	\$508/month	\$1,016/month
Age 65	\$1,508/month	\$3,016/month

Compounding – How Money Grows



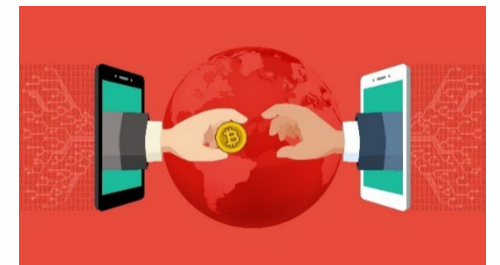
Tax-Advantaged Accounts

	Employer-Sponsored Plan 401(k) / 403(b) / 457(b)	Individual Retirement Account (IRA)
Maximum contribution	\$20,500 annually <i>(50+ may add \$6,500)</i>	\$6,000 annually <i>(50+ may add \$1,000)</i>
How it grows	Your contributions, possible employer matches, and earnings on those contributions	Self-directed account based on your contributions and earnings on those contributions
Investment options	Choice of investments, typically mutual funds	Can invest in mutual funds, individual stocks and bonds, annuities, certain real estate

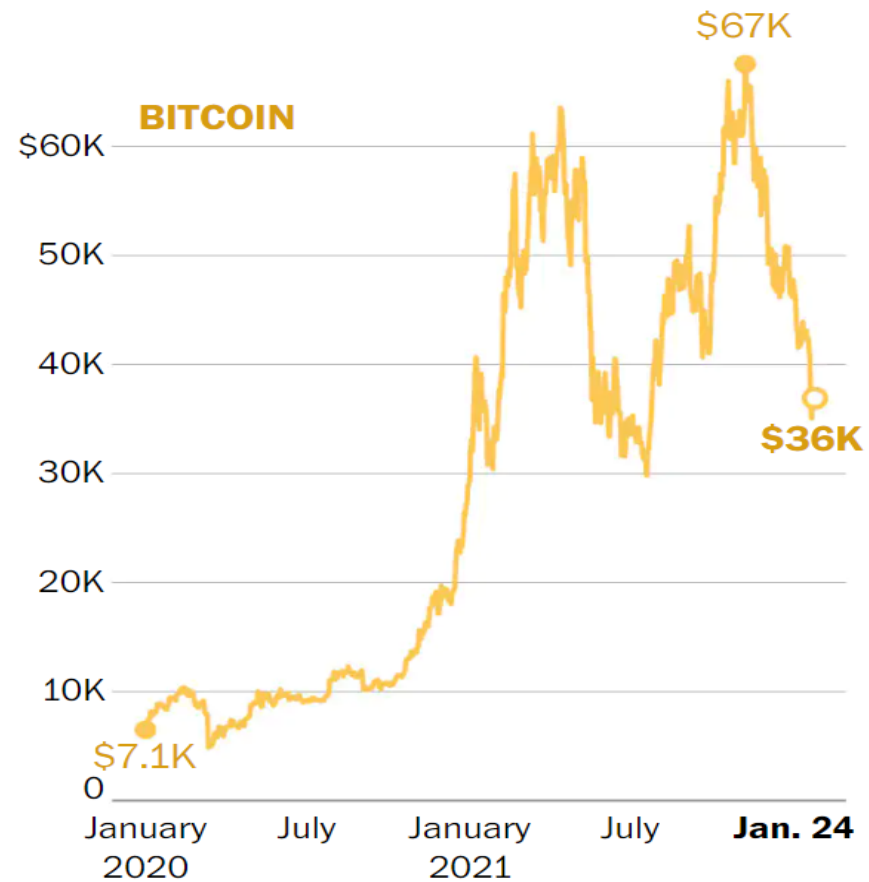
Technology and Investing

Crypto Assets

- Include digital tokens such as NFTs, and cryptocurrencies that claim to be an alternative to traditional currency
- Decentralized and not regulated by any central government
- Created and stored in digital form – not physical form – using blockchain technology
- Use complex coding system making them difficult to counterfeit or duplicate



Crypto Assets are Highly Volatile



Source: CoinDesk

Crypto Assets are High Risk

- Limited track record
- Speculative
- Important to understand regulatory posture, and what may change in the future
- Digital assets and exchanges don't have the same investor protections as stocks, bonds, and other securities

Investing Apps

- If you intend to buy or sell securities, make sure your app is a registered investment firm – check on [Investor.gov](https://www.investor.gov)
- Fees may seem low, but find out how costs and commissions work
- Human interaction or getting help may be limited to online queries
- These apps may give new investors access to complex or high-risk products or strategies – understand before you invest
- Apps may encourage some to **over**-trade through gamification of trading and instant notifications on stock moves

Risks of Short-Term Trading Based on Social Media

- Short-term trading in a volatile market can lead to significant losses
- Margin, options or short sales may magnify these risks – you can lose more than you invested
- Keep in mind brokerage firms may be able to reject or limit your transactions
- Stock manipulation can occur on online platforms through the spread of false or misleading information

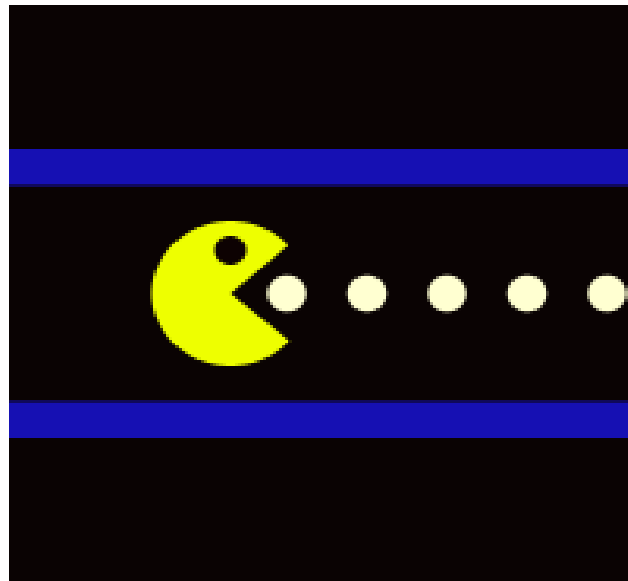
Timing the Market and Trying to Pick Winners

A Library of Congress study found that:

- Active trading generally results in underperforming the market
- Investors tend to show poor timing, follow trends, and overreact to good and bad news in the market
- Trying to pick individual stocks may leave you inadequately diversified

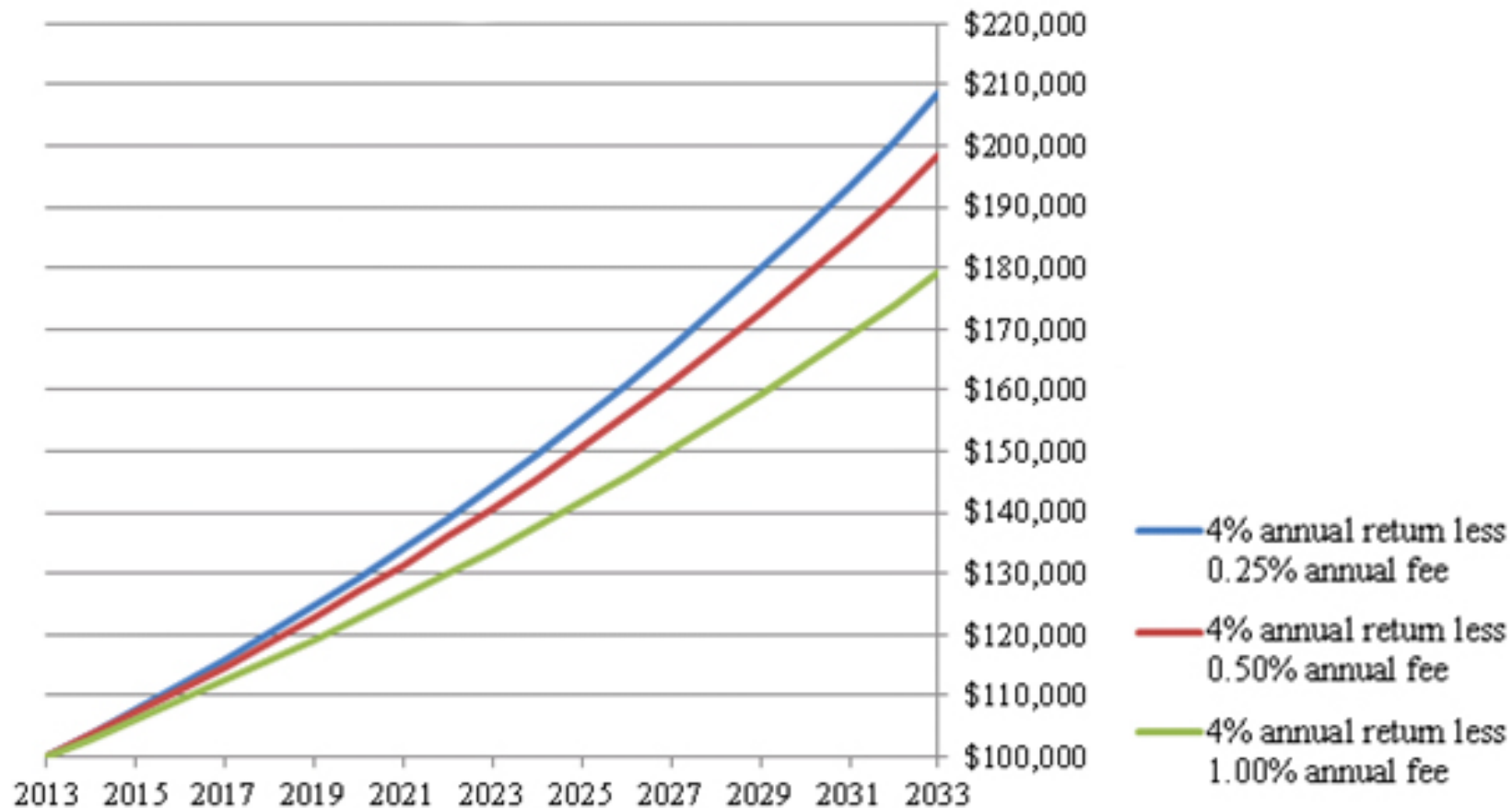
Studies have shown that missing the best performing days of any given time period can negatively impact your long-term returns

Investment Fees



Impact of Fees

Portfolio Value from Investing \$100,000 over 20 Years



FINRA Fund Analyzer

The screenshot shows the FINRA Fund Analyzer website. The background is a dark blue gradient with faint financial data and charts. The main heading is "Fund Analyzer by FINRA" in white and light blue text. Below it is the tagline "Analyze and compare the cost of owning funds". A consent statement reads: "By clicking SEARCH or otherwise using the Fund Analyzer, I agree to the [Fund Analyzer Terms of Use](#)." Below this is a search bar with the placeholder text "Search by Fund Name, Family, Ticker or Keywords" and a blue "Search" button with a magnifying glass icon. At the bottom of the search bar are three links: "Filtered Search" with a funnel icon, "Favorites" with a heart icon, and "Help" with a question mark icon. A disclaimer at the bottom states: "Disclaimer: The future values depicted are based on the rates of return chosen by the user and are not a depiction of actual returns."

www.finra.org/fundanalyzer

Tips to Avoid Fraud



5 Red Flags of **INVESTMENT FRAUD**



**UNREGISTERED AND
UNLICENSED SELLERS**



**PROMISES OF HIGH RETURNS
WITH LITTLE OR NO RISK**



PRESSURE TO BUY QUICKLY



FREE MEALS



**RED FLAGS IN THE FINANCIAL
PROFESSIONAL'S BACKGROUND**

Unsolicited Offers

The salesperson or promoter approaches you, not the other way around

- **Examples:**
 - Cold calls/texts
 - Email
 - Social media
 - Radio and newsletters
 - Direct mail
 - Free dinner seminar
- **How to respond:** Ignore them, and if you don't, always do your own research



Three Ways to Avoid Fraud:

ASK QUESTIONS

01

**RESEARCH EVERY INVESTMENT
OPPORTUNITY THOROUGHLY**

02

CONDUCT A BACKGROUND CHECK

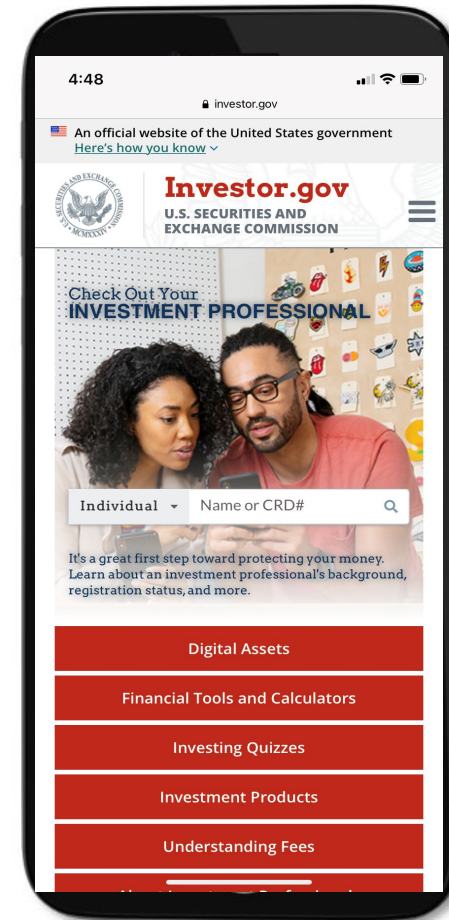
**ON ANY INVESTMENT PROFESSIONAL
AT [INVESTOR.GOV](https://www.investor.gov)**

03

Check Any Investment Professional

Check on **Investor.gov**:

- License/registration
- Employment history
- Important disclosures

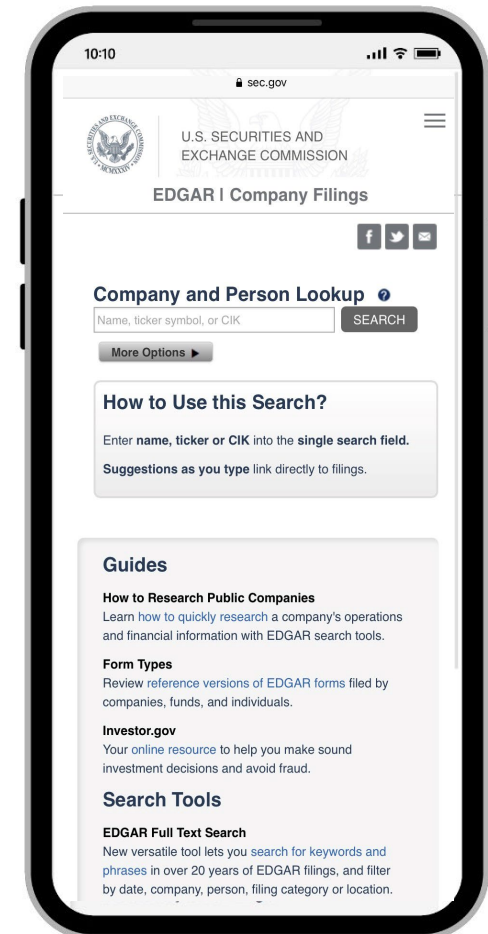


Research Any Investment Product

Check EDGAR:

Is the product registered with the SEC?

- Scams often involve unregistered companies
- EDGAR has important information about companies



SEC Resources



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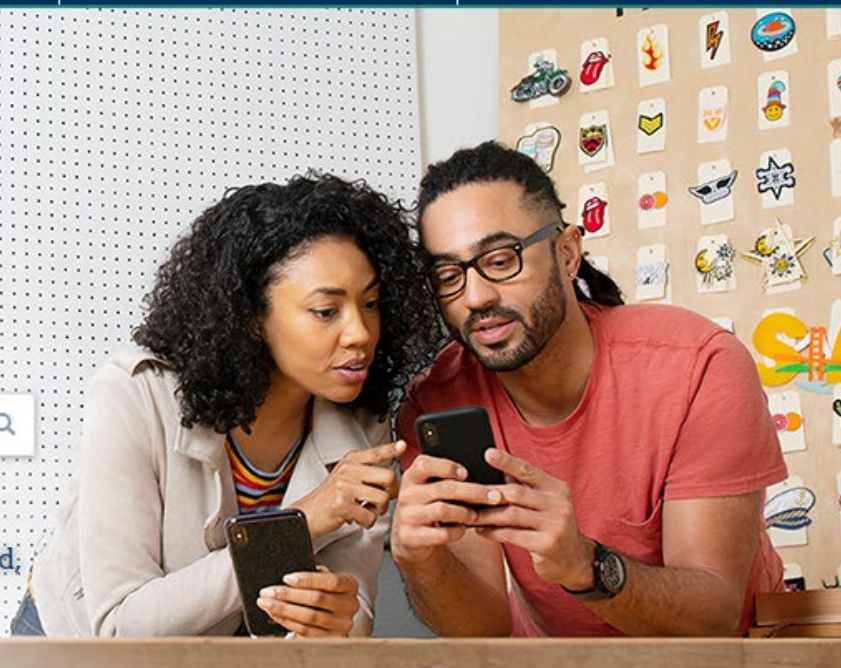
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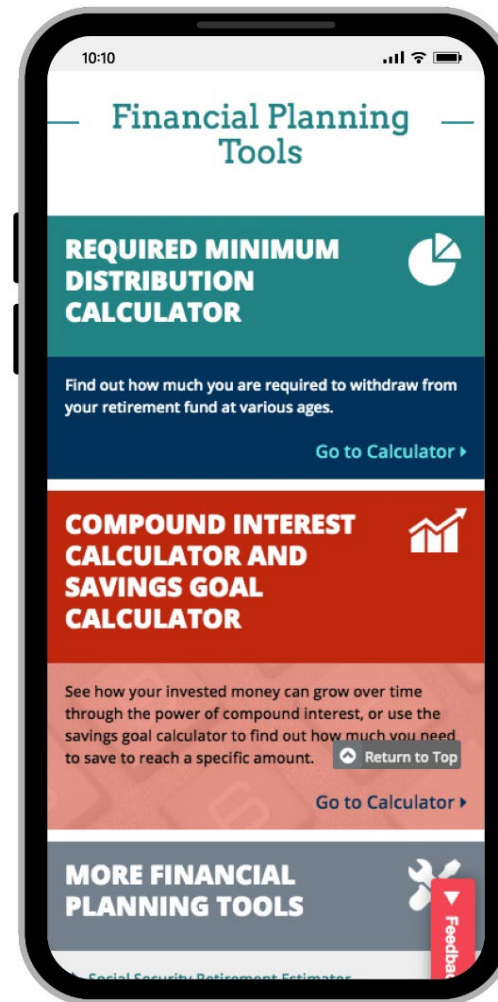
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