	Financial Prioritie	
Sa	aving and Investin to Financial Inde	g:
	Module 3	
	SPONSORED BY	

III MoneyWise Workshop	
Discussion Topics	
1. Perspectives: Spiritual matters	
Investing Basics: Before you start	
3. Investment Vehicles: The shopping carts	
4. Investment Assets: The groceries	
5. Investing Steps: The process	
Perspective • Investing Basics • Investing Steps	2

III MoneyWise Workshop

1. Perspectives: Spiritual Matters

Money teaches gospel principles

Perspective • Investing Ba

- Money is a tool to teach us many things, including the principles of sacrifice, discipline, law of the harvest and work
- Learning to manage money wisely can increase our freedom, bring peace and happiness into our lives, and teach us eternal gospel principles
 - President Ezra Taft Benson said: "The Lord desires his Saints to be free and independent in the critical days ahead. But no man is truly free who is in financial bondage." ("Prepare Ye." Errago, Jan. 1974, p. 69).

III MoneyWise Workshop

2. Investing Basics: Before you start

- Saving is how you acquire assets for your goals
- Investing is how your savings are put to work!
 A goal of investing is to increase value and stay ahead of inflation
 - \$1 million today is worth only \$355,383 in 35 years (i=3%)
 - Rule of 72 (when years * rate = 72 then the amount doubles)

Investing Basics

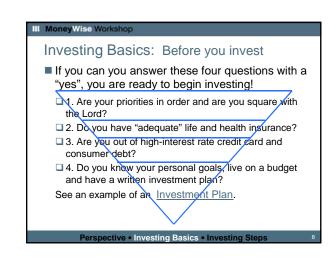
III MoneyWise Workshop



- Factors outside your control
 - 5. Your returns on your investments Perspective • Investing Basics • Investi







MoneyWise Workshop

3. Investment Vehicles: The shopping carts

What are investment vehicles?

They are tax-law defined frameworks that may have tax advantages to help you save and invest

- There are three main types:
 - 1. Tax-eliminated vehicles (Roth IRA, Roth 401k, Roth 403b) $\hfill\square$ You put money in these after tax, and pay no tax when you take the money out at retirement (you pay taxes now)
 - 2. Tax-deferred vehicles (traditional IRA, 401k, 403b) You pay no taxes on the investment when you put the money in, but must pay taxes on it when you take it out at retirement
 - 3. Taxable vehicles (normal brokerage or bank accounts) You get no tax advantages now or when you take the money out at retirement

ective • Investing Basics • Inv

MoneyWise Workshop

Investment Vehicles: Key shopping carts

Plan Name	Tax Status	2015 Annual Maximum Contribution	Intended For	T
401(k) Roth 401(k)	Tax-deferred Tax-eliminated	\$18,000 \$24,000 if over age 50	Employees who are offered a company retirement plan	
403(b) Roth 403(b)	Tax-deferred Tax-eliminated	\$18,000 \$24,000 if over age 50	Employees of non- profits and tax- exempt organizations	
Traditional IRA	Tax-deferred subject to income limitations	\$5,500 per person \$6,500 if over age 50	Individuals	
Roth IRA	Tax-eliminated, but earnings are tax- free after 5 years in the plan	\$5,500 per person \$6,500 if over age 50	Individuals	
529 Plan	Tax-eliminated	\$416,000 per child (Utah)	Individual Education	

III MoneyWise Workshop

4.	Investment	Assets:	The	groceries	
----	------------	---------	-----	-----------	--

Most common starting investments Cash instruments (e.g., savings, CDs, money markets, checking, MMDAs) Mutual Funds (e.g., following bond,

large and small cap asset classes)



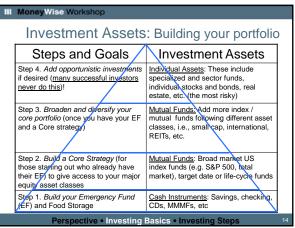
- Investments to consider later
 - Stock mutual funds—represent ownership
 - Bond mutual funds-represent debt owed to you

ective • Investing Basics • Inve

Real assets/REITs—represent real property assets other than your home







III MoneyWise Workshop

Before you begin, your first investment priority is 3–6 months of living expenses in liquid assets

Investment Assets: Your Emergency Fund

- Suitable investments for your Emergency Fund are:
 Bank or credit union savings, checking or money market
 - account
 - Money market mutual fund
 - Look for low minimum initial investments
 Internet MM accounts may pay higher interest rates
- Unknown time horizon means vou shouldn't take risk

Investing Basics

These are short-term investments that can be accessed veneration of the short term investments that can be accessed veneration of the short term investments that can be accessed veneration of the short term investment of te



Your Emergency Fund: Financial Priority 4 Take two minutes to talk as a group or couple What is the importance of your emergency fund? How much of an emergency fund will you have? (generally 3-6 months is recommended) What is your plan to save for your emergency fund? Write these on your "Eight Financial Priorities" sheet

Perspective • Investing Basics • Investing Steps

III MoneyWise Workshop

Investment Assets: Food Storage

- Along with building your Emergency Fund, begin building your food storage
 - Use wisdom in your expenditures
 - Start to build your first aid and 72-hour kits

tive • Investing Basics • Inv

 Start to build your food storage and other emergency essentials
 Use wisdom while in school

www.providentliving.org

http://www.lds.org/topic/self-reliance/

MoneyWise Workshop 5. Investing Steps: The Process 1. Budget and save every month You cannot invest without savings 2. Determine your investment needs

MoneyWise Workshop

- 2. Determine your investment needs and goals
- Time horizon, risk tolerance, and investment vehicles3. Select good institutions and people to work with
- Invest low-cost with good people
- 4. Choose your investment vehicles and assetsChoose low cost, low tax, diversified assets
- 5. Get the match and automate investing
- Make investing contributions automatic
- 6. Monitor your plan
- Monitor your plan and re-evaluate as necessary Perspective • Investing Basics • Investing Steps

Module 3 – Page 3

III MoneyWise Workshop

Investment Step 1: Budget and Save

Budget and Save

- We recommend 10% to Tithing, 10-20% (10% minimum) to yourself, and 70-80% to your budget
- Turn saving into investing—prioritize your goals
 - Build your emergency fund
 - Pay off consumer debt
 - □ Save for specific purchases—house or car
 - Save for retirement
 - Save for children's college and mission funds

Perspective • Investing Basics • Investing Steps

MoneyWise Work

Investment Step 2: Determine your investment needs for your goals What characteristics do you need?

- Asset class (which baskets do you need?)
- □ Time horizon (when will you need the money?)
- Type of investment vehicles (which accounts will you use?)
 - Tax deferred (traditional) versus tax-eliminated (Roth)
- Which vehicle will help you attain goals the fastest?
- Risk tolerance (how much risk will you take?)
 - Conservative, moderate, aggressive
 - Many web sites offer a short risk tolerance test Perspective • Investing Basics • Investing Steps
- III MoneyWise Workshop Investment Step 3: Select a reputable company For company retirement plans (i.e., 401k, 403b, Roth 401k, etc.) □ Your firm has already chosen the company For investing outside of company plans: U We recommend using no-load mutual funds Use no-load, low cost, and tax efficient index funds Some of the larger Fund Companies are (800) 662-7447 Vanguard Fidelity (800) 544-7272 lelity T Rowe Price (800) 638-5660 T.RowePrice

s • Investina Ste

III MoneyWise Worksho

Investment Step 4: Choose investment vehicles
and assets carefully
Choose your vehicles carefully
Taxable account: No tax benefits
Tax deferred: Traditional IRA, 401K, 403b
Tax eliminated: Roth IRA, Roth 401k, Roth 403b
Choose your assets carefully
Do not borrow to invest
Stay diversified (don't put all your eggs in one basket)
Invest low cost and tax efficientlylimit turnover and transactions costs (control your costs)

Do not invest in individual assets and sector funds until your asset size is greater than \$500,000 (if at all)

Perspective • Investing Basics • Investing Steps

III MoneyWise Workshop

Investment Step 5: Get the match and automate

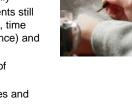
- Find out if your company provides a match for retirement saving
 - It is free money get this money first!
- Set your savings goal and then use your institution's automatic features to make it happen
 - Dollar-cost average—set dollar amount to invest regularly over set period—i.e. \$100 month. This lowers your average cost of investing!
- If your company does not have a retirement plan, automate a monthly transfer to your favorite mutual fund company
- Index, target date or lifecycle funds are good Funds to start out
 Diversification is your key defense against risk

ve • Investing Basics • Investing Ste

III MoneyWise Workshop

Investment Step 6: Monitor your plan

- Monitor performance versus benchmarks
- Review investments on regular basis—at least annually
- Ensure your investments still match your goals (i.e., time frame, and risk tolerance) and rebalance as needed
- Follow the principles of successful investing
- Work to minimize taxes and expenses



Investing Ste





III MoneyWise Workshop

Case Scenario * accomplish goals 1 & 2. Save 15%, accomplish goals 1 & 2 & 3. Save 20%, accomplish all goals

Goal 1 = \$7,500 Emergency Savings, 5 years * \$100/month @ 3% = \$6,465, add 1k saved = \$7,465 Goal 2 = \$10,000 House Savings, 7 years * \$100/month @ 4%, 7 years = \$9,675. Goal 3 = \$1 Million Retirement Savings, 40 years * \$196 + \$90 match = \$286/month @8% = <u>\$998,428</u>. Goal 4 = \$65,000 Education Savings, 18 years * \$100/month, 18 years @ 8% = \$48,008 * \$100/month, 10 years @ 8% = <u>\$18,295</u> \$<u>66,303</u>

III MoneyWise Workshop

Saving and Investing Take Aways

- 1. Perspectives: Spiritual matters
- 2. Investing Basics: Before you start
- 3. Investment Vehicles: The shopping carts
- 4. Investment Assets: The groceries
- 5. Investing Steps: The process

III MoneyWise Workshop

Resources and FHE Suggestions

***All Resources are Online at http://personalfinance.byu.edu

Readings

- Reading 3.1 Charles E. Davis, "A Banker's Dozen: Guidelines for Wise Investing" Ensign, Sept. 1991, 64.
 Reading 3.2 John W. Hardy, "Recognizing—and Avoiding—Bad Investments," Ensign, Sept. 1983, 55.
- MoneyWise Reference Manual (online), Chapters 18, 19, and 17
- Tools
- Exhibit 3.1 Couples Case Study
- Exhibit 3.2 A Risk Tolerance Test
- Exhibit 3.3 Roth versus Traditional Which is Better?
- Exhibit 3.4 Retirement Planning Needs

Websites

- BYU Personal Finance Website: <u>http://personalfinance.byu.edu</u> Intermediate Course" Intermediate Investing Advanced Course: Advanced Investing
- Mutual Fund Research, http://morningstar.com

