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EFFORTLESS INVESTING

A mini course to get you from Clueless to Confident

Disclaimers

The role of the Financial Educator is not to recommend any specific investment or budget. Rather, the Financial Educator is a mentor and guide who has been trained in money management, finances, and investing. The intent of this Program is to help participants reach their own financial goals by providing information and resources, as well as helping clients understand, devise and implement positive, sustainable fiscal lifestyle changes. The Financial Educator is not acting in the capacity of a Financial Advisor, Financial Planner, Tax Planner, Tax Professional, or other licensed or registered professional, and that any advice given by the Financial Educator is not meant to take the place of advice by those professionals. If you are working with a fiscal professional, discuss any potential fiscal changes with your fiscal professional before taking action.

Personal Responsibility

You have the responsibility to take full responsibility for your fiscal health and wellbeing, as well as the fiscal health and wellbeing of your family and children (where applicable), and all decisions made during and after this program.

Arbitration, Choice of Law, and Limited Remedies

In the event that there ever arises a dispute between Financial Educator and Participant with respect to the services provided pursuant to this agreement or otherwise pertaining to the relationship between the parties, the parties agree to submit to binding arbitration before the American Arbitration Association (Commercial Arbitration and Mediation Center for the Americas Mediation and Arbitration Rules). Any judgment on the award rendered by the arbitrator(s) will be entered in the County of Oswego in the State of New York. Such arbitration shall be conducted by a single arbitrator. Each party shall be responsible for its own attorneys' and fiscal professionals' fees and costs and each party shall share equally in all costs of the arbitration proceeding.

Disputes must registered within 30 days of the date the dispute arose.

The sole remedy that can be awarded to the Participant in the event that an award is granted in arbitration is refund of the Program Fee paid by the Participant.

Module 1

Do you want to start investing in the stock market but have no clue where or how to start?

Do you want to understand the difference between a "put" and a "call"?

Do you want to know which brokerage service or firm is the best for your situation?

Do you want to know how to choose which stocks to purchase? When to buy and when to sell?

I hear these questions from a number of people often. Investing is one of those things you are told you "should" do, but no one really tells you how...

Let’s start at the beginning…

This mini course is designed to get you from complete overwhelm to making your first investment purchase. Since most people equate stocks with investing, this course focuses on purchasing your first share of stock. I have an investing intensive that goes much further down the rabbit hole and covers pretty much all investment types.

If that is you, welcome! You are in the right place. If not, please feel free to join us for a refresher or take this as an opportunity to share your knowledge and experience with others.

The private facebook group for this course is:
https://www.facebook.com/groups/EffortlessInvesting/

One quick note: I am based in the USA. While many of these terms and ideas can be applied worldwide, the specifics, including laws and regulations may be different. Please take the time to get the information that is specific to where you live before you get started.

And, as I say in the video, I welcome your feedback. I believe in learning and growing every day. If there is anything that really resonated with you, you found valuable, or that I could improve, please let me know.

Module 2

Invest in Your Long-Term Future (future you) 10%

Millionaires and billionaires recommend allocating 10% of your income to long-term investing. However, if this is not possible, start by allocating just $1 per week toward an investment account. You will still be further ahead than if you had done nothing.

This is the amount you are going to use in the future to obtain financial freedom. You want to invest these funds as follows: 10-20% high risk, 50-60% medium risk, 20-30% low risk. Invest based on your personal risk level. If you are a risk-taker, invest a little more in high risk investments. If you are risk-adverse, invest a little more in low risk investments. Risk tends to correlate with reward. The higher the risk, the higher the potential reward. But there is also a chance you could lose everything. This is why diversification is to important. You do not want to build up a fortune in high risk investments and then lose it all. By keeping a diversified portfolio you will protect your future while potentially benefiting from the potential rewards of high risk investments. Do not get greedy or swept up in the euphoria of a winning streak.

“Financial Freedom” means something different to everyone. But the general idea is that it is when you are not dependent on a specific revenue stream to finance your lifestyle.

Determining Your Risk Tolerance

Do you like to ride rollercoasters? Or do you prefer the merry-go-round? Investing is a bit like going to an amusement park. There are a lot of rides to choose from, but that does not mean you have to ride every one.

Ask yourself the following questions:

1. If you saw your balance rise from $1,000 to $1,500 then down to $200 and back up to $1,200, what would you think? What would you do?

2. If you saw your balance rise steadily from $1,000 to $1,486 over the course of 20 years, what would your thoughts be?

3. If you saw your balance rise fairly predictably from $0 to $6,000 then finish at $3,000 at the end of the year, would you be satisfied? What if you knew that every 10 years or so, the $30,000 net accumulation would be decreased by $10,000?

Really think about each one. Think of what “future you” would say in 20 years.

Here are some examples of what each investment could include:
#1 is the stock market: index funds, mutual funds, ETFs, .
#2 is an investment with a 2% APR. It could be a money market account, certificate of deposit or 401(K).
#3 is a rental property.

Module 3

What is the difference between an investment and a retirement account?

An investment is a tool that you can use to help you achieve your financial goals.

A retirement account is a type of investment used specifically to leverage your pre-tax income with the goal of withdrawing those funds during retirement. Since you did not pay tax on this income when you first earned it, you will pay taxes on the amount you withdraw each year once you are eligible to use it.

Employer-sponsored Retirement Accounts (moderate risk)

Employer-sponsored Retirement Accounts tend to offer an employer match. This means the employer will match the employee’s investment, whether dollar-for-dollar or some percentage of each dollar, up to a specified percentage of the employee’s income. The median match in the USA in 2019 was 3%. This means that the employer would match the employee’s contributions dollar-for-dollar up to 3% of the employee’s income. That means if the employee contributed 1%, the employer contributed 1%. If the employee contributed 5%, the employer contributed 3%.

When participating in an employer-sponsored retirement account, please keep in mind that most contributions are made pre-tax. This means you do not pay tax on the income used to fund the account. But you will pay taxes at whatever your tax rate is in the future when you start making withdrawals.

Also, keep in mind that once you contribute money to a retirement account the government can then tell you when you can start withdrawing the funds for retirement as well as when you have to start withdrawing funds. There are penalties and fees for not following the government’s requirements.

Most employer-sponsored accounts utilize funds, whether stock, bond, or hybrid. As a general rule of thumb, the more active a broker is in trying to beat the market, the higher the fees will be. And even fractions of a percent, compounded over time, can make a big difference in your final balance. Choose funds that have the lowest fees. The employer match can help your funds grow despite these fees.

Individual Retirement Account (risk depends on investments)

You will have a choice whether your IRA contributions are made pre or post tax. If you choose pre-tax you will not be taxed on whatever income you contribute to the account until you withdraw it years later. You will then be taxed at whatever the tax rate is at that time. If you choose post-tax you will pay tax on the contributions in the year you earn the money, but you will not have to pay taxes on it when you withdraw it.

You can invest your IRA funds in almost any investment you would like as long as you keep your IRA investments separate from your personal investments. This includes real estate. If you choose to invest your IRA in rental real estate, all expenses and revenue will be kept in the IRA account and you will not be able to use any of the profit from the rental unit(s) until you reach retirement age.

How To Choose What To Invest In

There is no "right" way to choose what you invest your money in. At the end of the day you will have to choose what feels right to you after doing your research and learning as much as you can.

Two very helpful questions to ask yourself are:

1. Do the values of the company align with my personal values?
2. If I snapped my fingers and this company disappeared tomorrow, would people miss it? (Motley Fool "snap" test)

Capital Gains

In the USA, you pay a capital gains tax on the net profit of an investment after it is sold. The capital gains tax is part of your annual income tax filing.

The profit from a sale will be considered a short-term capital gain if you have held the investment for less than one year.

The profit from a sale will be considered a long-term capital gain if you have held the investment for more than a year.

The long-term capital gains rate is lower than the short-term capital gains rate.

In other parts of the world, research if and how your profits will be taxed. You will definitely want to keep this information in mind as you make decisions about what to invest in and what to do with your investments.

Popular Types of Investments

Stocks (moderate to high risk)
Real Estate (moderate to high risk)
Certificates of Deposit (low risk)
Money Market Accounts (low risk)
Savings Accounts (low risk)
Corporate Bonds
Annuities (low risk)
Initial Purchase Offers and Initial Coin Offers (high risk)
Futures (high risk)
Insurance (low risk)
Exchange Traded Funds
Start Ups (high risk)
Angel Investor (high risk)
Venture Capitalist (high risk)
Mutual Funds (moderate risk)
Index Funds (moderate risk)
Cryptocurrency/Bitcoin (high risk)
Bonds (low risk)
e-commerce (moderate to high risk)
401K (moderate risk)
IRA (risk depends on investments)

Module 4

Investing in Stocks (moderate to high risk)

When you buy a share of stock you are buying a share of a publicly traded company and you become a partial owner of that company. Stocks will increase or decrease in value based on the success or failure of the company- or even the perceived success or failure.

Buying and selling stocks is never without risk. There are some stocks that are considered inherently more risky than others. Generally, the greater the risk, the greater the potential reward. However, you will have many more “failures” than “successes”, which can still pay off handsomely if you get lucky.

The general recommendation when it comes to stocks is to have a set amount to invest monthly and do not try to beat the market. Purchase consistently and keep a diversified portfolio. If you see one stock making up too large a percentage of your portfolio, sell some of it, even if it is doing well.

You will pay a fee each time you purchase or sell stocks, so quick turnarounds are not advisable. Also, if you sell a stock and purchase a “like kind” within a certain period of time, the IRS will treat it as if you never sold. This can affect your capital gains tax in addition to the fees paid to buy and sell.

Types of Stock

There are different types of stock. All publicly-traded companies issue common stock. Some companies will also issue preferred stock, which has less risk, but also provides less potential for total return.

Common stock holders may see their shares increase or decrease without limit, and dividends are not guaranteed.

Preferred stock guarantees a fixed dividend. Because of this the stock price does not fluctuate as much as the price for common stock.

If the company fails, obligations to preferred stock holders must be met before any obligations to common stock holders.

Stock Splits and Reverse Splits

Stocks may be split if the price gets very high. And they may go through a reverse split if the price goes very low. Either way, your total investment in the company will remain the same, although the number of shares and the value of each share will change.

Large Cap, Mid Cap, and Small Cap Companies

This refers to the total assets of a company. Small Cap companies are under $2 billion. Mid Cap are $2-10 billion. And, Large Cap are over $10 billion.

The general rule of thumb is that the larger the company, the less vulnerable it is to the ups and downs of the economy. That said, no company is completely invulnerable.

Module 5

Financial Advisor versus Financial Planner versus Do-It-Yourself

A financial advisor is anyone who helps clients manage their money. Advisors may specialize in specific industries or to certain income levels. Advisors who help manage investments or buy and sell stocks must be licensed.

A financial planner is one type of financial advisor, specializing in creating a comprehensive plan to help clients achieve long-term goals. Financial planners are often certified to prove they have the required education and experience to work in the client's best interests.

Financial advisors and planners may charge you based on an hourly rate, commissions, or a fee based on the value of the assets in your portfolio.

You can do this yourself, but make sure you do your due diligence and fully educate yourself. At the end of the day, regardless of which option you choose, you are the person who cares the most how your investments do.

How to Choose a Brokerage Firm

There are no shortage of brokerage firms available and there are brokers who specialize in almost every type of investor. Googling "how to choose a stock broker" will give you a lot of options, including the "best" brokers for beginners, education, experience, ease of use, etc.

Some brokers charge a per trade fee. The most common fee for US brokers is $6.95 per trade. This fee is the same whether you trade one share or a thousand.

Some brokers do not charge a per trade fee, but make interest off of the cash you keep in your holding account on their site.

Others charge a monthly fee, which may seem like a great deal if you have a large balance and make frequent trades, but can often end up being very expensive if you do not check the math.

Some brokers have account minimums and/or a minimum initial investment.
There may be a fee for closing out an account, as well as inactivity, trading platform subscriptions, research, data, and annual fees. It is better to know these fees before opening the account.

Some brokers will offer promotions for opening new accounts. Once again, include the promotion as just part of the equation when choosing your broker.

Buy, sell, or hold

How do you decide whether to buy, sell, or hold a stock?

We already discussed buying above.

Generally speaking, you want to hold on to your investments unless you believe the company is not going to survive. All companies go through ups and downs. Most companies that have been in business for a while- especially those that are currently in the Large Cap category- are well-positioned to continue well into the future. Of course, you also hear of companies that have been giants in their industries being bankrupted by smaller, upstart companies because they did not change fast enough for what consumers now demand.

If you truly believe a company you have invested in is not going to survive, you may want to sell it. There is no guarantee about what will happen. All signs may point to a company's demise only to see it come back from the brink of extinction. Or, a company you thought would last forever can slowly wither over time.

While there are some indicators and calculations you can do to try to foresee the future, there are no options that are 100% reliable.

How Often To Invest?

You can set up your direct deposit paycheck or primary checking account to allocate a set percentage or dollar amount of your income to a dedicated investment account weekly, biweekly, or monthly.

What is most important is that you consistently invest in whichever investment type you feel most comfortable with. Thanks to the "8th Wonder of the World"- compounding- even small investments, if done consistently over time, can yield large results.

Module 6

If you decide to open an account with an online brokerage firm, follow the sign up steps on the brokerage firm's website. They will ask for your basic personal information- name, address, date of birth, social security number, etc.

If you have any questions as you go through the process, please contact the brokerage firm. Every firm's website and process are slightly different.

Once you set up your account you will be ready to transfer funds into your holding account and start buying stocks.

You have two choices when buying stocks. You can either process the transaction immediately at whatever the current price is (and prices are continuously changing) or you can set a maximum price. If you choose a maximum price you will also choose a set number of days for the purchase offer to be kept open. For example, if the stock you want is currently selling at $1.00 per share and you believe it will go down in price in the near future you could place a call order for $0.95 within 60 days. This means if the share price falls below $0.95 within the next 60 days, the firm will make the purchase on your behalf. You will be notified that the purchase was made. If the price does not go below $0.95 during the next 60 days the offer will be cancelled. You can decide whether to re-offer or you could cancel the call offer at any time during the 60 days if you change your mind.

You have these same two options when selling stocks. You can sell at the current price or you can place a put offer for the minimum price you are willing to sell at.

The "set it and forget it" option of puts and calls makes them very popular among beginner investors, or anyone who does not want to spend a lot of time watching stock prices.

Stock Market Offerings

Mutual Funds (moderate risk)

Mutual funds are bought and sold based on the net asset value of the underlying securities. The price is determined at the end of each trading day, as opposed to fluctuating throughout the day like stocks or ETFs.

Mutual funds are an easy way to diversify your portfolio because the fund can include hundreds of companies.

The particular investments included in a fund depend on it objectives. You can find mutual funds for small cap, mid cap, large cap, bonds, hybrid, balanced, growth, value, equity, socially responsible, sector, international, global, target-date, money market funds, and others.

Actively managed funds will have higher fees than passively managed funds. The basic fees for a fund will be included in the fund's prospectus. This document will also list the investment strategy, risk profile, history, management, and other pertinent information. It is highly recommended you read the prospectus before investing in mutual funds.

Index Funds (moderate risk)

Index funds are a type of mutual fund that match a particular market index. One of the most popular is the S&P 500. This most closely follows the US stock market.

Exchange Traded Funds

ETFs combine aspects of mutual funds and conventional stocks. Like a mutual fund, an ETF is a pooled investment fund. But, ETF shares trade like stocks.

Most ETFs are designed to passively track a particular market index and aim to achieve the same return as the index they track. There is recent emergence of actively managed ETFs, were the portfolio manager buys and sells stocks in accordance with a specific investment strategy.

ETFs are considered easier to trade than mutual or index funds. Additionally, investors can buy and sell ETFs in smaller quantities.

Bonds (low risk)

A bond is a loan an investor makes to an entity. This could be private, public, governmental. In exchange, interest on the loan is repaid over a specific amount of time with a specific payment, and the principal is paid on the bond's maturity date.

You can buy individual bonds or bond mutual funds.

The biggest risk to individual bonds is when you choose to sell the bond before it matures.

Bond mutual funds prices fluctuate, just as stock index funds will.

Risk depends on the type of bond, although they tend to be low risk, as far as investment options go.

Stock market translations:

Ask – The price that a seller is willing to take for a share of stock; how much it will cost you to buy stock

Bear Market – A period of declining stock value, usually accompanied by investor pessimism.

Block Trade – Buying or selling a large amount of shares; the minimum is 10,000 shares but most block trades are much larger

Blue Chip – An established company with a national or international reputation for stability, profitability, and value

Bull Market – A period of rising stock value, usually accompanied by investor optimism.

Bid – The price that a buyer is willing to pay; how much you will make when you sell

Call – Gives the purchaser the right to buy a stock at a specified price by a specified date

Close – The price of the stock at the end of the trading day

Dividend – A payment made out of the company's profits to its shareholders

Dow Jones Industrial Average – The leading stock market index in the U.S.; averages the value of 30 component stocks (blue chip stocks)

Earnings Per Share (EPS) – The company's profit divided by the average number of outstanding shares, or shares currently in the market; gives you an idea of the stock's value

Fill Or Kill (FOK) – When you want all of your order filled immediately or none at all; for example, if you want to buy 100 shares at $10, a FOK order means you want all 100 shares at that price or none at all

Good 'Til Cancelled (GTC) – When your order is valid until you cancel it; placing an order to buy 100 shares at $10 GTC means that is a standing order until you tell the system to kill it

Hedge – Limiting your losses or reducing risk by placing orders to cover two or more possible events in the market

Initial Public Offering (IPO) – The first time a company's stock is available to the public on an exchange

Limit Order – When you want to buy or sell a stock at a specific price or better

Liquidity – Being able to sell or buy shares in a stock without the transaction seriously affecting the stock's price; also refers to how easy it is to buy or sell shares

Margin – Borrowing money to trade for more than what you have in your account

Margin Call – When the amount of money you have in your margin account falls below the broker's minimum margin requirement, or the lowest amount you must have in your account

Market Capitalization – One measure of a company's worth; the price of a share multiplied by the number of shares currently in the market

Market Order – When you want to buy or sell a stock at its current price

Moving Average – The average of a stock's price over a period of time, adjusted daily; gives you an idea of a stock's trend

Put – Gives the seller the right to sell a stock at a specified price by a specified date

Quote – The bid, ask, and last price for a stock at a given point during the trading day

Short Sale – When a trader borrows shares from a brokerage, sells them, then buys them back when the stock is cheaper, returning them to the broker and pocketing the difference (the profit); used when you think a stock's price is going to decrease.

Spread – The difference between the bid and ask price

Stop Order – When you want to buy or sell a stock after it reaches a certain price; at that time, the order turns into a market order. Used often to limit losses or to protect profits (also known as a stop-loss order)

Uptick – When a stock's price rises

Volatility – How much a stock's price rises or falls over a period of time; a highly-volatile stock will have its price go up and down drastically over a period of time, while a stable stock has low volatility

Volume – The amount of shares being traded at a given point in time; this gives you an idea of how much interest there is in the stock

Yield – The percentage of a stock's price that is paid out in a dividend

Jennifer A Harter is a Financial Educator with a BS/MBA in Accounting and a background primarily in the not-for-profit and small business sectors. After seeing firsthand the true cost of financial stress on both the employee and employer, she decided to provide individuals with the tools and knowledge they need to become financially empowered so they can make better fiscal choices, break free from the stress and uncertainty of living paycheck-to-paycheck, become debt-free, have hope for the future, and maybe even become financially free. She uses her 30+ years of experience, including her own experience as a young single mother who found herself $30,000 in debt after her divorce with a $12,000 annual salary, to help people achieve their dreams and goals without sacrificing their current happiness.

Her financial literacy program can be found at https://howtobeamoneymaster.com
and she is active in her free facebook community:
https://www.facebook.com/groups/HowToBeAMoneyMaster