

Course of Study for Beginning Investors

WHY INVEST IN STOCKS?



Diane Amendt

DIRECTOR
BETTERINVESTING
VOLUNTEER ADVISORY BOARD



Gretchen Hurt

PRESIDENT
BETTERINVESTING
VOLUNTEER ADVISORY BOARD
HEARTLAND CHAPTER

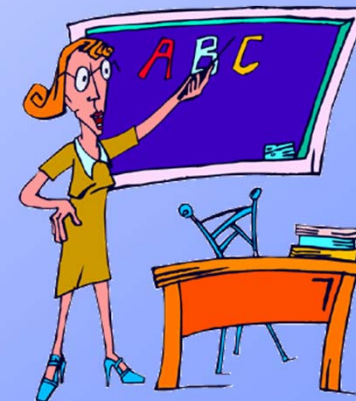
January 30, 2012

Course of Study for Beginning Investors

Disclaimer:

All stock references are meant to be used for educational purposes. No recommendation for purchase or sale is intended or implied.

This presentation is being recorded for future use!



Course of Study for Beginning Investors

Goals for Tonight's Class



- Understand the importance of making financial goals and plans.

Course of Study for Beginning Investors

Tonight's Goals...

- Become familiar with the concept of compounding



Course of Study for Beginning Investors

Our Goals (cont.)...



- Understand why a long-term view of investing minimizes risk

Course of Study for Beginning Investors

Our Final Goal...

- Understand why BetterInvesting is the preferred tool for investors



Course of Study for Beginning Investors

FINANCIAL FREEDOM

- What does it mean?
- Some examples
 - Travel anywhere, **anytime**
 - Help the grandkids
 - Eat steak and sip good martinis
 - Not worry about emergencies



Course of Study for Beginning Investors

WANTS AND NEEDS

- Travel
- Dining out
- New car every three years
- Charitable contributions
- Plastic surgery
- Gasoline
- Health insurance
- Pay bills on time
- Property insurance
- Prescription drugs
- Food



Course of Study for Beginning Investors

HOW WILL YOU REACH YOUR GOALS?

- Fully fund your 401K
- Move to Jamaica
- Create and fund an IRA
- Win the Powerball lottery
- Invest small sums regularly in stocks
- Stuff \$100 in your mattress every payday
- Marry a wealthy widow(er)
- Buy US Savings Bonds
- Buy a bigger house
- Expand a collection



Course of Study for Beginning Investors

ARE YOU IN CONTROL?

- Lottery
- IRA
- 401K
- Inheritance
- Passbook Savings Account
- Savings/Corporate/Municipal Bonds
- Stock Portfolio



Course of Study for Beginning Investors

DO YOU HAVE A PLAN?

- An Oil Well
- A Budget
- Collectibles
- A Pension
- The Winning Numbers
- A Rich Uncle
- Social Security
- Gold



Course of Study for Beginning Investors

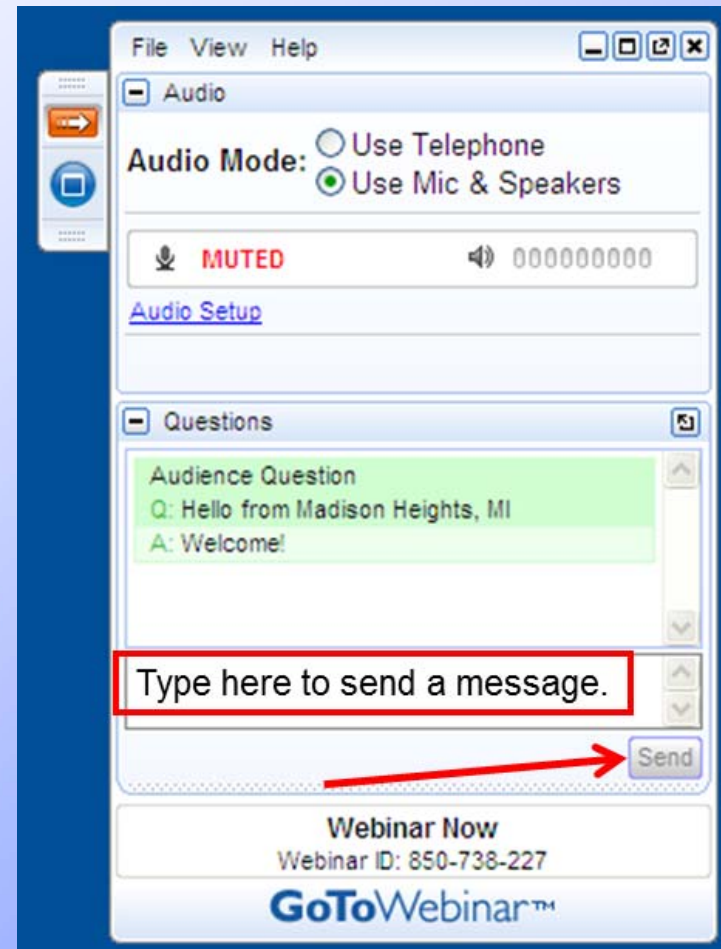
WHATEVER YOUR
PLAN, PAY
YOURSELF FIRST!



*INVEST IN YOUR
FUTURE!*

Course of Study for Beginning Investors

Let's pause
for some
questions!



Course of Study for Beginning Investors

Which would you take?

A million dollars or one cent doubled
each day for 30 days?



Course of Study for Beginning Investors

COMPOUNDING



Day 1 \$.01

Day 2 \$.02

Day 3 \$.04

Day 4 \$.08

Day 5 \$.16

Continue this pattern
for 30 days.....

Course of Study for Beginning Investors

.....	Day 29	\$2,684,355
	Day 30	\$5,368,709



What was the growth rate?

100% compounded daily

What kind of growth might be reasonable?

How about doubling your money in five years?

Course of Study for Beginning Investors

Fifteen percent yearly growth over five years doubles your money!

Take your calculators and start with \$100.

Multiply by 1.15 to see the value after one year at 15% annual compounded growth.

Do this four more times to see the value at the end of five years!

Course of Study for Beginning Investors

$\$100 \times 1.15 = \115 at end of Year 1

$\$115 \times 1.15 = \132 at end of Year 2

$\$132 \times 1.15 = \152 at end of Year 3

$\$152 \times 1.15 = \175 at end of Year 4

$\$175 \times 1.15 = \201 at end of Year 5

HERE ARE THE NUMBERS!

Is there a quick way to determine how long it takes to double your money?

Course of Study for Beginning Investors

RULE OF 72

Divide 72 by the growth rate you desire. The answer is close to the time it will take to double your money.



72 divided by 15% gives you 4.8 years

72 divided by 12% gives you 6 years

Course of Study for Beginning Investors

LET'S CHECK . . .

$\$100 \times 1.12 = \112 at end of Year 1

$\$112 \times 1.12 = \125 at end of Year 2

$\$125 \times 1.12 = \140 at end of Year 3

$\$140 \times 1.12 = \157 at end of Year 4

$\$157 \times 1.12 = \176 at end of Year 5

$\$176 \times 1.12 = \197 at end of Year 6

AWESOME!

Course of Study for Beginning Investors



So ... How long will it take to **double** your money at 11%?

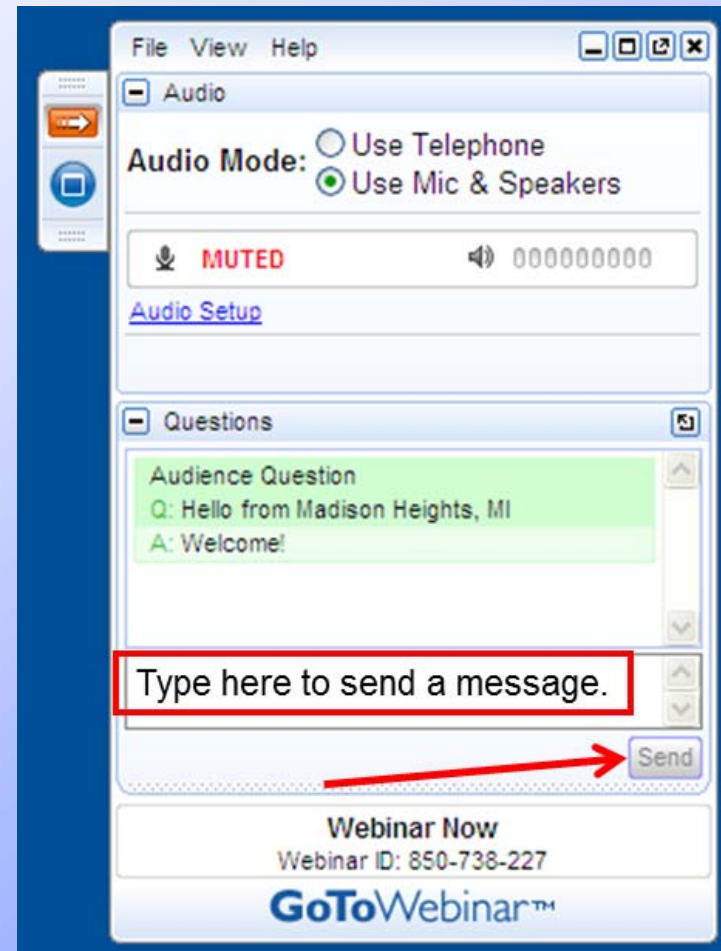
Did you get about 6.5 years?

($72/11 = 6.5454\dots$)

AWESOME!

Course of Study for Beginning Investors

Let's pause
for some
questions!



Course of Study for Beginning Investors

WHAT GENERATES THE BEST RETURNS?

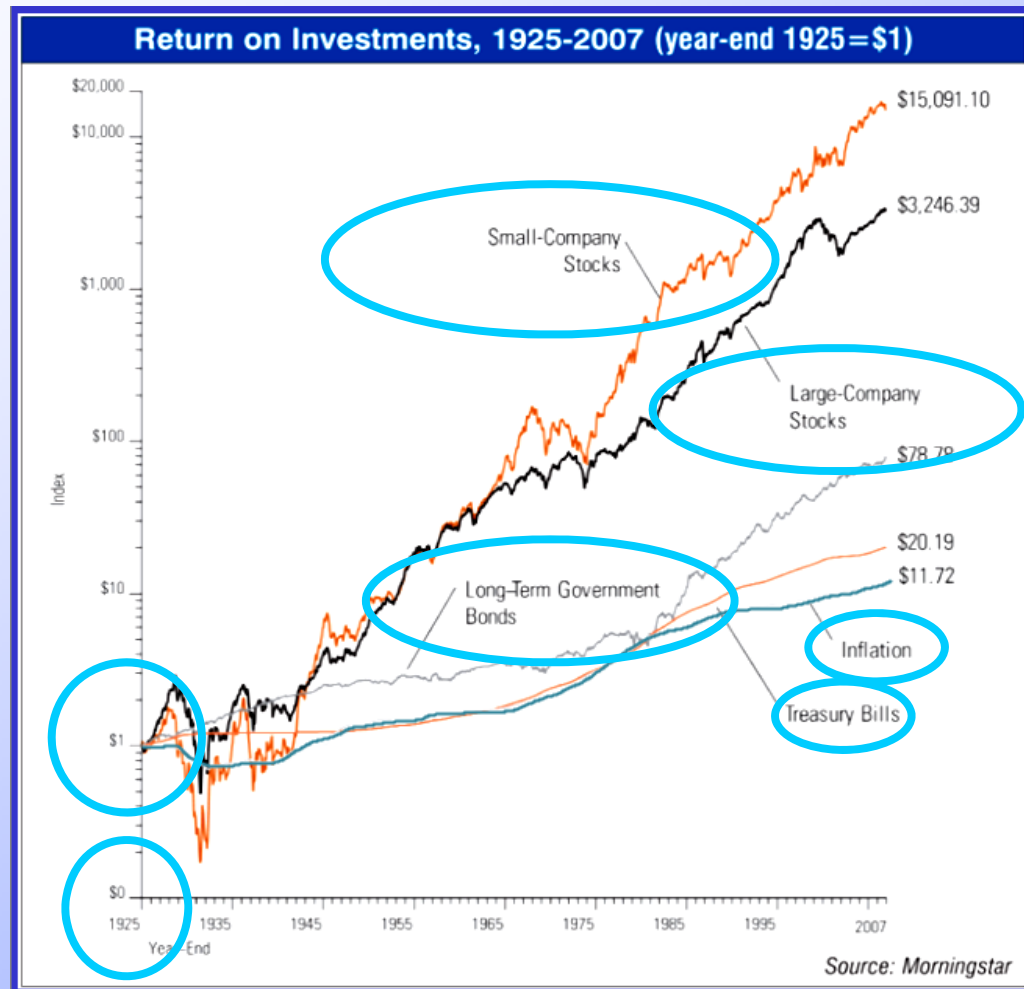
- Passbook Savings
- Savings Bonds
- Common Stocks
- Real Estate
- Gold
- Collectibles



Course of Study for Beginning Investors

Here's how some of the financial asset classes stack up.

All asset classes begin in 1925 with a value of \$1.00.

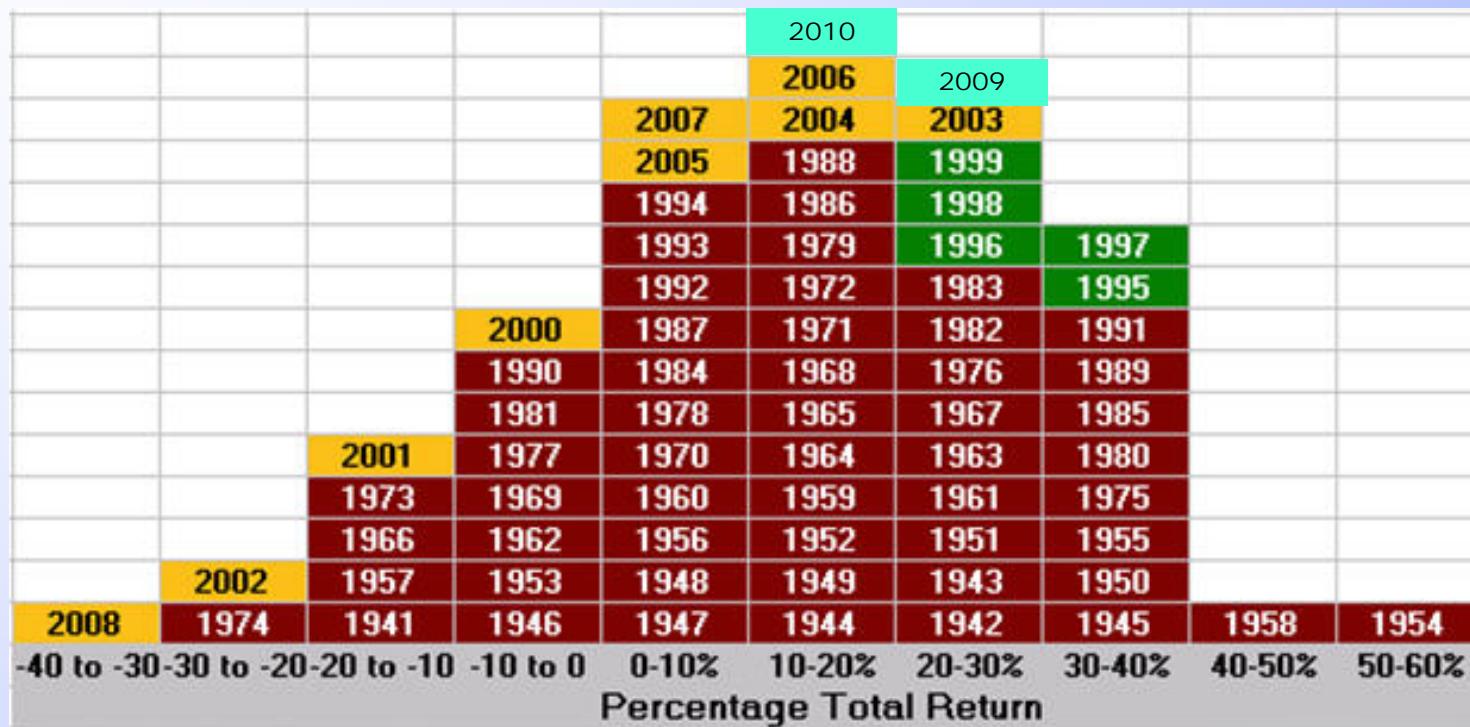


Course of Study for Beginning Investors

If common stock is the best investment over the long term, what is the potential risk?

Course of Study for Beginning Investors

Yearly Returns (S&P 500) Since 1941



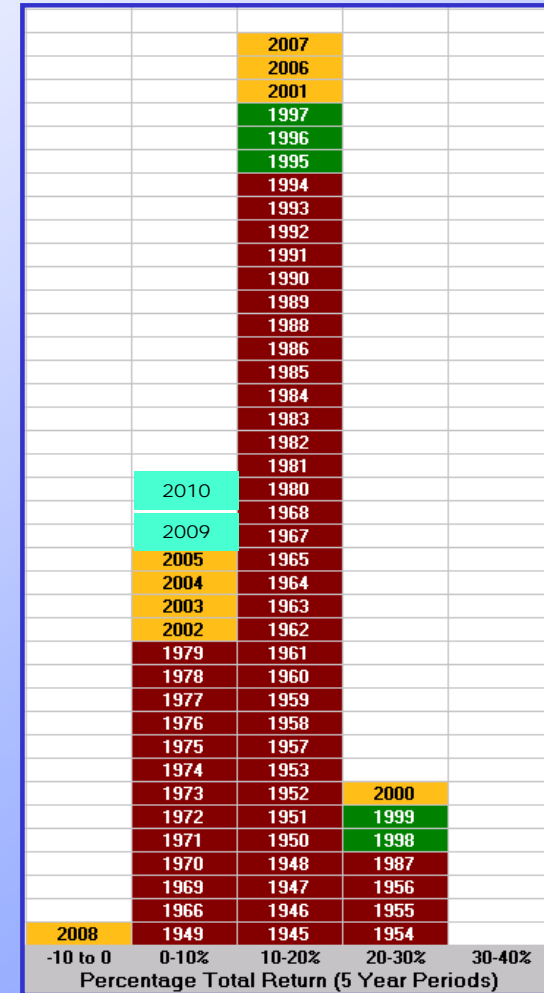
Course of Study for Beginning Investors

Five-year Blocks of Time

Since 1945, the majority of 5-year annualized returns have been between 0% and 20%.

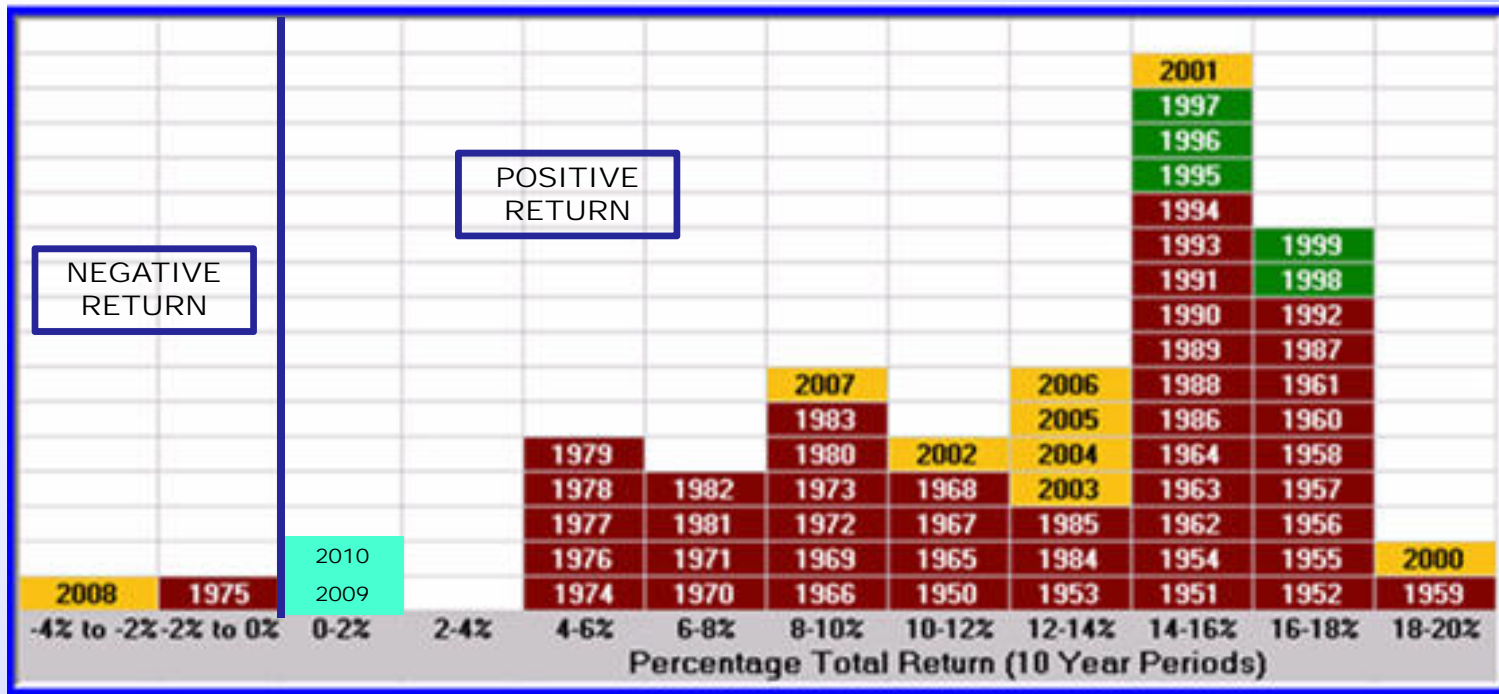
The 5-year returns for the years ending 2002-2005 and 2008-2010 have been "historically unusual." So was 2000!

History suggests that we can expect better from a long-term perspective.



Course of Study for Beginning Investors

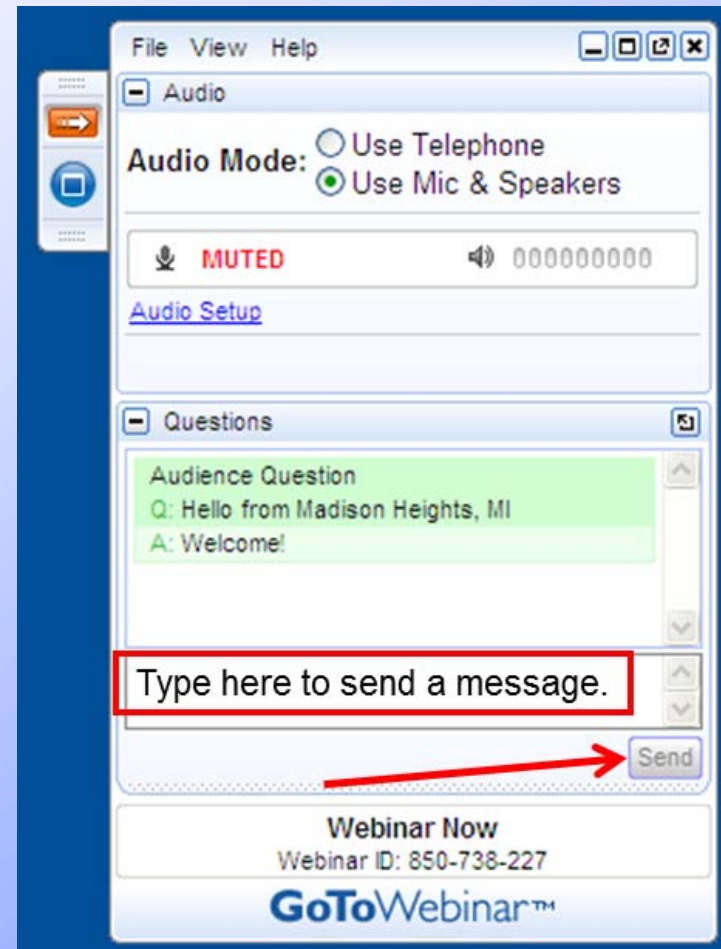
10-Year Blocks of Time



There are only two negative numbers on this chart!

Course of Study for Beginning Investors

Let's pause
for some
questions!



Course of Study for Beginning Investors

CONVINCED?

If stocks show the best return over time, then becoming an **INVESTOR** is key to your financial freedom.

What kind of **INVESTOR** will you become?

Course of Study for Beginning Investors

INVESTING STYLES

- STYLES
 - Technical
 - Fundamental
 - Speculative

People make money using all of these styles!

Course of Study for Beginning Investors

INVESTING STYLES

- ORIENTATION
 - Value
 - Income
 - Growth

People make money using all of these orientations!

Course of Study for Beginning Investors

KEYS TO SUCCESS

- Pick a style and an orientation
- Learn the discipline
- Practice
- Practice
- Practice
- Maintain the discipline
- Do not jump from style to style to style



Course of Study for Beginning Investors

BetterInvesting

- 60+ years educating investors
- Fundamental Investing with an eye on Growth and Value
- Goal oriented
 - Aim to double your money every five years



Course of Study for Beginning Investors

BetterInvesting Method

- Sleep-at-Night Investing
- Long-term
 - Generally, aim to hold a stock at least five years or as long as it's a good investment
- Conservative
 - Purchase companies with consistent history of growth and quality



Course of Study for Beginning Investors

PRINCIPLES OF BETTERINVESTING

- INVEST REGULARLY
- REINVEST ALL EARNINGS
- DIVERSIFY
- INVEST IN QUALITY GROWTH COMPANIES

Course of Study for Beginning Investors

BetterInvesting

- The BetterInvesting Stock Selection Guide (SSG) is our key to evaluating and purchasing stocks
 - Provides a method to evaluate the quality of a stock
 - Uses your judgment to determine whether the stock is a BUY at today's price
 - Calculates potential compounded annual return for next five years

Course of Study for Beginning Investors

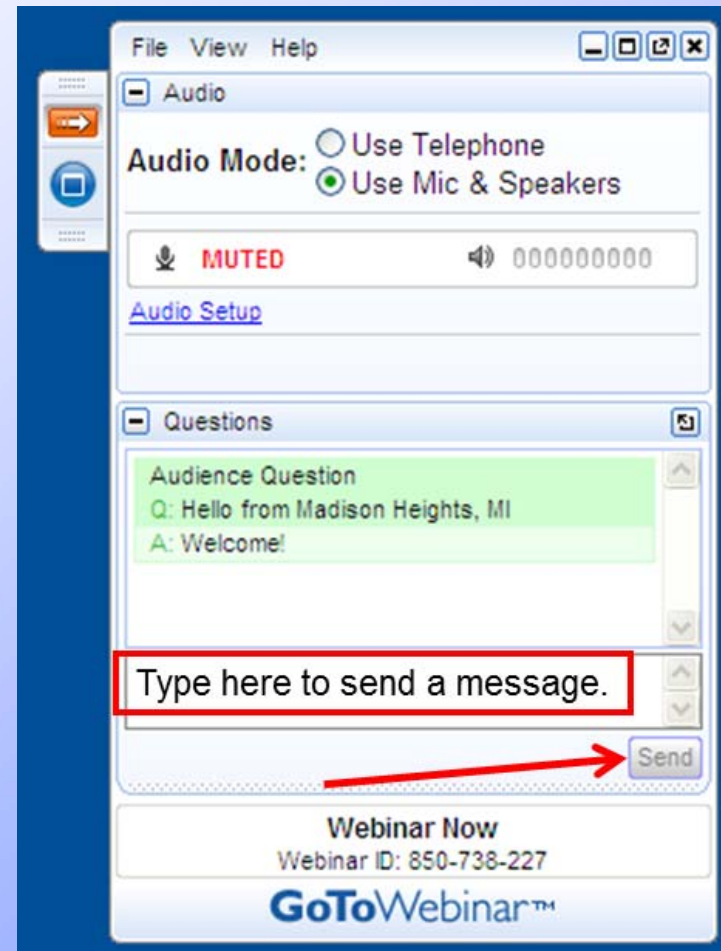
BetterInvesting believes in investment clubs:

- Meet and invest together on a regular basis
- Share the responsibility for stock studies
- Provide support and education for investors at all levels of experience



Course of Study for Beginning Investors

Let's pause
for some
questions!



Course of Study for Beginning Investors

LEARN MORE

- WWW.BETTERINVESTING.ORG/OPENHOUSE
- CHAPTER CLASSES
- ONLINE STOCK STUDIES (members only)
- ONLINE TOOLS
 - free trial: tools.betterinvesting.org/stockanalysis
- ONLINE CLASSES (WEBINARS)
- NATIONAL AND REGIONAL INVESTOR CONFERENCES

Course of Study for Beginning Investors

Future Webinars

- Understanding the Jargon (FREE)
 - Monday, February 6, 2012, 8:30 PM to 10:00 PM ET
- Introduction to the Stock Selection Guide
 - 5 sessions on Mondays from 8:30 PM to 10:00 PM ET
 - Selecting the Best Companies (2/13/12)
 - Determining a Fair Price (2/27/12)
 - Estimating Future Growth (3/12/12)
 - Estimating Future P/Es (3/26/12)
 - Interactive Wrap-Up Session (4/19/12)
 - Total Series Cost: \$40 Members; \$60 Non-Members
 - Recordings will be available
 - SIGN UP NOW AT BETTERINVESTING.ORG/IntroSSG

Course of Study for Beginning Investors

gahurt@mchsi.com

dianeamendt@flash.net

