



Course of Study for Beginning Investors

WHY INVEST IN STOCKS?




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Goals for Tonight's Class



- Understand the importance of making financial goals and plans.

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Tonight's Goals...

- Become familiar with the concept of compounding



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Our Goals (cont.)...



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

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Our Final Goal...

- Understand why BetterInvesting is the preferred tool for investors





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FINANCIAL FREEDOM

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





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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



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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



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ARE YOU IN CONTROL?

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



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DO YOU HAVE A PLAN?

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



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WHATEVER YOUR PLAN, PAY YOURSELF FIRST!

INVEST IN YOUR FUTURE!



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Let's pause for some questions!





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Which would you take?

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




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COMPOUNDING



Day 1	\$.01
Day 2	\$.02
Day 3	\$.04
Day 4	\$.08
Day 5	\$.16


Continue this pattern for 30 days.....

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..... 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?

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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!

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

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

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

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

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

HERE ARE THE NUMBERS!

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

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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

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LET'S CHECK . . .

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

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

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

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

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

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


AWESOME!

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

Did you get about 6.5 years?
($72/11 = 6.5454...$)
AWESOME!

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Let's pause for some questions!





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WHAT GENERATES THE BEST RETURNS?

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



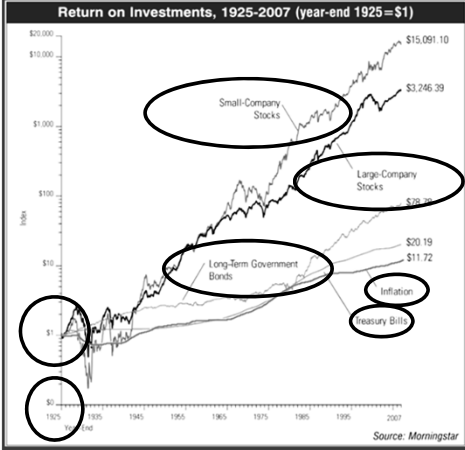
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Here's how some of the financial asset classes stack up.


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



Asset Class	Value in 2007
Small-Company Stocks	\$15,091.10
Large-Company Stocks	\$3,246.39
Long-Term Government Bonds	\$20.19
Inflation	\$11.72
Treasury Bills	\$1.00

Source: Morningstar

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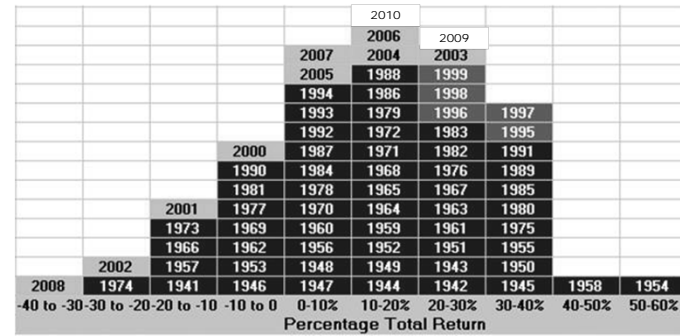
If common stock is the best investment over the long term, what is the potential risk?

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Yearly Returns (S&P 500) Since 1941



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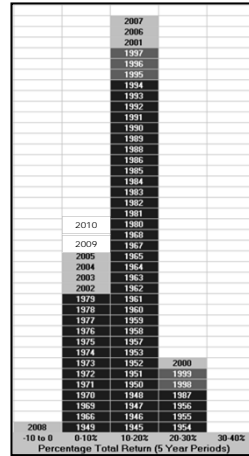
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Five-year Blocks of Time

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.

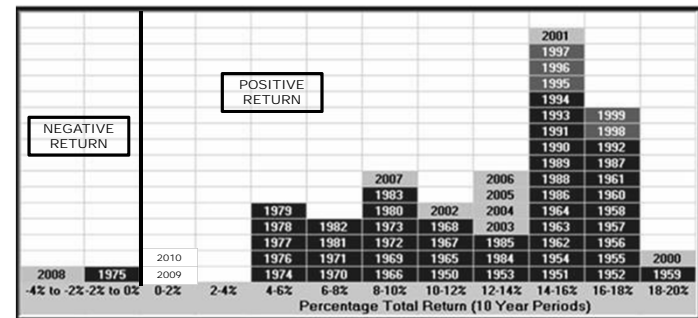


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10-Year Blocks of Time




There are only two negative numbers on this chart!

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**Let's pause
for some
questions!**



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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?

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INVESTING STYLES

- **STYLES**
 - Technical
 - Fundamental
 - Speculative

People make money using all of these styles!

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INVESTING STYLES

- **ORIENTATION**
 - Value
 - Income
 - Growth

People make money using all of these orientations!

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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



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BetterInvesting

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



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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



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PRINCIPLES OF BETTERINVESTING

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


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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

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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

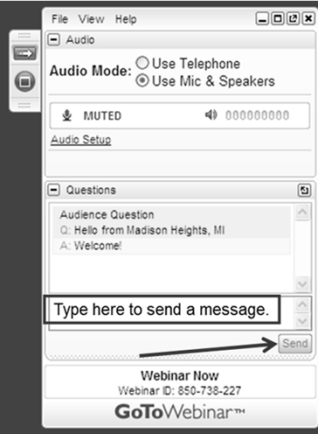



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Let's pause for some questions!



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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

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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

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