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BETTERINVESTING™
Silicon Valley Chapter

Evergreen Community College – September 24, 2026

Getting Started as a Young Investor



Presented by



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Agenda

- **Personal Finances and You – Know Your Financial Self**
- **Goals, Strategies & Compound Returns**
- **Basic Types of Financial Investments**
- **Free, Impartial Education & Research Resources**
- **Wrap Up**
- **Questions**

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PERSONAL FINANCES AND YOU

- You can start your financial education at any age although you must be 18 years old or older to invest on your own.
- It's important to know your financial self.
- There is something to learn at any age.

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Where are you on your Financial Journey?

If you aren't on your own yet or are just starting your journey:

Think in terms of matching your spending with your means.

Establish a habit of controlling your spending.

Think about your goals for saving and investing.

Learn which strategies match which goals.

Learn about basic financial concepts like compounding.

If you are on your own:

Review the goals above.

Develop a financial plan.

Control credit card debt.

As you can, implement your savings and investing goals.

Take advantage of IRAs and employers' 401Ks.

Continue your lifelong financial education.

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Know Your Financial Self– Now and in the Future

➤ **Current**

Knowledge: How do you rate your financial literacy? Beginner? Farther along?

➤ **Emotions:** Are you impulsive with money and spending?

Would you lose sleep if/when you lost invested money?

Are you math phobic? Don't be. The basics are not complicated.

Do you expect quick success? Building a financial foundation takes time.

➤ **Enjoyment:** Would you enjoy learning about different kinds of businesses and how they make money?

Would you enjoy managing your own investments or prefer to hire an advisor to do that?

➤ **Time:** Do you have time to learn about investing? It will be a bit slow at first.

If you start investing, will you have time to monitor your investments at least quarterly?

EMOTIONS are probably the biggest concern, including some most of us aren't aware of.

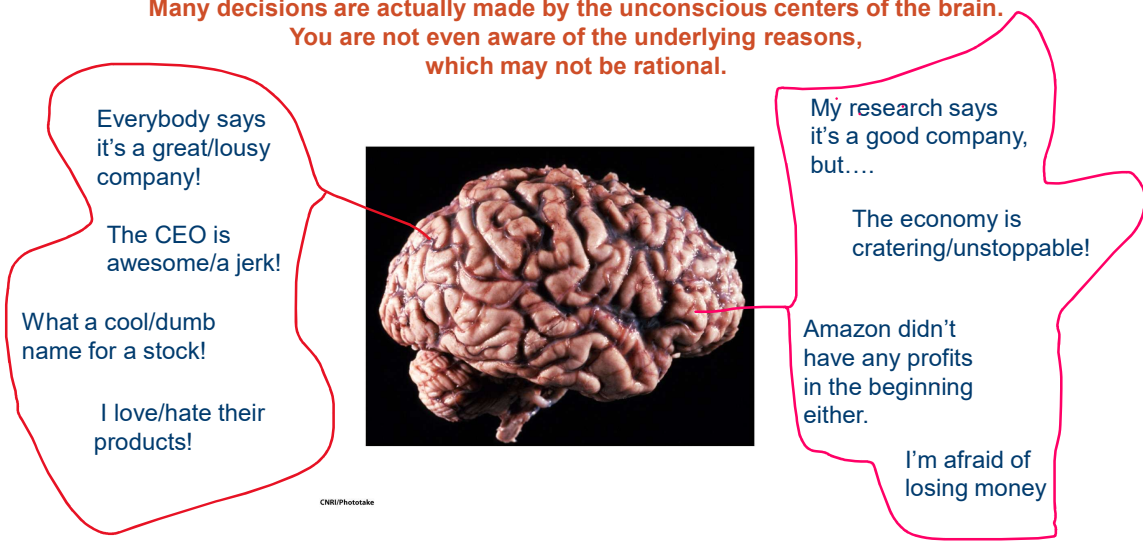
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Emotions? What Emotions?

Many decisions are actually made by the unconscious centers of the brain.
You are not even aware of the underlying reasons,
which may not be rational.



Everybody says
it's a great/lousy
company!

The CEO is
awesome/a jerk!

What a cool/dumb
name for a stock!

I love/hate their
products!

My research says
it's a good company,
but....

The economy is
cratering/unstoppable!

Amazon didn't
have any profits
in the beginning
either.

I'm afraid of
losing money

CNRI/Phototake

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Behavioral Economics

- Humans did not evolve with today's investing choices and markets
- Our brains do not always make rational decisions regarding investing.
- If you know about brain shortcuts that may hinder your actions, you may avoid them.
- Realize that everyone makes mistakes.
- Learn from your mistakes --- Or better yet...
- Read and learn from the mistakes of others.

[A good read on this subject](#)
The Behavior Gap – Simple Ways to Stop Doing Dumb Things with Money by Carol Richards

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A Financial Plan Whether you're on your own or not



- Review your expenses/spending
 - ✓ Essential vs non-essential items?
 - ✓ Excessive or impulsive spending?
- Compare expenses/spending to your income/means
- Create a Budget to get them in balance

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Plug Spending Leaks



- **What is a spending leak?**
 - Seemingly small amounts of money, spent on nonessentials, that add up over time
- **Examples of spending leaks**
 - Soda, coffee, drinks, take-out meals, shopping sprees, habits such as cigarettes
- **Wants vs. needs**
 - Deciding whether you want it or really need it helps with spending leaks

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Plug Spending Leaks



Resist!

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Control Credit Card Debt

- Keep only one or two cards
- Don't charge big ticket items
- Pay off each month
- Shop for best deal
- Leave cards at home
- Use cash
- Make lists



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Credit cards can be seductive
The monthly and annual costs can be oppressive

Credit Card Balance	Annual Interest Rate	Annual Cost Of not Paying off Balance
\$100	25%	\$25
\$500	25%	\$125
\$1,000	25%	\$250
\$2,500	25%	\$625
\$5,000	25%	\$1,250
\$10,000	25%	\$2,500

Minimum payments don't reduce large balances by much.

Late payments can be more than minimum payments.

Late payments add to your unpaid balance.

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DEBT

- Try these steps:**
 - Prioritize
 - Pay at least the minimum
 - Eliminate debts with highest interest rates
- Consider debt consolidation**
 - www.consumerfinance.gov
 - www.nfcc.org
 - www.afcp.org



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Pay Yourself First Build Your Emergency Fund

Build a Financial Safety Net for emergencies

- Loss of Job
- Medical Emergency
- Car repair
- Household repairs
- Family Emergency



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GOALS, STRATEGIES

Saving versus Investing
Short-Term versus Long-Term
Single versus Compound Return

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SAVING versus INVESTING Strategies

We all need both

Saving	Investing
<u>Short term goals 1-5 years</u>	<u>Long term goals 5+ years</u>
• Don't risk losing money • Insured bank account • Insured CDs (certificates of deposit) • US Treasury Bills • Little to no compounding	• Weigh potential risks and gains carefully • Stocks • Mutual funds or ETFs • Bonds • Other • Take advantage of compounding • Never invest if you cannot fund your basic needs (food, rent, etc.)

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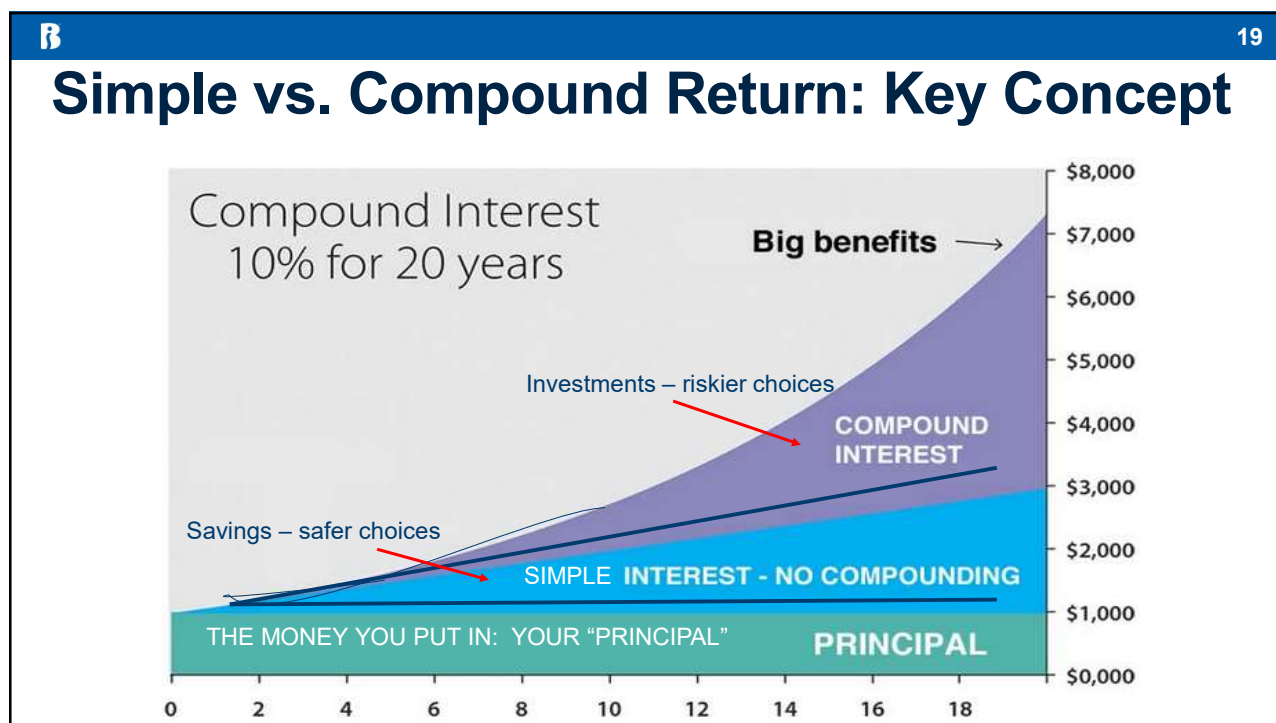
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Short-Term versus Long-Term Goals

Match Strategies (previous slide) to Goals

Short-Term: Save	Long-Term: Invest
• Holiday/graduation/wedding gifts/expenses • Vacation • Car • Emergency fund • Bridge between dips in seasonal or irregular income • Down payment on home	• Maintain purchasing power • Kids' college fund • Retirement • Expensive hobbies • Others

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Simple Annual Return vs. Compound Annual Return (CAR)

Simple Annual Return \$1,000 invested for 20 years @10%	Compound Annual Return (CAR) \$1,000 invested for 20 years @10%
Your principal (\$1,000) does not grow. Every year you earn 10% of \$1,000, or \$100. In year 1, you earn 10% of \$1,000 = 100 earned In year 2, you earn 10% of \$1,000 = 100 earned In year 3, you earn 10% of \$1,000 = 100 earned In year 4, you earn 10% of \$1,000 = 100 earned 20 years x \$100/year = \$2,000 1,000 Your principal (investment) +2,000 earned at 10% simple rate =3,000 at end of year 20 Simple rate strategies OK for safe, short-term saving. You probably will get 1-3% per year, not 10%.	Your principal (\$1,000) does not grow, but every year, your earnings are added to it before the rate of return (10%) is applied In year 1, you earn 10% of \$1,000 = 100 earned In year 2, you earn 10% of \$1,100 = 110 In year 3, you earn 10% of \$1,210 = 121 In year 4, you earn 10% of \$1,331 = 133 Etc. Over 20 years, compounding makes a huge difference. 1,000 Your original principal +6,000 earned at 10% compound rate =7,000 at end of year 20 CAR better for long-term investing, which involves risk. 10%+ CAR is possible.

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Inflation Eats Into Your Savings & Investments Over Time Stocks, while risky, have done the best job of beating inflation.



- Over most time periods, stocks have compounded a lot more than gold and US bonds.
- Today, it takes almost \$600 to buy what \$100 bought in 1976 in common consumer goods.

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Inflation Eats Into Purchasing Power



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BASIC FINANCIAL INVESTMENTS

Stocks
Funds: Mutual Funds, Exchange Traded Funds
Bonds

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Types of Basic Financial Assets

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Stock Shareholder - OWNER
You have BOUGHT shares of a company
Your shares become more valuable if the company prospers
The company may use some of its profits to pay you cash (dividends) periodically

Fund Shareholder - OWNER
You have BOUGHT shares of a mutual fund or ETF (exchange traded fund)
Funds are collections “baskets” of stocks and/or other assets chosen by a manager
You buy shares of the fund, not its individual stocks or other assets
Your shares become more valuable if the fund prospers
Some of the fund profits may be used to pay you dividends

Bondholder - LENDER
You have LOANED money to a company or a “Muni” – a government entity
You receive periodic cash (interest) payments from the company or muni for a set period of time until your loan is paid back

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Pros and Cons of Investment Types

Individual Stocks
DIY is for you:

- Time
- Temperament
- Skill
- Interest

Historically best long-term returns
You are OK with slowly diversifying

Funds (Mixtures)
Often less \$ needed to start
Don't have time, etc. DIY not right for you now
Funds provide a measure of instant diversification
No-load Index funds often have very low fees

Individual Bonds
You know exactly what your returns will be
You are OK with historically low returns
DIY is for you

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If DIY (Do It Yourself) Investing Is Not for You...

You can still be a saver and investor.

Index, no-load mutual funds might be easier to use than stocks or bonds.

You can “hire” certified financial managers to advise you and make investment choices for you. You will need to “manage your manager.” Knowing something about investments makes that easier.

There will be more fees than if you DIY.

For more information about financial managers and their specialties:
FINRA.org > Education

Financial managers will want to know about your financial goals and objectives so they can best help you.

If you do retain a manager, be sure to keep track of what they do on your behalf. The tips in this presentation will help you understand their recommendations and evaluate their performance.

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What is a Stock?

- Corporations issue (sell) stock to raise funds to operate their businesses. They sell a chunk of the business.
- Investors who buy stock become shareholders in the company ... they own part of the company.
- If the company's business succeeds, shareholders' stock usually becomes more valuable.



In the old days, companies gave investors paper certificates to document how much they owned. Today, this is handled electronically.

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How Stocks Are Bought and Sold

- Stocks are bought and sold predominantly on exchanges, such as:
 - New York Stock Exchange (NYSE)
 - NASDAQ
- Investors set up accounts with brokerages to buy and sell their shares. Brokerages you've probably heard of:
 - Fidelity Schwab Roundtable Many Others
- Minors must use a custodial account
 - CUTMA or CUGMA in California (more later)

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Rights of Stock & Fund Shareholders

- Attend and vote in annual shareholders' meetings.
- Receive dividends if companies pay them. Not all do.
 - Dividends are cash payouts, often made on a quarterly basis.
- Sell shares to reap profits of shares that have gone up in value or to cut losses from shares that go down in value.

A Shareholder's Total Return =

1. Rising (declining) value of shares +
2. Dividends, if any

**Do NOT spend dividends or profits/losses from sales.
Treat them as money to invest.**

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Mutual Funds vs. Exchange Traded Funds (ETFs) Easier for beginning investors

Mutual Funds

- Purchased and sold (traded) at end of trading day
- Funds charge annual fees
- Some also charge "loads," or one-time fees
- More often are actively managed

Exchange Traded Funds

- Purchased and sold (traded) throughout the trading day
- May be more tax efficient with smaller fees
- Transaction fees may be charged when buying or selling.
- Many passively match an index

Both are baskets of stocks, bonds or other assets.

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Actively Managed Mutual Funds & ETFs

- **Active managers pick stocks (and/or other assets) which they believe will outperform the market.**
- **You are paying them for their asset picking “expertise.”**
 - Expense ratios (range from 0.5% up to 2% or more)
 - Transaction costs (buying and selling) called “loads” may be additional expenses
 - Many active managers trade too much. (They buy and sell too often.)
 - Many are not tax-efficient.
 - Most active managers significantly underperform the S&P 500 Index over many time periods.

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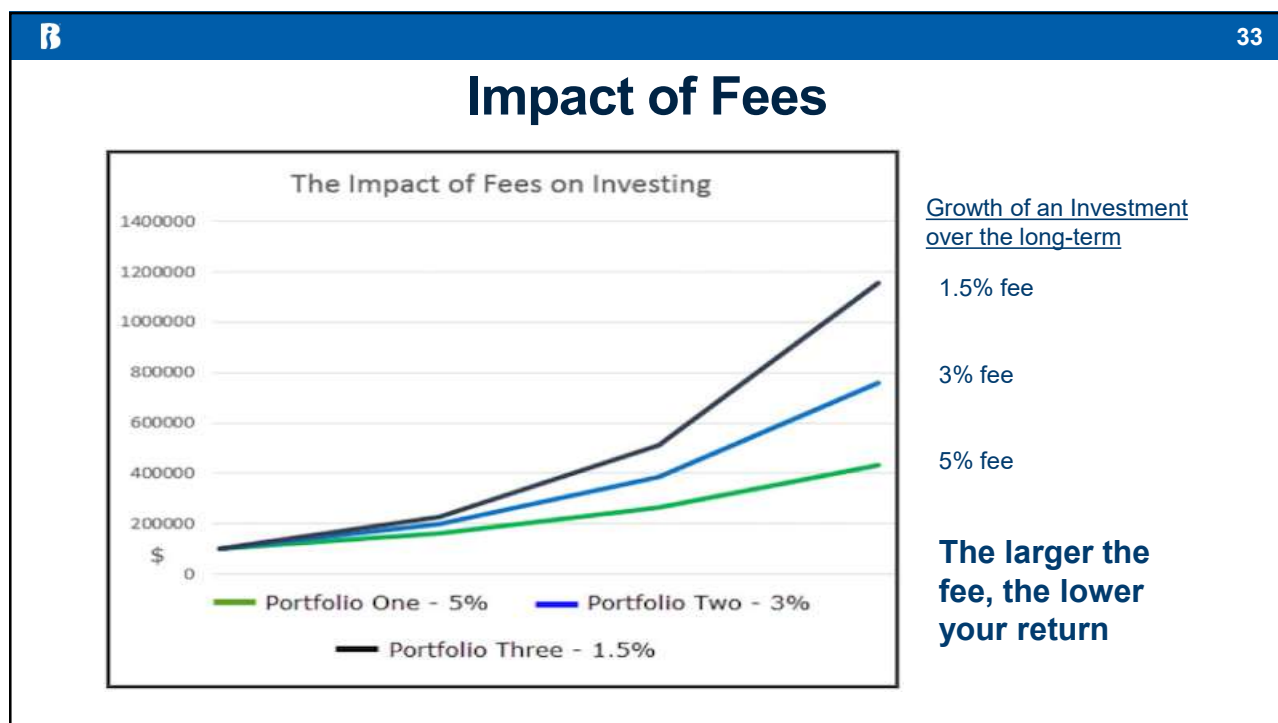
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Passively Managed Funds/ETFs

Often good for beginning investors

- **Passively managed funds & ETFs often match holdings in an index.**
 - Indexes are lists of stock, bonds or other assets.
- - They are intended to represent the market or part of the market.
- **Those based on well known indexes, such as the “Dow” or the S&P 500 Stock Index, usually have very low fees.**
- - Very low expense ratios (0.1% to 0.2%)
- - Offer tax-efficiency due to low turnover (little buying and selling)

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Bonds – Different from Stocks & Funds

- Bondholders are **creditors (lenders)** to a corporation or government agency. They are entitled to interest payments and repayment of principal
- Creditors in a bankruptcy have legal priority over stock holders and are made whole first
- Bonds have a fixed duration; they expire on the date specified in the bond
- After the original issuance, bonds are often resold on the secondary market
- Bondholder's Return = YTM, or Yield to Maturity (interest payments until bond expiration) + Repayment of principle when bond was issued

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Other Kinds of Investments

Each kind of investment has its own knowledge base

Real estate

Commodities (wheat, cattle, etc.)

Metals (gold, silver, aluminum, etc.)

Collectibles (Art, coins, etc.)

BetterInvesting can help you get started with
financial investments, particularly stocks

For other investments, search for impartial sources of information in those areas, and give yourself time to learn and explore thoroughly, just as you should for financial investments.

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FREE IMPARTIAL FINANCIAL RESOURCES

- Santa Clara County Library - Specific Investing Resources:
 - Value Line, Morningstar, Standard & Poor's Net Advantage
- Investor Protection, Education
 - Finra.org
 - U.S. Securities and Exchange Commission

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Santa Clara County Public Library

Subscribes to 3 important, independent sources of information for financial investors. You can access them online, 24/7 with your library card.

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SUBJECTS

Arts & Culture

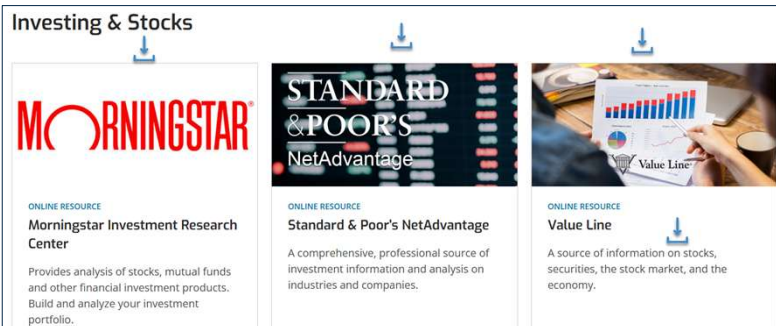
Biographies

Business & Money

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Click on one of the three.

Investing & Stocks



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**Example: Value Line Stock Reports
Are Crammed with Information**

- What does a particular company do? (What products/services to they sell?)
- Are their sales (revenue) growing steadily?
- Are their profits (earnings per share) growing steadily?
- Do they have a lot of debt?
- How has the company done lately?
- What does the Value Line analyst think about the company's prospects?

✓ VL has an online users' guide to help you understand their reports

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1. Put in a stock name or ticker. Click on “Quote”



COSTCO WHOLESALE		400-COST	REPLY 950.25	44.7	Company EBITDA	REPLY 2.43	10.7	0.6%	SMALL LINE
FINANCIALS	3 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
SAFETY	5	5	5	5	5	5	5	5	5
TECHNICAL	1	1	1	1	1	1	1	1	1
FINANCIAL	1	1	1	1	1	1	1	1	1
10 Month Price Range									
10 Month Price Range									
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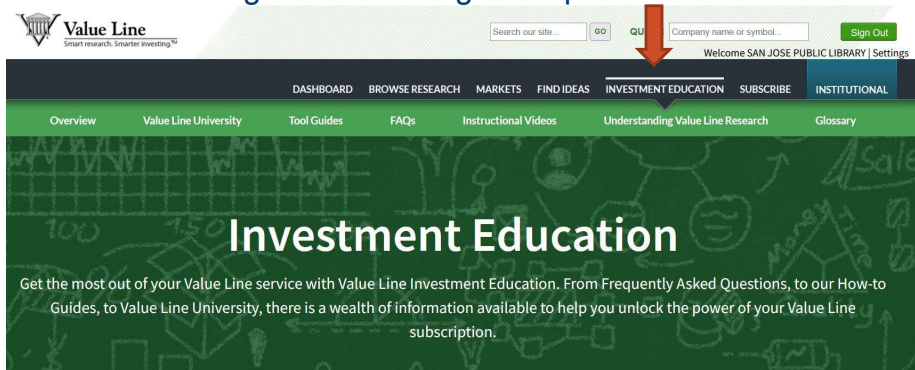
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Learning to Use Value Line

The Value Line website has an Education section.
This section includes a guide to reading the reports.



BetterInvesting local chapters also give presentations on using Value Line.

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Sites for Free Investor Education and Information

U.S. Securities and Exchange Commission (SEC)

<https://www.investor.gov>
Introduction to Investing
Financial Tools & Calculators
Example: Compound Interest Calculator
Information for students, teachers, parents, military

FINRA

<https://www.finra.org/investors#/>
Financial education, includes section for military members

Other Local Libraries:

Stock and Fund Reports: Morningstar and Value Line
Investing Books, Magazines

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WRAP UP

Advantages – Disadvantages of Starting Young
CUTMA
Summary

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Advantages of Starting Young

Time is on your side!

- Compound interest has longer to work.
- More time to recover from mistakes.
- Time for investment education while consequences are generally small.
- Risk is decreased with longer time horizons.

Large resources are not needed.

- Small amounts grow with time
- At 10% annual compound growth:
 - \$25 per month for 40 years = \$159,419.51
 - \$25 per month for 10 years then wait 30 years = \$90,105.23

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Disadvantages of Starting Young

Limited resources

Less money available to invest
But a long time horizon helps negate this disadvantage
Consider starting an emergency saving fund

Minors cannot open brokerage accounts

More work to open an account
Adult custodian needed
CUTMA accounts – See next slide

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CUTMA - California Uniform Transfer to Minors Act You need this kind of account if you are under 18.

- Adult custodian needed
- Income from CUTMA accounts taxable to minor not parents
if minor age > 13 years
- At 18 years old CUTMA account belongs to minor and
custodian has no legal account control
- CUTMA can be used for multiple asset types
stocks and bonds
bank accounts
real estate (unusual, advise consulting an attorney)

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Summary

- Know yourself and your financial goals
- Match short-term and long-term goals to appropriate financial assets
- Compounding works best over many years
- No need to learn everything at once
- Let information, not emotion, be your guide
- As a start, practice reading company reports such as Value Line Reports
- Fees eat into your CAR
- It's OK to hire financial advisors if they can do a better job
- Use free, impartial investing resources whenever possible

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QUESTIONS

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Website: <https://www.betterinvesting.org/chapters/silicon-valley>

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