A BEGINNER'S CONCEPTUAL GUIDE

SECTION 1: WHY

WHY INVEST?

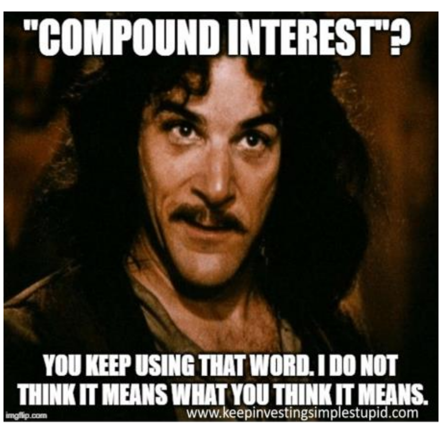
The purpose of investing is to make money work for you, rather than you working for money. Instead of working for every dollar, let the dollars grow themselves. Money is a tool, like anything else. However, most people aren't taught how to use it.

COMPOUNDING INTEREST

This concept means, money invested will make interest. Then, that interest will earn more interest on itself until the original amount invest starts compounding on itself.

Cool…but who cares? Right?

Well, type 100 into a calculator. Multiply it by 1.1. Act like you grew $100 by 10% over a year. Keep multiplying it by 1.1. Do that 10 times. Now, imagine doing that 20-30 more times. That 30th time multiplying that $100 by 1.1 would make it a lot larger than the first. That's compounding. Earlier you start, the better.



SAME EFFORT

Another big point is this: if you want to make $10,000 at your job it will take you working a lot of hours, no matter what. However, investing takes significantly less effort and it has no cap on what you can make. Earning $100,000 is as easy as earning $1,000 from an effort standpoint. All that matters is the amount that you're able to grow. That's a big thing because it means if you save aggressively initially then you can grow your money and earn way more, with the ***same effort*** put in.

Example

Four investors all start at different ages. They save a certain amount per month and invest it. The money invested grows at 8% a year. The amount saved in the third column is how much money they actually deposited out of their bank account. The account balance is the account balance after the saved money was invested from the starting age.

Starting Age	Monthly Savings	Amount Saved by 60	Account Balance at 60
16	$50	$26,400	$232,000
25	$100	$42,000	$224,500
35	$250	$75,000	$240,000
45	$500	$90,000	$182,000

**Assuming the accounts grow at 8% compounded annually*

Some people may scratch their heads at this. How did the 16-year-old end up with such a high account balance? Well, by the time the 25-year-old started investing the 16-year-old had around $7,500 in the account, which grew around $600 a year from investments. That's half of what the 25-year-old was saving each year out of his/her hard-earned paycheck. The point? Start investing early.

SECTION 2: WHAT, PART I

WHAT IS INVESTING?

Imagine cash under a mattress. It just sits there. It will be the same amount of cash forever.

However, investing takes that cash and puts it out into the world, expecting it to grow. That's all investing is. You put money somewhere with the expectation there will be a return on your investment. In the previous example, the annual return was 8 percent a year.

TYPES OF INVESTMENTS

This guide will cover a few options for beginning investors:

- Stocks
- Mutual Funds
- ETFs/Index Funds

STOCKS

Stocks are a piece of a company. Plain and simple. When you invest and buy stocks, you are owning a portion of a company. If you buy *Apple* or *Amazon* stock then you are a part owner of those companies.

Pieces of companies are constantly being bought and sold on the stock market. When a company's stock price goes up, it means more people want to buy it and are willing to pay more. The opposite is also true. If investors don't like a stock and aren't willing to buy it then it will go down until someone buys it. Pretty much supply and demand.

MUTUAL FUNDS

Mutual Funds is where you put your money in an account and professional managers invest the money for you.

They'll take a percentage to invest your money for you. Each fund is run slightly differently so a quick Google on good ones wouldn't be terrible.

ETFS/INDEX FUNDS

An Exchange Traded Fund (ETF) is a harder concept. Imagine buying one share of a company. Now, that one share is 100% Apple/Amazon/etc.

What if you could buy one share and it was 50% Apple and 50% Amazon? It just averaged their performances together.

That's an ETF. You buy one ETF and it's 5% Apple, 5% Microsoft, 5% Google, 5% Amazon, etc. These have very low fees and are probably the best for beginning investors.

It allows beginners to own all the best companies so then you wouldn't have to spend the effort buying all the companies yourself. It also ***diversifies*** your holdings for safe and promising returns.

WHAT SHOULD YOU DO?

Investing is hard. Everyone should invest, that's what everyone says. No one tells you what you should do explicitly though.

If you are not willing to put in the time to research and learn what you're doing, don't buy individual stocks.

I wish someone had told me that while I learnt for a few years. If you're not a pro athlete, could you go and play against pros in a basketball game? If you aren't a top chef, could you make a 3-Star meal, Ratatouille style? If you have no idea how to invest properly, should you go invest in *individual stocks* in the stock market? Probably not.

If you're interested in the idea of individual stocks, you should probably practice first. Hypothetically say, "I would buy here," write it down, and see what happens over the next few months. Spend time reading about investing. Learn a few mistakes while not losing real money. Then make sure to learn from those mistakes so you don't repeat them.

If that doesn't ***interest you***, (which is a lot of people) then probably choose one of the passive options: ETFs or Mutual Funds.