

We are marching toward the finish line.

Before moving on to Assignment #4, I have a request. If you enjoy the Money 101 experience, please write a recommendation for the program on my LinkedIn profile. However, LinkedIn has a particular way of accepting recommendations, so please follow these steps:



- **ESTABLISH A LINKED-IN ACCOUNT** – You must have a LinkedIn account (they are free)  
<https://www.linkedin.com/>

- **FIND MY PROFILE and send me a connection request:**  
<https://www.linkedin.com/in/diane-drey/>

**THEN ...** when I receive your connection request, I will accept and send Linked In a request for a recommendation. You will get a note to write down your thoughts – so please.

- **RESPOND to the message.**
  - Write whatever recommendation is appropriate and you want to share with the world.
  - LinkedIn will share it with me first, and then I will accept it so that it is posted in my LinkedIn profile recommendation section– (feel free to read what others have said about me.)

THANK YOU – so much. Diane

#### **ASSIGNMENT #4**

By now, you should have selected ONE FUND for your LIFE ENHANCEMENT ACCOUNT and ONE FUND for your RETIREMENT ACCOUNT. Congratulations – that was a big step. Now:

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- 1. READ 12.31 WHAT IS A FINANCIAL CUSTODIAN and HOW TO Choose One.**
- 2. DECIDE ON WHICH FINANCIAL CUSTODIAN YOU WANT TO USE.** Most people are best off selecting the Financial Custodian who offers the fund they chose so there are no transaction fees. However, if you have more than \$5,000 to invest, consider selecting a custodian with superior customer service and buying your funds through them, even if it means paying a transaction fee. The fund is more important than the fee, as you will make very few transactions as a buy-and-hold investor.
- 3. DECIDE HOW MUCH MONEY YOU CAN INVEST ANNUALLY**  
Yes, that means you should have completed your cash flow statement! I hope everyone can find \$20 a week to invest, which adds up to \$1040 annually, but if that is too much, you can start with less.

4. **SEE EXHIBIT A at the end of this Assignment and DECIDE IF YOU WANT TO START WITH A NON-RETIREMENT OR RETIREMENT SAVINGS ACCOUNT.**
5. **CONTACT THE FINANCIAL CUSTODIAN AND OPEN UP AN ACCOUNT**  
*– This is where the pedal meets the metal.*

*If you already have an investment account, instead of opening a new one, your assignment is to record the fund metrics for your current investments using form 12.21. After it is done, calculate your stock/bond ratio. If you need help with this, set up a private session.*

**YES – this week’s Assignment is going to make you an investor.**

While you can open an account online, getting experience talking to investment firms is ideal, so don’t be afraid to call. Speaking to the Financial Custodian on the phone will give you first-hand experience with their customer service.

Be sure to set up a SELF-DIRECTED account straightforwardly, NOT a “managed account.”  
**YOU DO NOT WANT TO PAY FEES FOR BABYSITTING YOUR MONEY** – Because - you have already chosen your funds. **You ARE a Morningstar expert!**

Here are some Financial Custodian:

Blackrock (ishares is a subsidiary)	1-800-474-2737	<a href="https://www.ishares.com/us">https://www.ishares.com/us</a>
Fidelity	1-800-343-3548	<a href="https://www.fidelity.com/">https://www.fidelity.com/</a>
Schwab	1-800-435-4000	<a href="https://www.schwab.com/contact-us">https://www.schwab.com/contact-us</a>
T Rowe Price	1-888-285-2612	<a href="https://www.troweprice.com/personal-investing/home.html">https://www.troweprice.com/personal-investing/home.html</a>
Vanguard	1-877-662-7447	<a href="https://about.vanguard.com/contact-us.html">https://about.vanguard.com/contact-us.html</a>

When you reach the fiduciary, they will ask, “Is this a non-retirement account (Life enhancement) or a retirement account (IRA or SEP IRA)?” so be prepared to answer that question after reading below. (EXHIBIT A)

6. **SET UP AUTOMATIC DEPOSITS—The key to building wealth is automatically funding your investment account. So, call the bank where you have your checking account and set up an automatic weekly transfer to your investment account. IT IS FAR BETTER TO INVEST \$5 a week than wait until you have \$100 to invest in a lump sum.**

**Transferring funds to your investment account automatically will build your investments at WARP speed - so put your investment plan on autopilot.**

In the next class, we will share:

- Which financial custodian did you choose? And why?
- How was your experience setting up the account?
- Which fund did you purchase? And why?
- Did you set up automatic withdrawals from your checking to your investing account?
- Did you elect to reinvest dividends and interest? (This may have to be done in a second step AFTER the purchased funds are in your account.)

7. **READ ADDITIONAL HANDOUTS & EMAIL ME YOUR QUESTIONS** – the website includes many handouts we did not review because few would make sense when you began this class. Now that you have gained knowledge read at least two and write down your questions on the handout or anything related to this segment.

12.11	Bonds – what is the difference between Effective Duration and Effective Maturity
12.32	Questions to Ask Your Financial Advisor? <b>IMPORTANT HANDOUT</b>
12.44	What is a Morningstar Category
12.46	ETFs vs Mutual Funds, what is the real difference?
12.53	Ten-year Performance Quilt by Asset Class (2023)
12.82	What are Morningstar Star Ratings All About?
12.83	How to research ESG funds (environmental, social, governance)

**Please email me your questions 48 hours before the next live class.**

**EXHIBIT A –**

**What account should I open up first, non-retirement or retirement?**

○ **Group A = Those who do not have an adequate EMERGENCY FUND**

Your priority is to establish an emergency fund. Diverting money to buy stocks and bonds when you need more cash to cover an emergency is NOT wise.

However, as this is an investment class, I want you to have experience opening an account and making trades. So, open a non-retirement account and fund it with \$50. (no more)

I would love you to use the \$50 to buy your ONE selected asset allocation fund. Unfortunately, asset allocation funds require a minimum purchase of \$3,000. After your first purchase, you can make minimal purchases. (Target date funds usually require a first purchase of \$1,000.)

So, for a first experience, invest the \$ 50 in an S&P 500 Electronic Traded Fund, for which there is NO MINIMUM.

Here are the ticker symbols for the S&P 500 ETF from the major fiduciaries:

Fiduciary	Ticker Symbol	Name of the fund
Blackrock (ishares is a subsidiary)	IVV	iShares Core S&P 500 ETF
Fidelity	FXAIX	Fidelity 500 Index
Schwab	SWPPX	Schwab® S&P 500 Index
T Rowe Price	PREIX	T. Rowe Price Equity Index 500
Vanguard	VOO	Vanguard S&P 500

**You will then own a small part of FIVE HUNDRED COMPANIES!**

They will be primarily domiciled in the UNITED STATES, all LARGE CAP, and a mix of Value and Growth (probably with a tilt towards growth.) Of course, please don't take my word for it. Look up the portfolio composition on Morningstar!

Put your fund symbol on your smartphone. Watch the DAILY change (volatility - roller coaster).

Focus on the daily percentage change, not the dollar value change; the percentage change is the same regardless of whether you invested \$50 or \$50,000.

**Then, sit back and watch your investment account increase AND decrease in market value.**

**If you have an adequate EMERGENCY FUND, see where you fall below:**

- **Group B** = If you or your spouse will NOT have “earned income” (from a W-2 or Self-Employment) in this calendar, you are NOT eligible to contribute to a retirement account.

Therefore, open a NON-retirement account.

If you have sufficient funds to invest in your chosen ASSET ALLOCATION fund, that would be great, but if you do not start with the \$50 investment and follow the directions above for Group A, baby steps will give you confidence.

- **Group C** = If you or your spouse WILL have earned income this year (from a W-2 or Self Employment) and do NOT have the option to enroll in a company retirement savings plan (401K), I suggest you open a RETIREMENT Account.

If you have sufficient funds to invest in your chosen TARGET DATE fund, that would be great, but if you do not start with the \$50 investment and follow the directions above for Group A, baby steps will give you confidence.

- **Group D** = If you or your spouse WILL have earned income this year AND have the opportunity to participate in a company-sponsored 401K plan, but you are NOT participating, SIGN UP for the company plan immediately. Separately, I can review and discuss your workplace retirement plan choices. For this Assignment, open a NON-retirement account.
- **Group E** = If you or your spouse WILL have earned income this year and ARE participating in a company-sponsored 401K plan, you may or may not be able to open a separate individual retirement account. Read <https://www.investopedia.com/ask/answers/111015/can-you-have-both-401k-and-ira.asp>. For this Assignment, I suggest you open a NON-retirement account.

NOTE – if you are opening a RETIREMENT ACCOUNT – the IRS limits how much can be contributed: In 2024, you can contribute to the LESSER below. –

- Your earned income (W-2 or Schedule C business income)
- \$7,000 if under 50 and \$8,000 if over 50
- If you have any questions, ask your tax preparer and read below.

<https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras#>.

CONFUSED ? – See the attached chart:

MONEY 101 EDUCATION

12.94a Investment Segment - Assignment # 4

QUESTIONS	IF YOU ANSWER THE QUESTION "YES"	IF YOU ANSWER THE QUESTION "NO"
1. Do you have an adequate Emergency fund?	Go to the next question	Open up a non-retirement account for no more than \$50.
2. Will you have earned income (either via a W-2 or self-employment income)	Go to the next question	Open up a non-retirement account.
3. Do you have the ability to enroll in an employer-sponsored retirement plan? (401K or 403B)	<p>If Yes, but you are not contributing now – speak to your employer and enroll right away. Ask what funds they offer. Research their performance.</p> <p>If yes, and you are participating in the Assignment plan, open a non-retirement account.</p>	Open up a retirement account,

Non-retirement accounts in the finance world are often called “taxable accounts” – because the interest and dividends you earn on them are taxed in the year it is earned.

In this class, we have called them Pre-Retirement Life Enhancement accounts.