



PROSPERITY & WEALTH  
PRESENTS:

UNDERSTANDING  
FINANCIAL LITERACY

# UNDERSTANDING FINANCIAL LITERACY

## **Essential Money Management Skills**

Financial literacy includes learning budgeting, saving, and investing to manage money effectively for a secure future.

## **Informed Financial Decisions**

The course empowers individuals to make smart financial choices and avoid pitfalls like accumulating unnecessary debt.

## **Planning for the Future**

Topics like credit scores, banking, and goal setting are covered to help participants prepare for long-term financial success.

# MODULE 5: INVESTING FOR THE FUTURE

BUILDING WEALTH THROUGH INVESTMENTS

# WHAT IS INVESTING?

## Simple Definition:

Investing = Using money now to earn more money later.

Instead of just saving money in a bank (where growth is limited), you invest it in things that can increase in value or pay you returns.

## Common Types of Investments:

 Stocks

 Bonds

 Mutual Funds/ETFs

 Real Estate

# BALANCING RISK AND REWARD

## Risks of Investing

You can lose money (especially in the short term) due to the markets being unpredictable

## Weighing Risks and Rewards

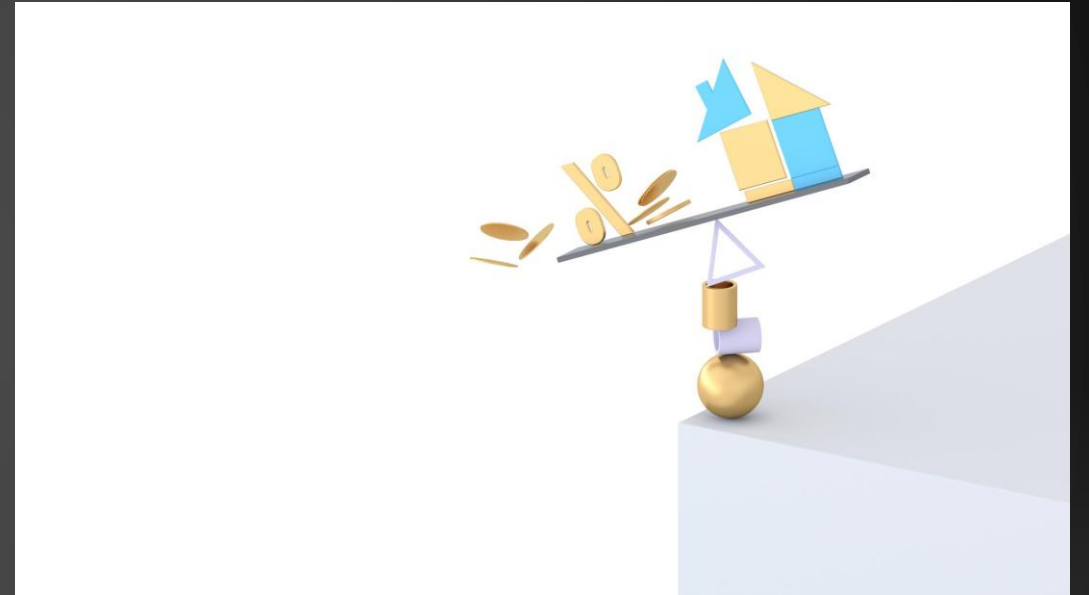
Investors must assess potential losses against possible gains to make smart investment decisions and achieve their goals.

## Diversification Strategies

Spreading investments across various asset types helps reduce overall risk and supports more stable long-term returns.

## Importance of Market Analysis

Understanding market trends and conducting careful analysis are essential for making informed decisions and maximizing rewards.





# TYPES OF INVESTMENTS

## Stocks

- **What they are:** Ownership shares in a company
- **Return:** Dividends + capital appreciation
- **Risk:** High – subject to market volatility and company performance
- **Liquidity:** High – easily bought/sold on stock exchanges
- **Best for:** Long-term growth; investors willing to accept risk

## Bonds

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- **What they are:** Loans made to governments or corporations, paid back with interest
- **Return:** Fixed interest payments (coupon) + return of principal
- **Risk:** Lower than stocks, but still subject to **credit and interest rate risk**
- **Liquidity:** Moderate – depends on the type of bond and market conditions
- **Best for:** Conservative investors seeking steady income

## Mutual Funds

- **What they are:** Pooled investment managed by professionals; invests in a mix of assets (stocks, bonds, etc.)
- **Return:** Based on the performance of the underlying assets
- **Risk:** Varies depending on fund strategy
- **Liquidity:** High – bought/sold at end-of-day NAV (net asset value)
- **Best for:** Diversified exposure with professional management



# TYPES OF INVESTMENTS

## ETFs (Exchange-Traded Funds)

- **What they are:** Like mutual funds, but trade like stocks on exchanges
- **Return:** Based on index or asset performance
- **Risk:** Varies; typically tracks market/index.
- **Liquidity:** High – can be bought/sold during market hours
- **Best for:** Low-cost, flexible, diversified investing

## Real Estate

- **What it is:** Investing in property – residential, commercial, or land.
- **Return:** Rental income + property value appreciation.
- **Risk:** Medium to high – market fluctuations, property maintenance, illiquidity.
- **Liquidity:** Low – takes time to buy/sell.
- **Best for:** Long-term wealth building, income generation, diversification.



# TYPES OF INVESTMENTS

*Ratings are on a scale from 1 (Low) to 5 (High):*

## Criteria:

- **Return Potential:** Expected growth or income.
- **Risk Level:** Volatility and chances of losing money.
- **Liquidity:** How quickly it can be sold for cash.
- **Diversification:** Built-in spread across assets.
- **Ease of Access:** Simplicity of investing and managing.

Investment Type	Return Potential	Risk Level	Liquidity	Diversification	Ease of Access
Stocks	5	5	5	2	5
Bonds	3	2	3	2	4
Mutual Funds	4	3	4	5	4
ETFs	4	3	5	4	5
Real Estate	5	4	1	3	2

## ◆ 1. 401(k)

A 401(k) is an employer-sponsored retirement plan.

### ✔ Key Features:

- **Pre-tax contributions:** Reduces your taxable income in the year you contribute.
- **Tax-deferred growth:** You pay taxes when you withdraw the money in retirement.
- **Contribution limits (2025):**
  - \$23,000 if under 50
  - \$30,500 if age 50+ (with catch-up)
- **Employer match:** Many employers match contributions up to a certain percentage—this is essentially *free money*.
- **Required Minimum Distributions (RMDs):** Begin at age 73 (or 75 depending on birth year).

### ⊘ Limitations:

- Fewer investment choices compared to IRAs (depends on the employer's plan).
- Early withdrawals (before age 59½) are subject to taxes **and** a 10% penalty (with exceptions).

# RETIREMENT ACCOUNTS AS INVESTMENTS

## VEHICLES FOR LONG-TERM INVESTING

\* This information is as of 2025, so check the current year for updated amounts & limits. \*


## ◆ 2. Traditional IRA (Individual Retirement Account)

A Traditional IRA is available to anyone with earned income.

### ✔ Key Features:

- **Pre-tax or after-tax contributions:** Deductible if you meet income limits and aren't covered by a workplace plan.
- **Tax-deferred growth.**
- **Contribution limits (2025):**
  - \$7,000 if under 50
  - \$8,000 if 50+
- **More control over investments** than a 401(k).

### ⊘ Limitations:

- Deductibility phases out if you or your spouse have a workplace plan and your income is too high.
- Early withdrawal penalty and tax apply before age 59½.
- **RMDs** required starting at age 73. 

# RETIREMENT ACCOUNTS AS INVESTMENTS

## VEHICLES FOR LONG-TERM INVESTING

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### ◆ 3. Roth IRA

A Roth IRA is funded with *after-tax* dollars but offers **tax-free** growth and withdrawals.

#### ✓ Key Features:

- **Tax-free qualified withdrawals** in retirement (age 59½ and account open for 5+ years).
- **No RMDs** during the owner's lifetime.
- Contribution limits are **the same as Traditional IRA**:
  - \$7,000 if under 50
  - \$8,000 if 50+
- **Income limits apply**:
  - Contributions start phasing out at \$146,000 (single) and \$230,000 (married filing jointly) in 2025.

#### ⊘ Limitations:

- Contributions are not tax-deductible.
- Early withdrawals of earnings (before 59½ or before 5 years) may be taxed and penalized.

## RETIREMENT ACCOUNTS AS INVESTMENTS

### VEHICLES FOR LONG-TERM INVESTING

\* This information is as of 2025, so check the current year for updated amounts & limits. \*

## Side-by-Side Comparison

Feature	401(k)	Traditional IRA	Roth IRA
Tax treatment	Pre-tax	Pre-tax (if deductible)	After-tax
Contribution limit (2025)	\$23,000 (50+: \$30,500)	\$7,000 (50+: \$8,000)	\$7,000 (50+: \$8,000)
Income limit to contribute	No	Deduction phases out	Contribution phases out
RMDs	Yes	Yes	No
Employer match	Yes (if offered)	No	No
Investment options	Limited by plan	Broad	Broad
Tax on withdrawal	Yes	Yes	No (if qualified)

# RETIREMENT ACCOUNTS AS INVESTMENTS

## VEHICLES FOR LONG-TERM INVESTING

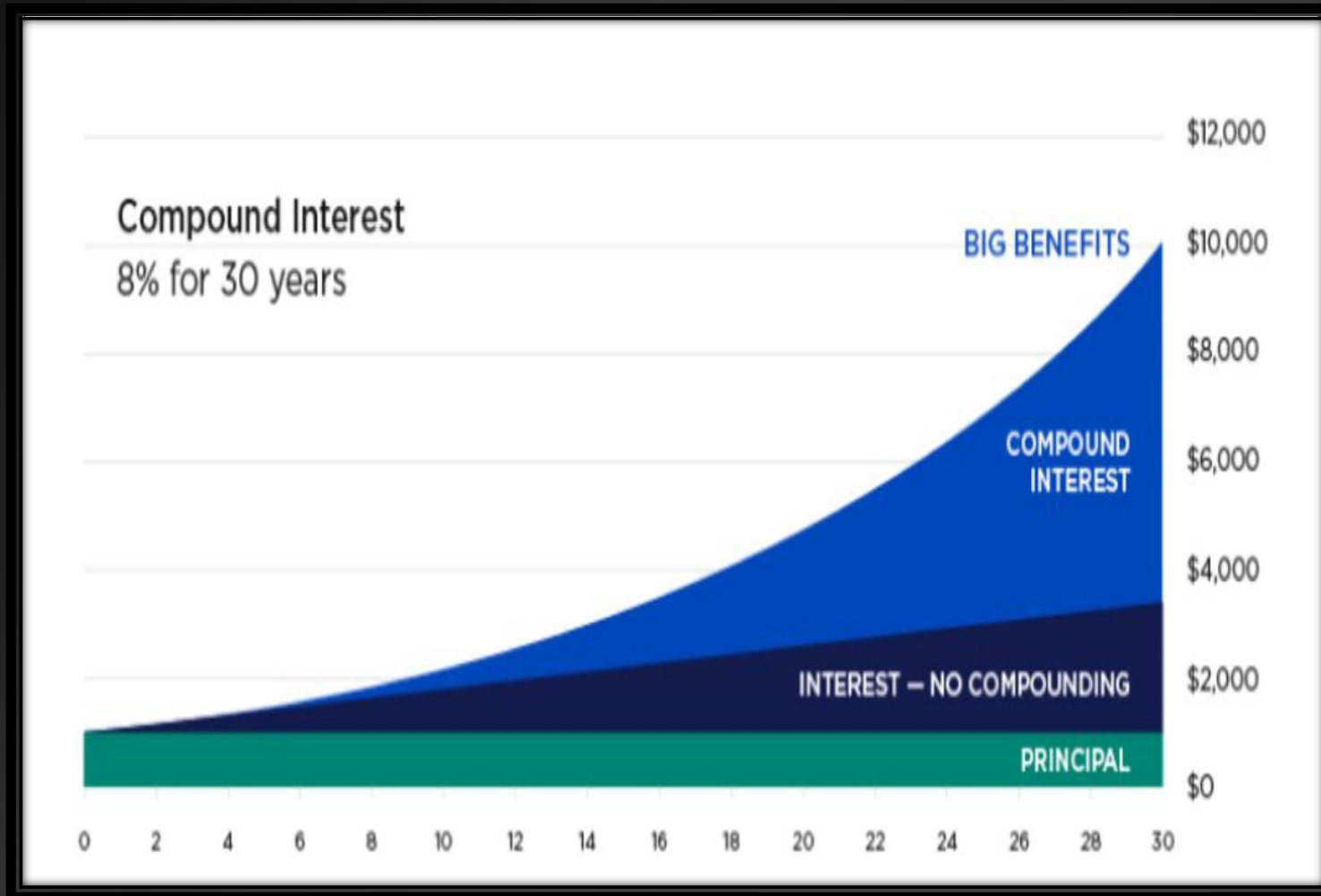
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# RETIREMENT ACCOUNTS AS INVESTMENTS

## VEHICLES FOR LONG-TERM INVESTING

*In this example, an investor invests \$1,000 today, earning 8% interest annually.*

*With simple interest, an investor would have \$3,400 at the end of 30 years. With compounding, an investor would have over \$10,000.*





# CORE STRATEGY INVESTMENT TIPS

## ✓ Start Early and Invest Regularly

**Why:** Compound interest works best over long periods.

**Tip:** Even small, consistent contributions (e.g., monthly) can grow significantly over time.

## ✓ Define Clear Goals

**Why:** Your investment strategy should match your goals (e.g., retirement, buying a house, education).

**Tip:** Set time horizons and risk tolerance for each goal (short-term vs. long-term).

## ✓ Diversify Your Portfolio

**Why:** Spreading investments across asset types (stocks, bonds, real estate, etc.) reduces risk.

**Tip:** Don't "put all your eggs in one basket." Use index funds or ETFs for built-in diversification.

## ✓ Understand Your Risk Tolerance

**Why:** Investing involves ups and downs—your risk tolerance determines how much volatility you can handle.

**Tip:** Younger investors can typically afford more risk; older investors often shift to safer assets.

## ✓ Use Tax-Advantaged Accounts

**Why:** Accounts like IRAs, 401(k)s, or Roth IRAs let your money grow tax-free or tax-deferred.

**Tip:** Maximize employer 401(k) matches—they're essentially "free money."



# CORE STRATEGY INVESTMENT TIPS

## ✓ Keep Costs Low

**Why:** High fees eat into your returns over time.

**Tip:** Favor low-cost index funds or ETFs over actively managed funds.

## ✓ Stay the Course (Avoid Timing the Market)

**Why:** Market timing rarely works; missing the best days can hurt returns significantly.

**Tip:** Stay invested and rebalance periodically. Don't panic sell in downturns.

## ✓ Rebalance Periodically

**Why:** Over time, some assets grow faster than others, shifting your intended asset allocation.

**Tip:** Rebalance once or twice a year to keep your portfolio aligned with your strategy.

## ✓ Educate Yourself Continuously

**Why:** Understanding investment basics helps you make informed decisions and avoid scams.

**Tip:** Read books like *I Will Teach You To be Rich* (Ramit Sethi) or *You Deserve to be Rich* (Rashad Bilal and Troy Millings).

## ✓ Be Patient

**Why:** Wealth-building takes time. Markets fluctuate in the short term but trend upward long term.

**Tip:** Focus on long-term goals, not short-term headlines or hype.

# MODULE SUMMARY

## Topics Covered:

- ✓ What is Investing?
- ✓ Risk and Reward
- ✓ Types of Investments
- ✓ Retirement Accounts as Investments

❖ **Key Takeaways:** Start investing early, diversify, and consider tax-advantaged accounts for long-term wealth building.

# Get in Touch!

Have questions about the strategies in this presentation, or want to share your success story? I'd love to hear from you.

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