Investing 101

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Investing Vs Saving

What exactly is investing? Think of money like apples. Saving is like putting apples in a basket for later—you know they'll be there when you need them. Investing is like planting apple trees—you may not get fruit right away, but over time, those trees can produce many more apples than you started with.

Savings accounts like at your bank, or CDs are baskets. They're safe, but they don't grow very much. Investing, like planting apple trees, takes patience, but the growth can be much greater.

If you need the money soon, you may want it in savings. Investing is for long-term goals, like retirement, which is 20 or 30 years down the road. That's when you want those apple trees growing.

Here's an example. Suppose you put $1,000 in a savings account at half a percent interest. After 30 years, you'd only have about $1,300. But if you invested that same $1,000 in something that averaged 7% a year, after 30 years it could grow to over $7,000.

Saving keeps your money safe. Investing grows it.

Investing does carry risk. Stocks and bonds go up and down in value. Over the short term, the market is unpredictable like the weather. But over the long term, it's like the seasons. You may get storms, but you can count on winter turning to spring. If you give your investments enough time, history shows they tend to grow. That's why we save for short-term goals, but invest for long-term ones.

Car and Garage Analogy

The garage is the account. The car is the actual investment.

A garage is just a container. By itself, it doesn't get you anywhere. What matters is the car you put inside it. If you think of investment accounts, like IRAs, Roth IRAs, 401(k)s, those are garages. They don't grow your money on their own. What grows your money are the cars you park inside, like stocks or mutual funds.

The garage matters because it determines how your money is taxed. Some garages give you tax breaks today. Some give you tax breaks later. But the real growth comes from the cars inside.

People sometimes say, "I invested in a 401k." But really, you're putting money into the 401k garage, and then choosing which cars to park inside. If you park cash inside, it won't grow much. But if you park stocks or mutual funds, then your money can really start working.

There are any different kinds of investments, just like cars. Some investments are built for speed, like stocks. Some are built for safety, like bonds. And some are built for a smoother ride, like mutual funds or ETFs. The key is choosing the right mix of cars for your garage, based on where you're trying to go and how fast you want to get there.

Stocks and Bonds Explained

Two of the most common investment types, is stocks and bonds. When you buy a company's stock, you buy a share in that company. And the more shares you buy, the more of the company you own. Because you own equity in the company, you benefit from its growth, too.

The single best benefit to investing in stocks is that they have historically outperformed most types of investments since the founding of the stock market. Because stocks represent partial ownership in a business, finding a strong company that performs well over the course of years and decades can be a powerful way to save for the future. Additionally, stocks are a fairly liquid investment. That means it can potentially be easier to both buy and sell them whenever you need cash.

But while the stock market has historically risen over the long-term, individual stock prices can be extremely volatile, and can climb and fall daily, sometimes dramatically.

Because stocks are like owning a tiny slice of a company, sometimes they even pay you a little reward, called a dividend.

Bonds are different. Bonds potentially rise in value and might be sold for a profit, but generally speaking, that's not what most investors are looking for. Instead, bondholders are hoping for something a bit more predictable: And that's fixed income in the form of regular interest payments. Bonds are a loan from you to a company or government. That loan might last days or years – sometimes even up to 100 years. But when the bond matures, the company pays you back your initial investment. In the meantime, the company typically pays you regular interest, just like you would when you take out a loan. Depending on the type of bond you buy, these payments can be annually, quarterly, or monthly. Interest payments are why investors often look to bonds as a source of income.

But income isn't the only "pro" when it comes to bonds. Bonds also tend to be less volatile than stocks. And since the company that issued the bond is technically in your debt, you would be among the first in line to get at least some of your money back even if the company enters bankruptcy.

It's also important to know that Bonds may rise or fall in face value as interest rates change.

Stocks are for growth, but they're riskier. Bonds are safer, but they usually don't grow as much. That's why many investors own both.

Mutual Funds and ETFs

Mutual Funds are one of the oldest and most common ways that people invest. Here's how the Securities and Exchange Commission defines mutual funds: A mutual fund is a company that pools money from many investors and invests the money in securities, such as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates. Many investors flock to mutual funds because they offer several potential benefits ….

1) Simplification. Mutual funds can simplify the process of investing because instead of devoting time to researching dozens, or even hundreds of individual companies to invest in, the fund does it for

you. Now, it is important to notate that you or your financial advisor should still research which mutual fund is right for you.

2) Diversification. Mutual funds often invest in a wide range of companies and industries to meet the funds stated objective. This could lower your overall risk. This means that if one company/industry does poorly, you may not experience the same kind of loss you would if you invested all your money in that company or industry.

But there are also potential issues with mutual funds.

1) It can be difficult to understand what or how the fund actually invests. Mutual funds can differ drastically depending on their objectives, investing style, time horizon, and other factors. Mutual funds are required by law to provide a prospectus to investors that explains how the fund works, but if you don't know what you're looking at, this information may confuse more than enlighten so it's why it's important to do your homework.
2) Mutual funds can sometimes come with more expenses than other funds, too. They might include management fees, purchase fees, redemption fees and tax costs. These expenses can possibly eat into your returns, thereby lowering your overall profit.
3) Mutual funds may not be a great choice if immediate liquidity is a high priority. This is because all mutual funds trade at the end of day. So, for example, if you wanted to sell a mutual fund at the beginning of the day, hoping to avoid what you think the market will do, you will still get the end of day price.

Exchange-Traded Funds or ETFs as they are often called, have become an alternative to mutual funds. They can be actively managed but more often than not, they track the companies in a specific index, just like an index fund.

ETFs differ from mutual funds in a few ways…..

1) The shares each investor has in an ETF can be traded on the open market. That means you can buy or sell your shares in an ETF just like you would an individual stock. You can't do that with regular mutual- or index funds. And that's a big advantage for investors who value flexibility and liquidity.
2) Most ETFs also come with lower expenses than mutual funds.
3) ETFs also fully disclose all holdings held. This makes it easier to see exactly what you are investing in. It also makes it easier to see where you have overlap.

Since ETFs can be traded like common stock, that might lead to trading too often and you may find yourself paying more than you anticipated in trading fees. Also, some ETFs are thinly traded, meaning there's just not a lot of activity between buyers and sellers. This could make it difficult to sell your shares.

Mutual funds are like riding a bus, and ETFs are like riding the same bus, but you can hop on and off whenever you want.

Both are great ways for beginners to get invested without having to pick every single stock or bond themselves.

What are Annuities?

An annuity is like a contract with an insurance company. You give them money, and in return they promise to pay you back, often in regular checks, for a certain period of time—or even for the rest of your life. You could think of it like planting a money tree that pays you steady fruit every month. Since stocks can go up and down, some people prefer the predictability of the income from an annuity.
There are Immediate and Deferred where one you start immediately taking payments.
There are 3 basic types. Fixed annuities, Fixed Indexed annuities, and variable annuitiesFixed Annuities

1.Fixed Annuities are contracts in which you receive a fixed percentage rate as a return on your annuity. Most insurance companies will give you a stated rate of interest when you first buy the contract. They also have the right to change the interest rate in subsequent years. They may raise or lower your interest rate on the anniversary date of the contract. Also known as a MYGA (multi-year guaranteed annuity), a fixed annuity can help you diversify your portfolio while earning higher than bank deposit rates.

Benefits of Fixed Annuities

Guaranteed return: With a MYGA, the initial rate and terms are specified up front. While the renewal rate (after the initial rate matures) may be higher or lower than the initial rate, it can be no lower than the minimum interest rate stipulated in the annuity contract.

Caveat: It is important to learn what that minimum interest rate is. You may not want to get into a fixed annuity with a 10 year surrender period in which the insurance company could lower your interest rate after the first year of ownership to a rate you would not accept anywhere else.

Tax-deferred growth: A key benefit of fixed annuities (MYGA) is their ability to be a safe harbor from taxes. If the funds are kept in the fixed annuity, the investor will not owe taxes on the gains. Tax-deferral allows interest to compound faster – this ultimately helps investors grow their savings more quickly than they would with a CD; where gains are taxed each year when credited, even if the gains cannot be accessed without a penalty.

Caveat: The federal government considers all non-qualified fixed annuities to be LIFO (last-in, first-out). That means that all withdrawals taken out, down to your cost basis, are taxable at your marginal rate. Income from annuities gets no capital gain tax treatment.

Principal protection: Fixed annuities offer investors a way to shelter their capital from market downturns, essentially eliminating market risk. As an added benefit, there are no contribution maximums for a fixed annuity. In this regard, fixed annuities can be a good option for those who do not want to risk their retirement funds to market forces, or for those who want broader diversification to reduce the overall risk of their portfolios.

Caveat: Along with the principal protection comes no market participation. Your fixed rate annuity receives no bump in value should the stock market perform well. A fun fact here is that, according to Wikipedia, in the 52 years between 1970 and 2021, the S&P 500 index has experienced 5 years of double-digit losses, while it has experienced 32 years of double-digit gains.

Some liquidity: Fixed annuities are typically used as long-term investments but do allow early withdrawal. If you are over 59½, fixed annuities offer more liquidity because you avoid a 10% federal tax penalty when withdrawing funds. For this reason, fixed annuities might be more suitable for investors who might be less likely to need such funds pre-59½.

Caveat: Because they are long-term savings instruments, they normally carry 7 to 10 year surrender penalty periods. Make sure you are comfortable with the current, as well as the guaranteed, return before signing onto an annuity you must hold onto for that long.

Simplicity: A key benefit to fixed annuities is that they are easy to understand based on the contract terms, and as a result, are less complicated than other annuities, such as variable and fixed index annuities which come with a complex structure and nuanced investment terms and fee provisions. Fixed annuities have no hidden fees and offer predictable results if no withdrawals are made. And unlike CDs, fixed annuities do not go through the costs and delays of probate upon the death of the individual – a beneficiary can simply be named and changed as needed.

2. Fixed Index Annuities are insurance contracts that provides you with income in retirement. With a fixed index annuity, payments are based on the performance of a stock market index, like the S&P 500. Unlike owning stocks, you're protected against most losses—but your total returns may also be limited.

How Does a Fixed Index Annuity Work?

A fixed index annuity is a type of annuity contract that provides steady retirement income payments that have some resemblance to the performance of an underlying stock market index.

Fixed index annuities offer some of the features of investing in index funds, since they track the performance of indexes like the S&P 500, the Nasdaq Composite or the Russell 2000. Unlike index funds, fixed index annuities are not invested in those indexes directly. They pay an interest rate that is loosely associated with those indexes, so they may be protected against loss of principal. This means you won't lose any of the money you put into a fixed index annuity should you hold it past the surrender charge period.

This protection against losses, however, comes at a cost. You won't receive the exact return of the market index. Instead, the annuity will limit both your potential gains and your losses. This makes an indexed annuity less risky than an index fund.

Advantages of a Fixed Index Annuity

- **Limit on your losses.** During big market downturns, you don't have to worry about large losses with a fixed index annuity. From 2000 through 2021 there have been five years in which the S&P 500 lost value.
- **Possible guarantees for your earnings.** An index annuity could pay a guaranteed minimum return, even when the market index loses

money. It may also lock in your earnings over time to protect you from even greater losses.

- **Inflation protection.** The long-term expected return on a fixed index annuity is higher than other guaranteed accounts, like a fixed annuity or a certificate of deposit (CD). This can help grow your savings more than inflation.
- **Tax-deferred growth.** An annuity delays taxes on your gains until you take the money out, much like an individual retirement account (IRA) or 401(k). This can help boost your after-tax return over comparable money held in a regular brokerage account. This tax-advantaged status, however, also opens you up to a 10% penalty if you need to withdraw from your annuity before age 59 ½.

Disadvantages of a Fixed Index Annuity

- **Limit of potential gains.** Fixed index annuities cap your potential upside, so you don't earn as much in good years as investing directly in the market.
- **High fees.** Between the annuity fees and the earnings cap, you could end up paying a sizable amount of your gains each year to the annuity company.
- **Surrender charges.** If you cancel your contract before the surrender period, you could owe a significant fee to the annuity company.
- **Some return uncertainty.** Even with the loss cap and minimum return features, there is still some uncertainty over how much you'll earn each year with a fixed index annuity.

3.Variable Annuities

What Is a Variable Annuity?

A variable annuity is a contract between you and an insurance company. It serves as an investment account that may grow on a tax-deferred basis and includes certain insurance features, such as the ability to turn your account into a stream of periodic payments. You purchase a variable annuity contract by making either a single purchase payment or a series of purchase payments.

A variable annuity offers a range of investment options from the issuing insurance company. The value of your contract will vary depending on the performance of the investment options you choose. The investment options for a variable annuity are typically mutual fund-type accounts (called Separately Managed Accounts, or SMA's) that invest in stocks, bonds, money market instruments, or some combination of the three.

Each variable annuity is unique. Most include features that make them different from other insurance products and investment options. *Keep in mind that you will pay extra for the features offered by variable annuities.*

First, variable annuities have insurance features. For instance, if you die before the insurance company starts making income payments to you, many contracts guarantee that your beneficiary will receive at least a specified amount. This is typically at least the amount of your purchase payments. It may also offer additional insurance features such as promising you a certain account value or the ability to make withdrawals up to a certain amount each year for the rest of your life.

Second, variable annuities are tax-deferred. That means you pay no federal taxes on the income and investment gains from your annuity until you make a withdrawal, receive income payments, or a death benefit is paid. You may also transfer your money from one investment option to another within a variable annuity without paying federal tax at the time of the transfer. When you withdraw your money, however, you will pay tax on the gains at ordinary federal income tax rates rather than lower capital gains rates. Under certain circumstances, the death benefit may not be subject to federal estate tax. In general, the benefits of tax deferral may outweigh the costs of a variable annuity only if you hold it as a long-term investment.

Third, variable annuities let you receive periodic income payments for a specified period or the rest of your life (or the life of your spouse). This process of turning your investment into a stream of periodic income payments is known as annuitization. This feature offers protection against the possibility that you will outlive your assets.

The Death Benefit and Other Optional Insurance Features

A common feature of a variable annuity during the accumulation phase is the death benefit. If you die, a person you select as a beneficiary (such as your spouse or child) will generally receive the greater of: (i) all the money in your account; or (ii) some guaranteed minimum (such as all purchase payments minus prior withdrawals).

> Example: You own a variable annuity that offers a death benefit equal to the greater of account value or total purchase payments minus withdrawals. You have made purchase payments totaling $100,000. In addition, you have withdrawn $20,000 from your account. Because of these withdrawals and investment losses, your account value is currently $75,000. If you die, your designated beneficiary will receive $80,000 (the $100,000 in purchase payments you put in minus $20,000 in withdrawals).

Some variable annuities allow you to choose optional death benefits for an additional charge. For example:

Variable annuities commonly offer other optional insurance features, which also have extra fees. Many of these optional features are available only during the accumulation phase of the contract. Collectively, these features may be referred to as "living benefits."

Variable Annuity Fees and Expenses

You will pay several fees and expenses when you invest in a variable annuity. Be sure you understand all the fees and expenses before you invest. These fees and expenses will reduce the value of your account and the return on your investment. Often, they will include the following:

The surrender charge often declines gradually over a period of several years, known as the "surrender period." For example, a 7% charge might apply in the first year after a purchase payment, 6% in the second year, 5% in the third year, and so on. Typically, after six to eight years or sometimes as long as ten years, the surrender charge may no longer apply. Often, contracts will allow you to withdraw a portion of your account value each year without paying a surrender charge.

Alternative Investing

Alternative investments are simply things outside the traditional world of stocks, bonds, mutual funds and ETFs. They can include real estate, gold, silver, oil, private businesses, and yes—even cryptocurrency.

1. Real estate is a popular one. People like it because they can see and touch it. Rental property can provide steady income, and property values can grow over time. The downside? Real estate can be expensive, and it's not easy to sell quickly if you need cash.
2. Gold or silver, aka "commodities." People buy them as a way to protect themselves against inflation or uncertainty. Gold doesn't usually grow much, but it tends to hold its value when people are nervous about the economy.
3. Cryptocurrencies like Bitcoin are very new and very risky. They can go up fast, but they can also crash fast. Some people like having a small slice of their money there, but I don't recommend putting a big chunk of your life savings into it.

Alternative investments can add variety, but they come with risks and challenges. They're like "spices" in your investment meal. They can add flavor, but you don't want them to be the main course.

How to Choose your Investments

It really comes down to three things: your goals, your time horizon, and your comfort with risk.

First, your goals. What are you saving for? Retirement in 30 years? A house in 5 years? College for your kids? Each goal may need a different type of investment.

Second, your time horizon. If you have a long time—10, 20, 30 years—you can afford to take more risk, because the ups and downs of the market usually even out. But if you need the money in 2 years, you probably want to play it safe.

Third, your comfort with risk. Some people can watch their investments bounce up and down without losing sleep. Others get nervous if they see any red numbers. Knowing your own comfort zone is key.

Taking Action

So how does someone actually get started?

It starts with the FIRST step that sounds incredibly simple, but it might just be the most powerful action anyone can take. That action is WRITING DOWN YOUR GOALS FOR THE FUTURE. Research from a study at Dominican University of California confirmed that you are 42% more likely to achieve your goals simply by writing them down.

Writing it down is meant to program *your* brain for action, not the lottery ball machine. I think the universe might need a little more from you than just good handwriting on that one.

But for the goals that actually depend on *your* actions and discipline, that 42% advantage is very real. The physical act of writing forces you to clarify what you want and helps encode that goal into your memory. So, the first step isn't just to *think* about your goals. It's to grab a piece of paper and write them down. Don't just put "retirement." What does that look like? "Pay off the mortgage by 60"? "Travel through Europe for a month"? The more specific you are, the more real it becomes. That single action is the true starting line for your financial journey.

The second step is to build your financial safety net, or your emergency fund. Honestly, this is the foundation everything else is built on. Before you even think about long-term investing, you need a cushion to protect you from life's curveballs. This is a huge source of stress. The Federal Reserve recently reported that 36% of Americans would struggle to cover an unexpected $400 expense. Think about that - a single car repair or medical bill could send over a third of the country into debt. But here's the amazing part: data shows that having an emergency fund is one of the strongest predictors of financial well-being. A study from Vanguard found that just having $2,000 saved for emergencies increases a person's sense of financial well-being by 21%. This is the freedom to make choices, not out of panic, but out of a position of strength. And when you look at the habits of successful people and millionaires, you see this principle in action. They prioritize having a liquid safety net to handle anything without disrupting their long-term investments or going into debt. It's a disciplined habit that allows them to weather storms and seize opportunities. That's why building a fund that covers at least three to six months of your essential expenses isn't just a defensive move; it's the first major step toward building real, lasting wealth.

The third step is where the real magic happens, and it’s the one where most people get stuck. They think they need thousands of dollars to be an "investor." But the truth is, the most powerful tool you have isn’t a pile of cash, but time.
Imagine an investor, let's call her the Early Bird, who starts investing just $100 a month at age 25. She does this for 40 years. Now, imagine another investor, the Late Starter, who waits just 10 years and starts at 35. To catch up, he invests double the amount—$200 a month.
By age 65, the Early Bird, who invested less of her own money, could end up with nearly $78,000 more in her account. Why? Because that first decade gave her money a massive head start to grow on its own. That’s the power of compounding. So, don't wait. Starting with just $50 or $100 a month right now is more powerful than waiting five years to start with $300. The key isn't the amount; it's building the habit and letting time do the heavy lifting for you.

The fourth step is the golden rule of investing: **diversify**. It’s that old saying you’ve heard a thousand times: "Don't put all your eggs in one basket."
This means you own a little bit of everything so a big problem in one area doesn’t wipe you out. Think of it this way: some investments are like a speedboat—they go fast when the weather is great but get tossed around in a storm. Others are like a sturdy barge—slower, but steady no matter the weather. You want both in your fleet. When your

stocks (the speedboat) are having a tough time, your bonds (the barge) can help keep your portfolio stable.
Active Management is how ProVest Wealth Advisors does this.

The final step is to get help if you need it. And I want to be very clear on this one, because many people think going it alone saves them money, but the data shows it can actually be one of the most expensive mistakes an investor can make.
It's because the biggest risk to your portfolio often isn't the market; it's you. A famous annual study by a group called Dalbar consistently finds that the average investor earns significantly less than the market itself. Why? Because we’re human. We get scared when the market drops and sell at the bottom, and we get greedy when it’s high and buy at the top.
So we let emotions get in the way. When you watch the news and the market is dropping, it feels like a freefall. The question that keeps you up at night is, "What if I don't get out in time and I lose my entire life's savings?"
This fear is real and completely valid every single time. My most important job isn't to tell you that you're wrong to feel it. It's to be the steady hand that's been through the storm before, standing beside you to separate the emotion from the facts of your plan and help you with your fear so it doesn't end up costing you your future. A good advisor's most important job is to act as a behavioral coach—the voice of reason that keeps you from making those emotional mistakes. This advantage comes from behavioral coaching, smart rebalancing, and tax-efficient strategies. It’s about having a skilled partner to help you stick to the plan we've just laid out. So, if you're feeling uncertain, or if you want a

second opinion to make sure you're on the right track, that's when you should make the call. That conversation doesn't cost you anything, but as the data shows, not having it could cost you a fortune.

In conclusion - Don't let fear or confusion keep you from getting started. The best time to plant that apple tree was years ago. The second-best time is today.