



Investing Basics for all

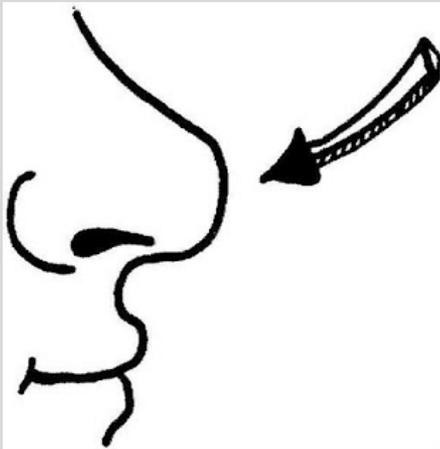
Professor Richard Jakotowicz & Rajeev Vaidya

UD – Osher Lifelong Learning Institute

April, 2025

Disclaimer in plain language

Disclaimer – in plain language:



Opinions are like noses, everyone has one !

You are going to see mine in this course !!

I am simply sharing my perspective.

This is not investment advice or recommendation.

Rajeev is not a financial advisor.

This course is for educational purposes only.

Form your own opinion, make your own investment decisions.

Session 1 – April 2nd

- Class Introduction
- You need money to Invest
- Getting into a virtuous financial cycle.

Class processes - RECORDING

- UD has a restricted policy on recording and sharing
 - Only if all participants agree
 - Only to be shared with REGISTERED class participants on an exception basis as needed.
 - To request a link to a class recording, send an email to ron.materniak@verizon.net

- WE WILL START RECORDING THIS FIRST CLASS NOW
 - Unless anyone does not agree.
 - Please speak up if you do NOT want to be recorded.

Class Composition

- 39 people registered
- More than 80% are currently taking or have previously attended the Wednesday morning class on Investing for Successful Retirement.
- Approx. 20% look to be new students

Course Content

- **Typical Class – 75 minutes**

- Weekly Topic (55-60 min)
 - Either Rich or I will do the talk on the main topic for 45 minutes and then give the other a few minutes to add comments
- Time for Questions / Discussion (15-20 min)

- **5 classes**

1. You need money to Invest – Getting into a virtuous financial cycle. - Rajeev
2. Investing in Stocks - Rich
3. Investing in Bonds - Rajeev
4. Mutual Funds and ETFs - Rajeev
5. Asset allocation and location - Rich

Goal – Learnings from the class have a positive impact on your investing.

Class processes / plans

- **olli-online** mailed a class Zoom link to all registered participants
- The Link is for a repeating meeting
 - Same link works for all 5 weeks
- Password was mailed to you in the welcome note from **olli-online**
 - Password does not change .. Same for the whole semester
- Please put your name (vs “computer”) in Zoom so we know who you are when asking questions.

Class processes / plans

- 5 week class.
 - Schedule is posted on the class website.
- **Class website**
 - <http://udel.edu/~diyinvst>
 - Class documents are posted each week before class and stay on the website till the end of the semester. Do not share with people outside the class.
 - Click the class schedule link on the website and then the charts are accessible through the link in the table in the last column to the right.
- Rajeev Vaidya – diyinvst@udel.edu

Class Emails

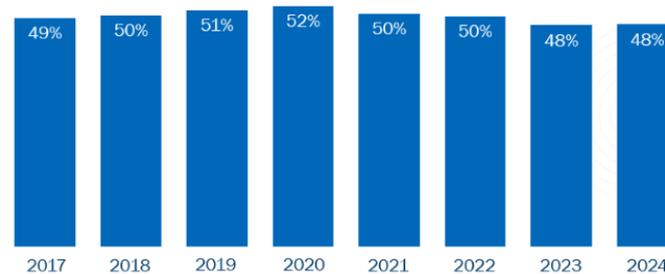
- ❑ Generally, Rajeev will send ONE email per week to class participants.
- ❑ The email will be sent a day or two before class, letting you know that charts have been posted to the website.
- ❑ If you do NOT want to receive these emails, please send an email to diyinvst@udel.edu and we will remove you from the distribution list.

Financial Literacy

- Financial literacy in the US – GFLEC (Stanford – GWU)
- Surveys since 2017 using a standard scale

Financial (il)literacy is holding steady: 2017-2024

% of P-Fin Index questions answered correctly



Source: TIAA Institute-GFLEC Personal Finance Index (2017-2024).

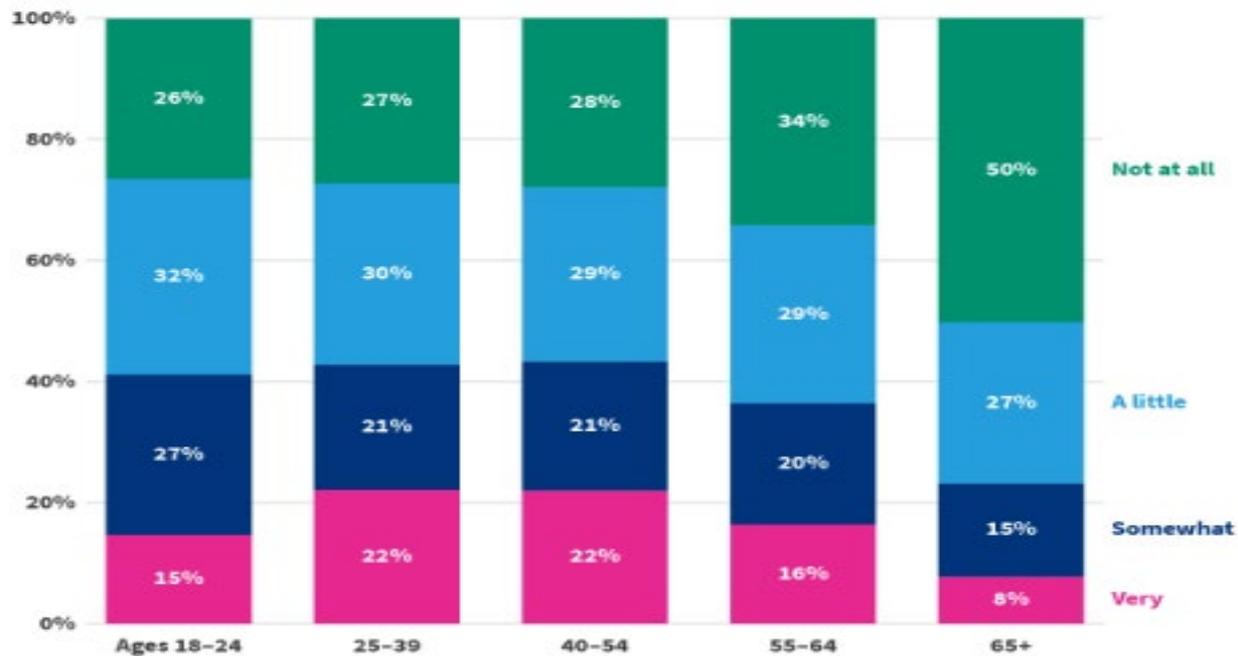
The number of people in the US who understand basic financial principles has not significantly changed for eight consecutive years. Image: 2024 TIAA Institute-GFLEC Personal Finance Index

- 2024 data
 - Average score was 48. Women typically scored 10 points lower. Gen Z responded correctly to only 37% of the test.
 - Only 16% of Americans scored above 75%.
 - Those with limited financial literacy were more exposed to financial vulnerability, inadequate emergency funds and insufficient retirement preparation.

It is tough out there !!

Percent of age groups reporting difficulty paying for household expenses

August 20 to September 16, 2024



Source: Census Bureau

USA FACTS

Our Goals in this five-session class

- Everyone is unique
 - Financial situation and goals
 - Time / interest in engaging in the management of a financial portfolio

Objectives

- Understand the jargon and basic concepts
- Enable better conversations with your advisors as you independently make your own financial decisions

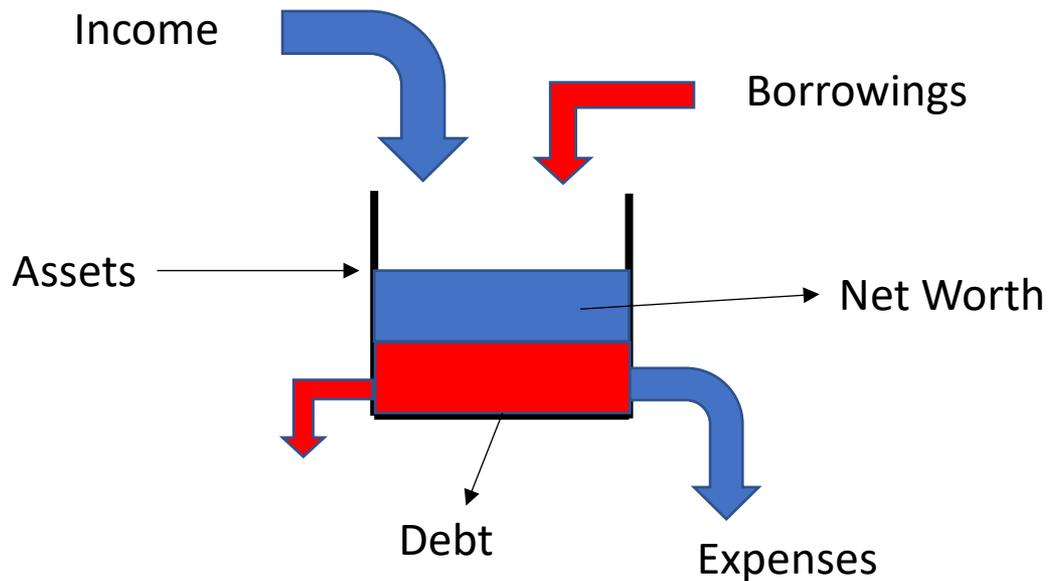
Goal – Learnings from the class have a positive impact on your investing.

Financial situation – measurement?

- How do you measure wealth?
- Net worth
 - Assets – Value of everything you own
 - Liabilities – Value of everything you owe

Net worth = Assets - Liabilities

Growing your Net Worth



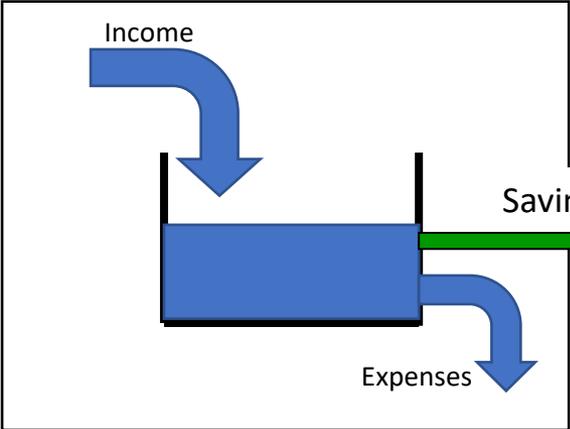
- Grow your income
- Spend less than you earn
- Invest your savings to grow
- Reduce Debt

Growing Your Income

- Choose a career/job/business that energizes you and pays a living wage
- Excel at the job
- Advance in the enterprise
- Advance your career/business to earn more
- Side jobs etc. to add to income

Adding to or drawing from assets ?

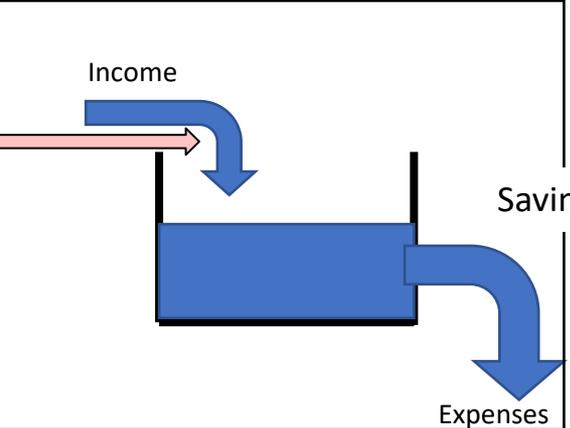
Income exceeds expenses



Expenses exceed income



Drawdown



Virtuous Financial Cycle

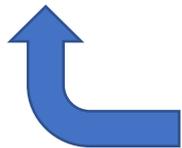


- Spend less than you earn
 - Planned budgeting
 - Managed Expenses
- Add to savings and invest
- Reduce debt



Your net worth
on January 1st

Higher net worth
on December 31st



Grow your Income



Don't get into a downward spiral



- Spend more than you earn
 - Unmanaged expenses
- Subtract from savings
- Increase debt



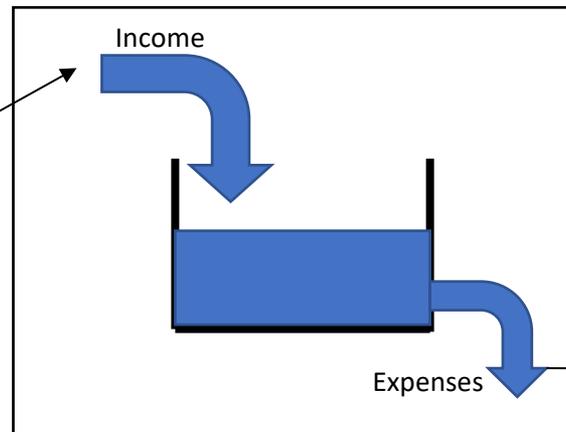
Your net worth
on January 1st

Lower net worth
on December 31st

Between 20 and 37% of American families do not have the capacity to manage an unexpected \$400 expense.

Budgeting and managed spending

- Salaries
- Income and capital gains from taxable accounts
- Pensions
- Social Sec.



Essential Fixed Expenses

- Payroll deductions
- Rent / Mortgage
- Medical Insurance
- Debt payments – Auto etc.

Essential Variable Expenses

- Taxes
- Food
- Transportation
- Out of Pocket Medical Expenses
- Household needs
- Communications – Phone, cable, web

Discretionary Expenses

- Fun money
 - zero is not real / sustainable

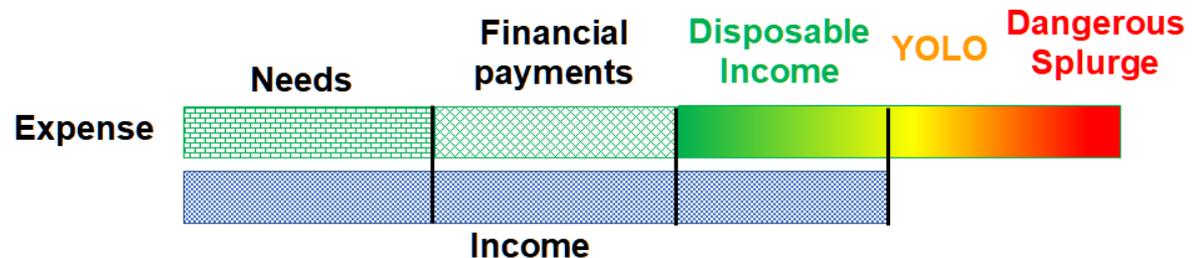
Savings



Budgeting

- Forward looking budget

- Expected income
- Needs
 - Expected committed Essential Expenses
 - Planned Essential Variable Expenses
- Financial Payments
- Disposable Income
 - Savings
 - Discretionary Expenses
 - YOLO – Carpe Diem



Credit - Borrowing

- Measured borrowing for assets that appreciate in value can increase net worth over time



- Borrowing for today's consumables and depreciating assets will reduce net worth



- Total cost of your loan increases with
 - high interest rates
 - high loan fees
 - long payback periods (Lower monthly payments)



Think of debt as
a burden and
constraint

Credit Score and borrowing rates

Personal FICO score	Average interest rate for new car loans	Average interest rate for used car loans
781 to 850	5.08%	7.41%
661 to 780	6.70%	9.63%
601 to 660	9.73%	14.07%
501 to 600	13.00%	18.95%
300 to 500	15.43%	21.55%

Source: [Experian State of the Automotive Finance Market Q2 2024](#)

Credit Score

Fair Issac Corporation scores 300-850

Factors in your FICO score

1. Payment history (35%)
 - Pay on time
2. Credit utilization (30%)
 - Don't use all available credit
3. Length of credit history (15%)
 - Use a few accounts for a long time
4. New credit (10%)
 - Don't open too many credit accounts
5. Credit mix (10%)
 - Responsible use of revolving and installment credit

Paying back your loans

- Make a list of all your loans
 - Principal amount left
 - Interest rate on the loan
- Pay the highest interest loan off as fast as you can
 - Eliminate credit card debt as soon as practical.
 - Use the convenience of plastic & pay off your balance every month
 - Build a positive credit history
 - Take on credit card debt only as an emergency.
- Pay the low interest loans as much as your budget allows
 - Don't default on your student loan – acceleration, collection
 - Be careful of unpaid interest that is added to principal (capitalized interest)
- Use available resources to learn how to best manage student debt.
 - University resources – financial aid office
 - Web based resources – federal student debt website

The worst kind of borrowing

- Payday loans
- Car title loans
- Pawnshop loans

- These loans have APRs between 250% and 400%
- Younger and lower income families use these more than others – about 6%
- Most common reasons
 - Emergency expenses
 - Regular living expenses exceed income

Savings

- 1st priority is to build an emergency fund
 - Emergency medical expenses, car / home repairs
 - Ideally 3 to 6 months of expenditures
- 2nd is long term savings
 - Retirement savings
 - Savings for down payment on a primary residence.
 - Savings for children's education.
- It is never too early to start
 - Make the power of compounding work for you.
 - Longer time horizons enable you to take more risk with your savings

What are you investing for?

- What are your investment goals?
 - Investing for college
 - Investing for a home down-payment
 - Investing for retirement
- Having a plan that meets your goals is important to maximize your chances of achieving them.

Investment Plans

- Timeline – Available investment period
 - Liquidity
 - Minimum return needed to achieve the goal
 - Risk you are willing to take
 - Based on the above
 - Asset allocation
 - Asset location
 - Periodic Maintenance
- } Generate the highest after tax - return

When are you investing vs. your life?

- Prior to retirement – Accumulation phase
- After retirement
 - Protect and grow the investment portfolio
 - Use the portfolio to produce income for current expenses
 - Draw down the principal as needed and in a way that does not exhaust it prematurely.
- 3 unknowns
 - How long will we live?
 - How much will we need to spend?
 - What return will your portfolio earn at the risk you are willing to take?

Producing income from portfolio is relevant
Sequence of return risk is relevant



What is the average annual return delivered by the stock market in the last 50 years?

① Start presenting to display the poll results on this slide.

slido

Please download and
install the Slido app on
all computers you use



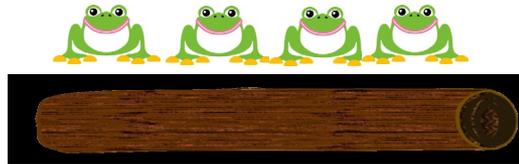
**What does a 6% return
over 30 years deliver on
your investment?**

① Start presenting to display the poll results on this slide.

The Power of compounding

- A person aged 30 earning \$100,000 per year with an investment plan that earns 6% per year and saving \$10,000 each year would accumulate over a million dollars in their tax-free retirement account by age 63.
- If the person started saving at age 40, they would need to put in **\$20,000** per year to see their tax-free retirement savings grow to \$1 million by age 63. **By saving only \$10,000 per year the tax-free retirement account would grow only to half a million dollars by age 63.**
- If the person started saving at age 50, they would need to put in **\$50,000** per year to see their tax-free retirement account reach a million dollars by age 63 and **saving only \$10,000 per year would have their account grow to only a quarter of a million dollars by age 65.**
- **Start saving and investing today, tomorrow is a day too late!!**

A riddle



- There are 4 frogs on a log
- Two of them decide to jump
- How many are left ??

Having a plan is not enough

A riddle

- There are 4 frogs on a log
- Two of them decide to jump
- How many are left ??



Deciding to jump and jumping are not the same thing

- Time is your most valued asset – Start Now
- Have a budget & an investment plan
- Execute the plan
- Measure your success
- Adjust the plan as needed

***“Don’t make the
perfect the enemy
of the good”***
Winston Churchill

Investing Basics for All

Thank You !!