she talks
FINANCE

4 WAYS TO GET MORE FROM YOUR MONEY

A BEGINNERS GUIDE

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Nothing we say is a recommendation to buy or sell anything.

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A lot of people go through life working their jobs and saving their money...

However, they're not necessarily MAXIMIZING their money and utilizing it to its full potential.

The financial world can be **daunting** and **overwhelming**......

The key is to take one step at a time.

Learning the **basics of wealth-building** is your first step to making your money work for you.

We're going to cover some essentials.

Who am I and why should you listen to me?

My Name is Nikki and I teach personal finance and I have been trading and investing in the financial markets for almost a decade.

I founded She Talks Finance almost by accident...

It all started on a girls trip to the beach.

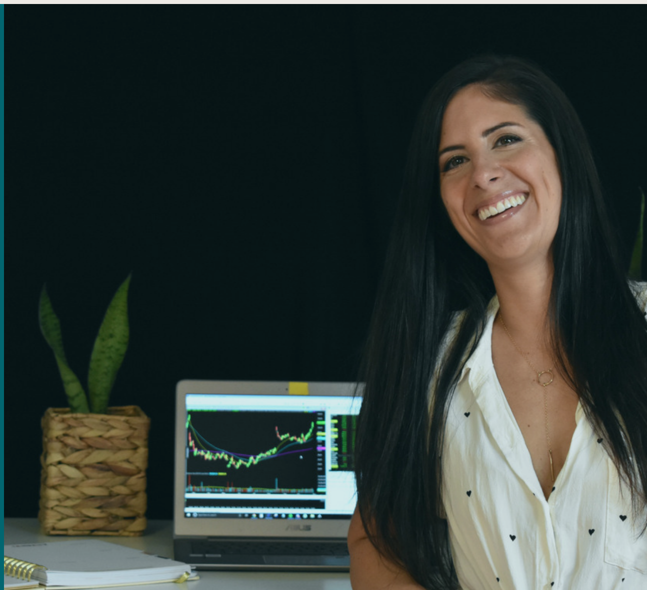
I started chatting with friends, asking them if they have heard of the basic money generating ideas (I promise, i'm **not** the most boring friend ever).

I continued asking friends completely out of curiosity (finance nerd alert), and to my surprise, most had no idea what to do with their money.

Some even had cash in their IRA's just sitting completely uninvested. Others had actual cash in their checking accounts or commercial savings accounts that were paying close to zero interest.

I saw the excitement on a close friends face when she realized she could be earning more money from the $20,000 she had sitting in her account that she wasn't even using.

I already had a passion for teaching people about the stock market. Then, a new passion for overall financial health was born when I realized how many people didn't know the basics of building wealth.



What Is Covered in this PDF?

The difference between having money and building wealth.

How to fuel your finances with high-yield savings.

How to use rewards credit cards to maximize your money.

How to build wealth with dividend stocks and EFT's.

The importance of tax strategies.

Having Money VS Building Wealth

Having Money

- Having money simply means you have money to pay your bills and expenses each month.
- You receive your paycheck, it goes into your bank account, and you deploy it wherever it needs to go for bills.
- Your money isn’t generating extra revenue for you.
- No risk to worry about.

Building Wealth

- Building wealth means you're actively investing your money in specific financial vehicles or security's that pay you a return.
- The money you receive from investing can be re-invested
- You are making your money work for you.
- You have to manage your risk along the way.

Get More Money with High-Yield Savings (2 MAIN TYPES)

1. The first type of high yield savings would be an **ONLINE** high yield savings account.

Why use one?

A major bank will offer you a savings account with your checking account. However, these savings accounts usually pay next-to-nothing as far as interest goes.

Yes, you are saving your money, but it's not actually generating any noticeable extra cash for you. One way to overcome this is to open a high-interest (aka high-yield) online savings account.

Put that savings to work...

Some of the **best banks** offering online high-yield savings accounts:

ally

synchrony

Capital One
360 Money Market®

BARCLAYS

Online banks are able to put more money into your pocket because they don't have all the overhead costs that brick and mortar banks do

These online banks pay **over 20 times** the interest that an average savings account does.

Online high-yield savings accounts are:

1. The first step to growing money with little to no risk (Use FDIC insured banks).

2. Your first step towards generating compound interest.

3. Easy to open.

4. Easy to start earning.

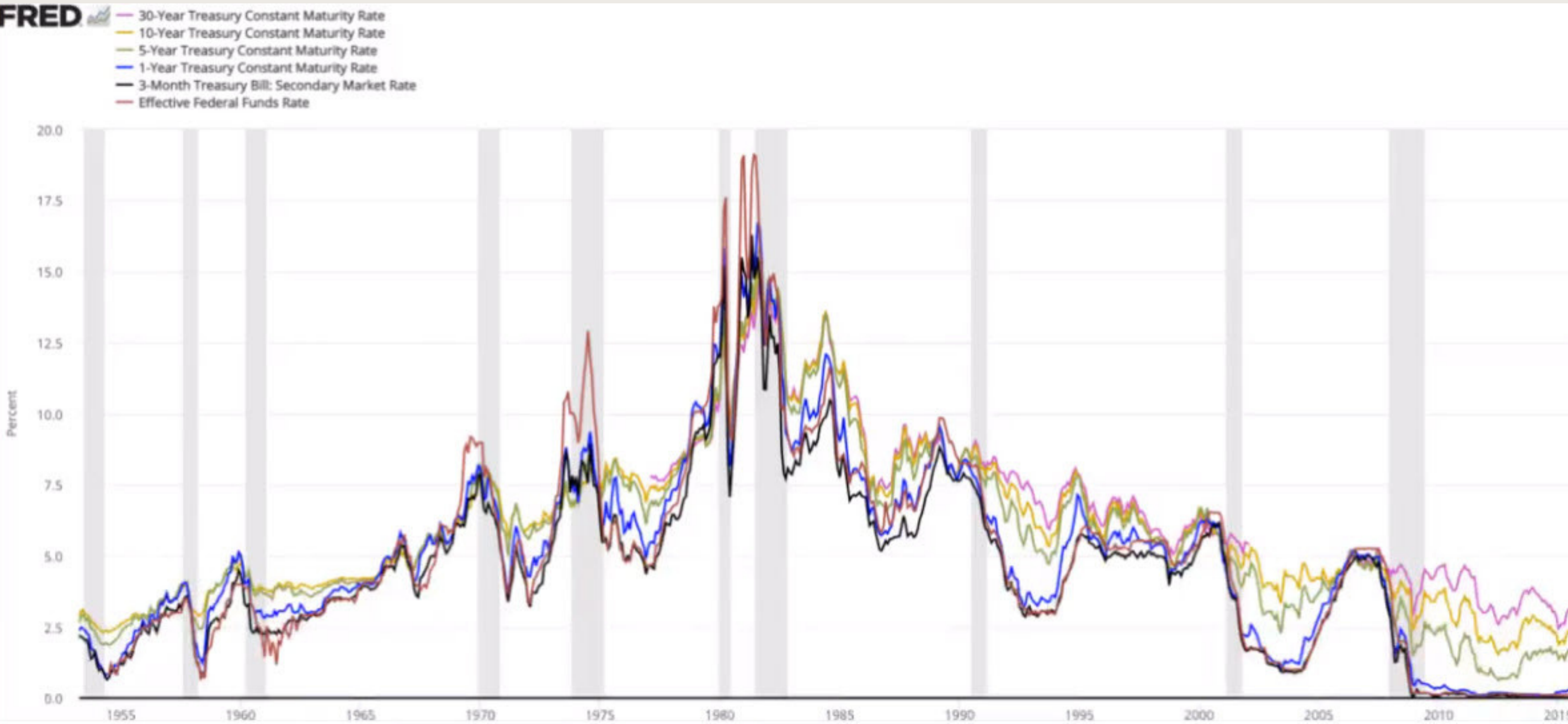
5. Easy to set up up your checking account to withdraw or add funds at any time.

PRO TIP: set up automatic transfers to ensure you are setting aside money each month without even thinking about it!

Watch it grow!

Understanding Interest Rates

This is a chart of **interest rates over time**. It goes all the way back to 1955.



We have had historically low-interest rates ever since the financial crisis in 2008.

It's been really hard to generate low-risk income with high-yield savings accounts because interest rates have been so low.

However, if interest rates rise it's going to be easier to earn interest on your funds at higher rates.

COMPOUND INTEREST DEFINED:

1. Interest gets calculated on your initial deposited funds.

2. Then, the next period your interest is calculated on your prior balance PLUS the interest that was paid previously.

3. And so on... *simply put, compound interest is interest on interest on interest....*

HERE IS AN EXAMPLE WHERE INTEREST COMPOUNDS YEARLY:

Year 1:
$10,000 is your initial deposit in year 1
At 5% interest, you earn $500 for year 1 {10,000 x 5%}
Your new balance is $10,500 at the end of year 1.

Year 2:
Now, in the second year, your capital is $10,500.
At 5% interest on $10,500, you earn $525 for year 2 {10,500 x 5%}
Your new balance is $11,025 at the end of year 2

and so on....

DO YOU SEE HOW THIS CAN ADD UP OVER TIME, AND GROW WITH CONTRIBUTIONS?

Time AND Compounding Interest

The higher the number of compounding periods within the year, the greater the amount of interest earned.

Interest may compound:

- **annually**
- **quarterly**
- **semi-annually**
- **monthly**

It depends on the disclosure and terms of the savings account that you have.

Term to Know: **Liquidity**

Liquidity is the ability to convert an asset that you have into cash quickly.

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Liquid asset example: Online high-yield savings account

Why? Because the funds are sitting in cash and easily withdrawn if needed

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Non-liquid asset example: Real estate

Why? Because you have to sell the piece of real estate in order to convert it into cash.

2 Certificate of Deposits (CD's)

You deposit funds into a certificate of deposit (CD) at the bank (this can be done online now), and the bank pays you a percentage for using your money to lend to other people.

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Where do I get a CD?

Most of the online banks that offer high-yield savings accounts mentioned initially, also offer CD's

Term to Know: **Maturity**

There is a **maturity date** for each certificate of deposit. When the maturity date comes, **you get paid back your initial investment plus the interest earned.**

CD Timeframes:

Time frames for holding a CD can range from months to 6+ years.

This means that your funds are locked into this certificate of deposit (CD) and you cannot withdraw them without a penalty.

Generally, the longer the time frame you hold a CD, the higher the interest rate that you're going to earn.

Fixed vs. Flex CD Rates

You’re usually locked into an interest rate until the maturity date of the CD.

There are CD's that have flex rates, where you can opt for a higher rate if rates go up over time.

Interest paid on flex rate CD’s might be lower than fixed-rate CDs.

Compare your flex rate CDs to your fixed rate CDs and see what the differences are.

What About Liquidity?

CDs are not as liquid as a high-yield online savings accounts.

Why use a CD?

You can usually get higher interest rates than with an online savings account.

It's the lowest risk investment vehicle for building wealth.

A lot of people are nay-sayers on CDs because interest rates have been historically low.

However, they could be well-suited for those who don't like taking on risk and just want to **preserve their money** and **grow it**.

During periods of **low interest rates** like we've been seeing, it may be better to keep your funds in a liquid online savings account versus a less liquid CD because the rates won't be very different between the two.

During periods of **high interest rates,** it may be better to keep your funds in a less liquid CD because they may be able to pay a higher rate, especially over those longer time frame maturity dates.

Get More Money with **Reward Credit Cards**

You're going to spend money every month on needs like groceries, gas, etc.

If you're spending money that you have to spend anyways, why not **earn benefits while spending?!**

Types of Cards

Miles Cards:

You can use miles for flights and travel related items, like hotels and car rentals.

Cash-Back Cards:

You're earning a % of cash back for every purchase that you make.

The words "credit card" can be scary for many people. They automatically write it off as bad. Yes, credit cards can be dangerous if you don't know how to use them properly!

It's all about **gaming the system** and **being disciplined.**

The strategy is to pay your bill off on time, every single month to avoid any interest.

The game is all about **avoiding paying interest** to the credit card company. You should only use the card if you have the money in your checking account ready to pay the credit card bill off in full.

You have to be responsible for this money maximizing strategy. But, if you have discipline and do it properly, it can pay off.

Who doesn't love free money and flights!?

TIPS TO GET THAT BILL PAID ON-TIME:

- Set an alarm on your phone each month.
- Put a note on your bathroom mirror, so you can keep your payment date top of mind.
- Interest rates for reward credit cards are very high. Any interest that you end up paying to the bank can negate any rewards that you end up gaining.

How to know if rewards cards are right for you...

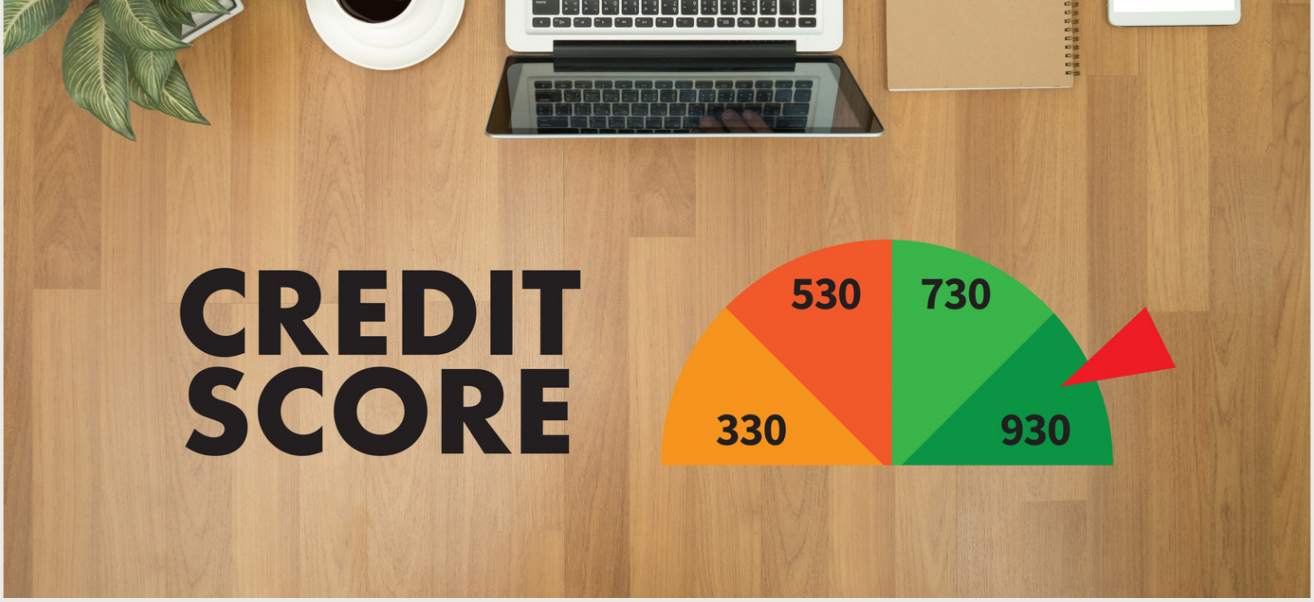
- Be sure that the awards you are going to earn are worth the yearly fee.
- Calculate your estimated yearly rewards based on your spending habits

Example of earnings: One point (or 1%) per dollar spent

If you spend $2,000 a month on bills and expenses then you're earning 2000 points every single month.

2000 points x 12 months = 24000 points per year.
24000 points /100 = $240 in rewards.

If the yearly fee is significantly less than $240 a year, then the rewards card may be worth it for you.



Rewards credit cards can be subject to your credit score.

There may be **tiers of rewards** cards for average, good and great credit.

PRO TIP: Don't forget to periodically **ask for limit increases** on your rewards cards.
It's not good for your credit score to use a **high percentage** of your limit.

Get More Money with the Greatest Wealth **Generator**

INVESTING IN THE STOCK MARKET

We're going to learn the basics of building wealth long term with these three key investments.

Dividend Stocks

Mutual Funds

ETF's

What is the stock market?

A stock market is a place where securities are bought and sold.

The top U.S. stock market exchanges that you may have heard of, are:

The New York Stock Exchange

The Nasdaq Stock Exchange

What is a Stock Index?

What is a **stock index**? A stock index is used to measure a certain portion of securities (stocks/bonds) or an entire stock market.

Stock Market Index 1:
Standard & Poor's 500

The S&P 500 Index tracks 500 of the largest companies by their **market cap** that trade on the New York Stock and NASDAQ exchanges.

Things to know....

The S&P 500 is starting to be known as the best indicator of how our overall stock market is doing.

This is due to it tracking 500 of the largest companies and pulling these companies from both of the main exchanges.

A few companies in the S&P 500 index include:
Apple, Google, Amazon, Facebook, Ford, General Motors....

Stock Market Index 2:
Dow Jones Industrial Average (DIJA)

The Dow Jones is tracking just 30 large, successful companies compared to the 500 tracked by the S&P 500 index.

Things to know....

These 30 companies are household names that most people trust.

The companies can change periodically if a company is in distress or goes private.
Then, another company comes in to replace it.

Stock Market Index 3:
NASDAQ Composite and NASDAQ-100

The NASDAQ Composite is tracking over 3,000 companies that are traded on the NASDAQ stock exchange. It includes technology giants like **Apple, Google, and Amazon**.

The NASDAQ-100 Index tracks the top 100 companies traded on the NASDAQ exchange.

Putting it all together with an example:

Google (GOOG) is a stock that trades on the NASDAQ Stock Exchange and it is listed in the S&P 500 index.

Each stock has a "ticker" or a combination of letters.

You'll see Google's ticker is GOOG. This makes companies easily identifiable on the exchange.

Guess what this company is: AAPL

What are **Stocks?**

- A stock is simply a share in a company that you're buying to have ownership in that company's profits.
- Companies will take profits and pay out dividends to their shareholders.
- Not all companies pay dividends.
- Dividends can change at any time.
- There are many stocks that have been around for a very long time that have been paying dividends.
- You may want to find companies that have a strong dividend paying history.

Understanding Investor Relations & More...

- Every publicly traded company should have an investor relations website.

- It’s a good resource for finding news, financial filings, dividend history and presentations.

- Stocks are known to be pretty easily liquidated into cash.

- Some dividend champions are **Coca-Cola, Exxon 3M, Procter & Gamble**. These are companies that have a pristine history of paying dividends.

What to do with dividends?

- Most companies pay dividends **quarterly**
- You can then reinvest them into the same stock and let the dividends compound over time (*When your stock holdings grow, in turn, so do your dividend payouts over time*).
- You can also take the dividends and invest them elsewhere, or withdraw them as income in a qualifying account.

Risks of Stock Market Investing

Returns are not guaranteed in the stock market. This is why many people urge diversifying a portfolio.

WAYS YOU CAN MANAGE YOUR STOCK MARKET INVESTING RISK

Only put a certain amount of money into a specific stock, or wait to buy it at a specific price.

Do your research before making an investment. Knowledge helps build confidence to make decisions.

Diversify your portfolio with things like ETF's, Mutual Funds or bonds.

Most wealth in the stock market is built over a long period of time, with patience.

ETFs and Mutual Funds for Diversification

Mutual Funds and **Electronic Traded Funds (ETF's)** are buckets of different stocks or bonds that are in one fund and they are professionally managed.

ETF's

ETF's are traded on a stock exchange.

You can trade a share of an ETF (no minimums).

They function the same as buying or selling a regular stock .

They have real time pricing

MUTUAL FUNDS

They may have a minimum investment requirement which make ETF's more attractive.

There may be additional fees that a Mutual Fund charges that an ETF does not.

Their prices are not real-time and are calculated at the end of each day.

Top Companies offering ETF's and Mutual Funds:

1. **Ishares by BlackRock-** BlackRock is a professional money-managing company that offers popular ETFs & Mutual Funds

   https://www.ishares.com/us

2. **Vanguard**- A well-known name that offers ETFs and mutual funds

   https://investor.vanguard.com/etf/list

3. **State Street Global Advisors' Spiders**- A top money managing firm offering ETF's and Mutual Funds

   https://global.spdrs.com/

DID YOU KNOW? Retail brokerages like Fidelity and Charles Schwab have started their own suite of funds to compete with these companies.

You can purchase ETF's & Mutual Funds through a brokerage account.

Understanding Distributions

With owning ETFs and mutual funds you may get a regular distribution.

Depending on what you own, this could be:

A Dividend Payout

An Interest payment

WHAT ABOUT THE FEES?

There is usually a fee (expense ratio) for owning funds. Fees are getting more competitive with companies like Fidelity and Charles Schwab as they create their own funds at a lower expense. Always check the fees and compare products.

PRO TIP: Learning how to analyze a company is called "**fundamental analysis**". It can be helpful to learn for investing.

There's a Fund for That...

ETF's and Mutual Funds can invest in many different things. Most commonly, you can invest in certain "sectors" of the market:

Ticker	Name
IBB	iShares Nasdaq Biotechnology ETF
ITA	iShares U.S. Aerospace & Defense ETF
IYR	iShares U.S. Real Estate ETF
IYW	iShares U.S. Technology ETF
IHI	iShares U.S. Medical Devices ETF
IGF	iShares Global Infrastructure ETF
IXN	iShares Global Tech ETF

It's also common for ETF's or Mutual Funds to create funds that follow the major stock indices (e.g. an ETF that tracks and moves with the S&P 500 Index)

GET MORE MONEY WITH TAX SAVINGS

Your tax bill is one of your biggest bills in your life.

Most people don't think about it that way...

Even if your taxes come out of your paycheck, and it's not at the forefront of your mind...you can still maximize savings.

DISCLAIMER: Always consult with a licensed tax accountant (We are not one, but we know what topics you should ask them about!) .

TAX STRATEGIES TO SAVE $$$

Maxing Out Retirement Account Contributions (IRA's, 401k's)

Using Health Spending Accounts (HSA)

Knowing Self-Employment Structure & Maximizing Deductions

DISCLAIMER: Always consult with a licensed tax accountant (We are not one, but we know what topics you should ask them about!) .

IRA's and 401K's

Your contribution can be a deduction off of taxable income (up to the IRS limitations).

Search for “retirement contribution limits” on Irs.gov.

You can utilize funds in a retirement account to purchase dividend stocks, mutual funds or other investments.

SEP/IRA/401K: Self-Employed? Ask your accountant which one is right for your situation!

Employed? Find out what retirement plan your employer offers.

Example: if you make $50,000 a year and you contribute $5,000 pre-tax to your Traditional IRA, your new taxable income has decreased to $45,000.

Employer Matches = Free Money

If you're not maximizing your contribution to your retirement plan at work to get the FULL match by your employer, consider it if it's financially possible!

This is literally FREE MONEY and will help you grow your next egg exponentially over time.

In addition to free money, it'll help you reach your max retirement contribution limit to get a larger tax deduction.

Double win!

Health spending accounts (HSA)

This is an account that you're able to contribute to, up to the max limit every year, if you have a qualifying high-deductible health plan (High-deductible minimum of $1350 for an individual and $2700 for family plan*).

These accounts are used to save on health expenses but they also save you on taxes since contributions are tax deductible up to the max ($3500 individual / $7,000 family*).

You can use the HSA account for qualified medical, dental, and vision expenses.

You can also **invest these funds** if you don't use the money for your medical expenses. You can purchase things like mutual funds or CD’s.

*2019 IRS amounts

Self Employment Deductions:

If you're self-employed, you can take a lot of deductions. Your accountant can help you find them. Below are some examples:

Car

Mileage/ Gas

Office/ Equipment

Home Office

PRO TIP: Don't go it alone. It can be worth paying for a reputable accountant/tax strategist versus free online software.

Questions to ask your tax accountant:

- Do I need to have an LLC or SCORP to save more?
- How should I structure my retirement plan?
- How do I maximize my deductions for tax savings?

High-Yield Savings Account

Online high-yield savings accounts

Certificate of deposits (CD's)

Credit Card Rewards

Miles Cards for Travel

Cashback Cards

This course in review.....

Stock Market Investing

ETFs

Mutual Funds

Dividend Stocks

Tax Strategies

Retirement Funds

Know What To Ask Accountant

Understanding Tax Deductions