I Was Broke.
Now I'm Not.

5 Basics to Investing

By Joseph Sangl

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Investing! It is consistently given as one of the most confusing topics individuals face. In this series, I want to share some basic investing fundamentals. My goal is to help you understand this topic better and walk away with practical steps to make investing less intimidating.

STEP ONE:
Evaluate and Diversify

Before beginning, you need to assess what investments you currently have. You might be saying, "Joe, I don't have any investments." My question to you is: do you contribute to some type of retirement plan at work, own a home, or own a business? Investing is much more than owning stocks. To start, make a list of all your investments. Once you have all of your investments listed, you can evaluate to make sure they are diversified.

I'm sure you have heard the saying, do not put all your eggs in one basket. This directly relates to investing. A key step in investing is to diversify your investments. For example, you should not put all your money into one company's stock. Instead, spread your investments out. By spreading out your investments, you greatly lower the risk of your investment.

You can research countless times where people have put a large portion of their money into one company, only to have that company fail. Several people lost large sums of money when they invested solely in Enron during the early 2000's and the company went under. If these people would have diversified their investments, they could have softened the blow.

An easy way for you to diversify is to invest in mutual funds. A mutual fund allows you to purchase a portion of many stocks and bonds with a single share purchase. This purchase automatically diversifies your investments, even though you have only bought one share. Also, do not just invest in stocks only. Invest in a new business or a home that can be rented out. Investing is much more than the stock market. You have a world of things to invest in—real estate, land, new businesses, or even your own business!

Next Steps:

- Review your current investments. Are they diverse?
- Are you only investing in one type of company? If yes, take steps to address this right away.
- What other investments could you make outside of the stock market?

STEP TWO:

Automate Your Investments

Make your investments automatic. Your bank account can be set up to auto draft money into different investment plans (401k or a child's 529 college-savings plan).

When your investments are automated, it prevents you from forgetting to transfer money each month. It also eliminates the possibility of using that money for splurge purchases. This is awesome for those of us who are highly susceptible to spend any and all extra money. You'll also see your net worth increase every single month.

One thing to note, if you ever have to switch banks, you'll need to set up the auto draft again at your new bank. I would try to do this as soon as possible. I know from firsthand experience how hard it can be to write a check to your savings account or 529 college-savings plan when the auto draft isn't set up. There are moments where you will think, "Wow! I can really use this money elsewhere!"

If I had to write a check every month to my investment accounts, there is a good chance that my investing plan would be seriously off track. Make it automatic.

Next Steps:

- Set up auto drafts with your bank (via phone or online) and start automating your investment account(s), such as a 401k, retirement account, or 529 college-savings plan.

STEP THREE:
Get the Free Money

Yes, I said FREE money. Many employers will match a portion of your contributions into a self-directed retirement plan. I encourage you to go to your human resource department and sign up for the retirement plan. Start investing money into it immediately. Contribute enough money to obtain the entire employer match. Remember, this is really just FREE money!

Each company is different, but most companies will usually match up to a certain percent of your pay. I worked for an employer that matched me dollar-for-dollar up to 8% of my pay (100% automatic rate of return). Another matched dollar-for-dollar up to 6% of my pay. Still another matched dollar-for-dollar up to 3% of my pay. Whatever your employer is willing to give you is FREE MONEY!

It is baffling that many people don't take advantage of this opportunity. I have heard several excuses about why people choose not to—excuses like:

- "I cannot afford to contribute."
- "I'm living paycheck-to-paycheck already."

These people are basically saying they cannot afford to be given free money. That does not make a whole lot of sense. This is an opportunity to receive 100% return on your investment. Do not waste this chance!

Next Steps:

- Talk to your employer today and sign up for your company's retirement plan. Start contributing something—at least enough to get the full match.
- As quickly as possible, increase your investing contribution to at least 10% of your gross income. I know this is a lot of money, but you will never regret this decision.

STEP FOUR:

Unleash the Power of Compound Interest

Have you ever heard the saying, “my money is working for me”? This is exactly what compound interest does for you. When you utilize the power of compound interest, you are allowing the interest you are making to earn interest.

For example, say you have $100 in an investment account that grew to $105 in one year. This is the equivalent of 5% interest. Now suppose the $105 is left alone for another year and continues to grow at a rate of 5%. Will it be paid another $5 interest when the second year is up? No! It will be paid $5.25 because interest was received on $105—not just $100. Interest earning interest!

Take a look at the below example of a $100/month investment growing at an annual compound rate of 12%.

$100/month with 12% annual growth				
Time	Value		Time	Value
5 years	$8,167		30 years	$349,496
10 years	$23,004		35 years	$643,096
15 years	$49,958		40 years	$1,176,477
20 years	$98,926		45 years	$2,145,469
25 years	$187,885		50 years	$3,905,864

Remember, you are only investing $100 each month. After 40 years, you have only invested $48,000 but your account balance is $1,176,477! This means that $1,128,477 is the interest you have gained.

Now do you see the power of compound interest?

Where do you find investments that offer 12% return? I have found no investments that consistently return 12% every single year, but I have found several mutual funds that average over 12% return over the past 50 years. Some years they could lose 15% while othersthey gain 30%

How to maximize your investment growth:

1. Invest enough to receive the entire company match: By investing in an employer-sponsored retirement plan that matches a portion of your contributions, you could even receive a 50% or 100% return.
2. Monitor your investments at least every six months: I track my investments at the end of every single month. This helps me understand how each one is performing and allows me to make necessary adjustments.
3. Consider investments beyond the stock market: The stock market is just one place to invest. Consider investing in a small business, real estate, and intellectual property— like patents and licensing rights. Remember, a higher interest rate almost always means a higher risk.

Next Steps:

- Establish a consistent investing habit. Invest into your retirement account every paycheck for the rest of your working life. Even if you can only invest a small amount, it will add up to more than you can imagine.

STEP FIVE:

Continue to Learn About Practical Investing Opportunities

There are so many different types of investment opportunities, so I have broken down a few of them for you.

Stocks - When you own a company, you technically become a part owner of that company. You have some claim to the assets and earnings of the company. Stocks are foundational to most investment portfolios. They are known to be very volatile in the short term but have historically outperformed other investments in the long run.

Mark Twain has famously said this about investing in stocks: "October: This is one of the particularly dangerous months to invest in stocks. Other dangerous months are July, January, September, April, November, May, March, June, December, August and February."

There are two major types of stocks:

- **Common Stock:** Common stock allows the holder to vote in the shareholder meetings (depending on the amount of stock owned) and provides access to dividends to profit sharing produced by the company.
- **Preferred Stock:** Preferred stockholders have priority over common stockholders. This applies to many areas including when dividends are being paid to shareholders.

Bonds - A bond is a large debt owed by a company, government, or even a school, where the borrowing institution has agreed to repay an established amount of interest payments for a set period of time. When this time expires, the borrower then returns all of the principal back to the lender(s). Bonds can vary in maturity times anywhere from 1 year to 30 years. I like to think of my personal residence as a bond investment. A bond is generally less risky.

Mutual Funds & Exchange Traded Funds (ETFs) - Mutual funds and ETFs let you accumulate a wide variety of investments that you could not normally obtain without consuming large amounts of time and money. Mutual funds and ETFs are funded “mutually” by you, me and millions of our closest friends. Our money is pooled together and then used by the “mutual fund managers” to invest in hundreds of other company stocks, bonds, and other sorts of investments. Usually, mutual funds and ETFs have specific charters that direct their investments. Our mutual fund might only focus on established companies in the USA while another could focus on investing in up-and-coming companies in third world countries.

Other Investing Opportunities - People so often hold themselves to these common types of investments and never branch out. Investing opportunities are all around you. You can invest in a small home and rent it out. You could invest in small businesses in your community. When you are investing, you can think outside the box. Some of the greatest returns can be found when investing in unorthodox ventures.

Next Steps:

- Review your investments and know what you are invested in.
- Start to think outside of the stock market when you are investing.
- Start investing!

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ABOUT I WAS BROKE. NOW I'M NOT.

I Was Broke. Now I'm Not. was founded by Joseph Sangl who had a dream to teach people practical ways to win with their money. The IWBNIN Team is passionate about equipping people to accomplish far more than they ever thought possible with their personal finances.

The IWBNIN Team accomplishes it Passion Statement through the following means:

- Providing FREE personal finance tools via its website
- Writing books, studies, articles, and blog posts that teach practical and relevant personal finance tools
- Teaching live online experiences that build knowledge on financial topics
- LIVE speaking and teaching at churches, business and non-profit organizations throughout the world

Contact the IWBNIN Team via email at info@iwbnin.com or call [864] 332-4151

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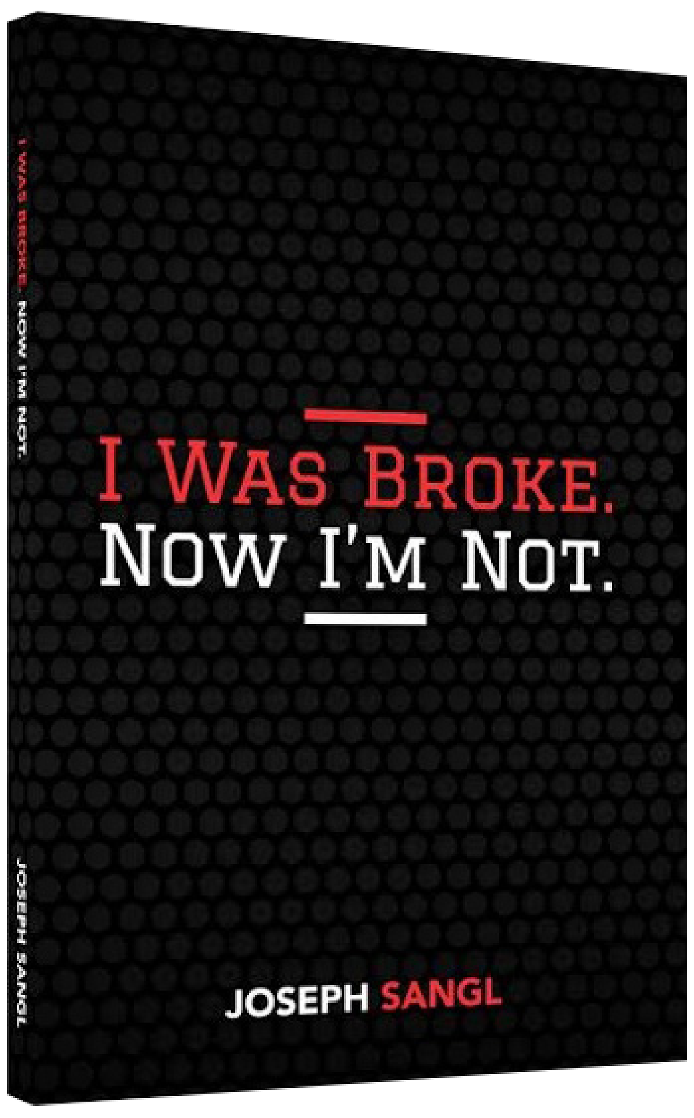

Money doesn't have to be a frustrating or confusing topic. When you apply the practical tools shared by Joseph Sangl in I Was Broke. Now I'm Not., you will gain control over your finances. As your financial education increases, you will begin to see your plans, hopes, and dreams become a reality as you start living a fully funded life! In this book, you will learn the fundamental rules of money. Even more importantly, you will walk away with HOPE that you can live a fully funded life!

U.S. $20.00
This book and additional resources at www.iwbnin.com

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ABOUT JOSEPH SANGL

Joseph Sangl is a leading teacher of personal finances. It is his passion and mission "to help people accomplish far more than they ever thought possible with their personal finances." He firmly believes that when people are financially free, they are much more likely to go do EXACTLY what they have been put on Earth to do – regardless of the cost or income potential.

He is the founder of I Was Broke. Now I'm Not., an organization that provides financial teaching through live events, print and web resources.

Joe has taught hundreds of thousands of people through Financial Learning Experience, Financial Freedom Experiences, one-on-one financial coaching sessions and personal finance messages. He is the author of the books, I Was Broke. Now I'm Not., What Everyone Should Know About Money Before They Enter The Real World, Funded and Free, and OXEN: The Key to an Abundant Harvest. His story has been featured in Money Magazine, the world's largest personal finance magazine.

He obtained a BS Degree in Mechanical Engineering from Purdue University in 1996 and an MBA from Clemson University in 2001.

Joe resides in Anderson, South Carolina, with his bride, Jenn, and their three children.

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