

Getting started

efw

How to Invest

Congratulations, if you are already enrolled in an employer's 401k/403b plan, you are already investing! For the longest time I didn't think I was investing since I did not realize a 401k was 'investing.' But it is! When investing, simple is best.

You don't need anything fancy for investing, so if all you have is a 401k, do not worry! You can also invest for retirement through an Individual Retirement Account (IRA), which you open yourself. Below explains how to open an IRA or Taxable account.

If you have questions about a 401k/403b, the best resource is HR or your boss. If offered by your company, they will let you know how to sign up and any requirements.

How to open an investment account

1. Select a brokerage firm to open your account. Popular ones include Fidelity, Vanguard, and Charles Schwab (among many others!). The process to sign up is similar to opening a checking account or credit card.

2. Select Account Type: an IRA if you don't have one is an option, which can offer tax savings. Another option is a Taxable Brokerage that allows you access to the funds at any time, but with taxes collected.

3. Link a bank account to supply cash: to invest we must provide cash! Depending on the funds you select, a minimum amount could be required.

4. Select Funds: As I am not a CFA, I cannot tell you what funds to invest in. Investing in multiple companies is the best way to minimize risk. An Index Fund is a great option because it is a portfolio of stocks. Popular index funds include the S&P500 (500 of the largest US companies) and the Total Stock Market which includes small, medium and large public companies in the US. Bonds are also an option and have a lower risk profile than stocks. Here are sample funds for the three brokerages from above:

Vanguard: VTSAX, VTI, VFIAX, VOO, VBMMX, BND

Fidelity: FSKAX, FXAIX, FBND, FTBFX

Charles Schwab: SWTSX, SCHB, SWPPX, SWAGX, SCHZ

5. Buy & Hold! Once you have selected the fund to invest in, place a market order for the amount you want to purchase. You will receive a confirmation when the purchase is made, and that's it! You've successfully bought your first investment. Don't be alarmed if your investments dip, as the market goes up and down. We are rewarded when we stay long-term investors, even during downturns, and allow compound interest to reward us while we sleep.

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