

CU Everywhere

Growing Wealth

PRESENTED BY:
NUMERICA CREDIT UNION





Introduction:

This content is for educational purposes only. It does not constitute an offer or recommendation on how you invest. Rates of return used are for illustrative purposes only and not representative of investments currently available.

When you hear words like “Wealth, investing, retirement, or the stock market” what do you think of, how do you feel?

*WHAT IS WEALTH, AND HOW DO YOU BUILD IT,
WILL I EVER BE WEALTHY?*

Wealth means different things to different people. What does it mean to you? Maybe it means...

- Ignoring the price of food at a restaurant and ordering what you want.
- Taking a vacation each year – without going into debt to do so.
- Having enough money to support a family member financially.

The only person who can determine if you are wealthy is you, and how you feel about the resources you have.

At a basic level, your wealth is measured by your net worth, which is the total value of all your assets including accounts, investments, real estate, collectibles, vehicles, a business, etc. minus your liabilities such as car loans, credit card debt, and mortgage balances.

$$\begin{array}{ccccc} \begin{array}{|c|} \hline \$ \\ \hline \end{array} & & \begin{array}{|c|} \hline \text{DEBT} \\ \hline \end{array} & & \begin{array}{|c|} \hline \$ \\ \hline \end{array} \\ \text{Assets} & - & \text{Liabilities} & = & \text{Net Worth} \end{array}$$

What is your Net Worth today, how do you feel about that number?

If you don't love your number, we want to help you focus on progress; any improvement is a win.

PLANTING THE SEED FOR WEALTH

Creating Wealth is like planting a seed; the earlier the seed is planted the more time it has to grow. In this case, you **plant money in good places where it has the potential to grow**. That money can help you achieve a goal — pay for education, buy a house, grow a business, go on an adventure, retire comfortably, etc.

Growing wealth works when you buy assets at a low price and sell them at a higher price—for example, investing in stocks, bonds, real estate, businesses, and other items that can increase in value.

Why do you want to grow wealth for your future?

WILL I EVER BE WEALTHY?

How do you feel when you think about this question, how would you answer it? Ask yourself:

- Can I imagine myself being wealthy?
- Who do you know personally who has grown wealth? How did they do it?
- What would it take to make that a reality for you?

Our financial expectations and our family experiences with money often influence our ability to grow wealth, but they don't have to determine it!

Let's concentrate on the aspects within our control: our financial decisions and how we react to financial challenges as they come up.

THE POWER OF STARTING EARLY AND SMALL

What is an area of your life where small choices have led to a big impact?

Small moves combined with time and consistency are crucial to growing wealth; let's explore how with a few examples.





In this scenario each person wants to retire with over \$1,000,000, but how much will they need to invest each month to reach their goal if they start with \$0?

Starting Age	Retirement Age	Total Years Invested	Monthly Contribution	Investment Return	Money at Retirement	Money you Contributed
20	67	47	\$175	8%	\$1,087,165	\$98,700
25	67	42	\$250	8%	\$1,030,124	\$126,000
30	67	37	\$370	8%	\$1,005,068	\$164,280
35	67	32	\$565	8%	\$1,002,286	\$216,960
40	67	27	\$880	8%	\$1,004,414	\$285,120
45	67	22	\$1,400	8%	\$1,003,503	\$369,600
50	67	17	\$2,350	8%	\$1,014,723	\$479,400

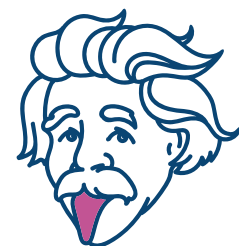
This chart shows how powerful time can be in growing wealth, \$175 invested monthly for a 20-year-old is as valuable as \$1400 invested monthly for a 45-year-old.

“COMPOUND INTEREST IS THE 8TH WONDER OF THE WORLD. THOSE WHO UNDERSTAND IT EARN IT, THOSE WHO DON'T PAY IT.”

Albert Einstein
German American Physicist

Einstein's quote and the chart above show us how compound interest can work in our favor, and the more time it has to work the better!

If you'd like to get some practice investing, The Stock Market Game (www.stockmarketgame.org) is a free stock simulator that allows you to buy and sell investments and get practice as an investor.





Buying a home is the main way Americans build wealth. For households that own a home, the equity of that home represents 45% of their wealth.

This chart shows the median sales prices of a home in the U.S. from 2006-2024:

Year	Median Sales Price	Change from the previous period
2006	\$247,700	N.A.
2010	\$222,900	-\$24,800
2015	\$289,200	+\$66,300
2020	\$329,000	+\$39,800
2024	\$426,800	+\$97,800

Homes don't always increase in value, but in the long term, they often do. Buying a home when you're ready can be a solid investment; especially if you plan to live in it long-term. In some situations, it can also be converted into a rental property to generate cash flow.

If you need help with the homebuying process, connect with a Numerica home loan officer and check out our homebuying resources here: www.numericacu.com/personal/home-loans-team.



We can help you:

- Determine how much home you can afford.
- Create a plan to save your down payment.
- Get your credit ready for a home loan.
- Access Numerica as a trusted advisor for your homebuying journey.



Investments come in two main categories, loan or own.

When you **LOAN** your money, you let someone use your money for a set length of time. At the end of that period, you get your original money back plus some interest.

When you **OWN** an investment, you purchase an investment that you anticipate will grow in value and you get your money back when you sell it to someone else.

LOAN INVESTMENTS

Credit Union Checking, Savings, Money Market, and Share Certificate accounts: These are very low-risk investments that usually offer guaranteed interest.

Bonds and Bond Mutual Funds: Bonds are when a government or company borrows money from investors and agrees to pay them a rate of interest in return. Bonds are typically considered less risky, especially government bonds. When you invest in a bond mutual fund you are purchasing a collection of bonds managed by an investment company.

For example, if a company wants to build a new manufacturing plant, to raise the money they need they may issue a corporate bond. Bondholders lend them their money and get paid back their original amount plus interest.

OWN INVESTMENTS

Stocks: A stock is partial ownership of a company. They go up or down in value depending on the rising and falling value of the company. This makes stocks a more volatile investment. Many companies also pay regular dividends. These payments represent your share of the profits of the company.

Mutual Funds: Mutual funds are when a group of investors pool money for a specific investment strategy. A single mutual fund could invest in an assortment of stocks, bonds, or other investments. Depending on the mutual fund you can easily diversify your investments across a broad range of companies.

Exchange Traded Funds (ETFs): ETFs are very similar to a Mutual Fund, but you can sell or buy them during market hours. ETFs generally hold a collection of stocks, bonds, or other investments. They tend to offer very low fees and natural diversification.

Target Date Funds (TDFs): A Target Date fund is an investment that helps people save for retirement by automatically balancing their portfolio over time. They are often the default investment in workplace retirement plans. They will automatically adjust their investments and risk level based on the retirement date of the investor.

Real Estate: Your primary residence, a rental property, land or a commercial building are examples of real estate investments. These assets may produce regular monthly cash flow if they are rented out and may grow in value. They may also offer tax advantages but can be more difficult to maintain than other investments due to repairs and improvements.

Businesses: Owning and growing a business can help you grow wealth in two main ways, the cash flow and value of the business. If these increase over time the value of your investment increases.

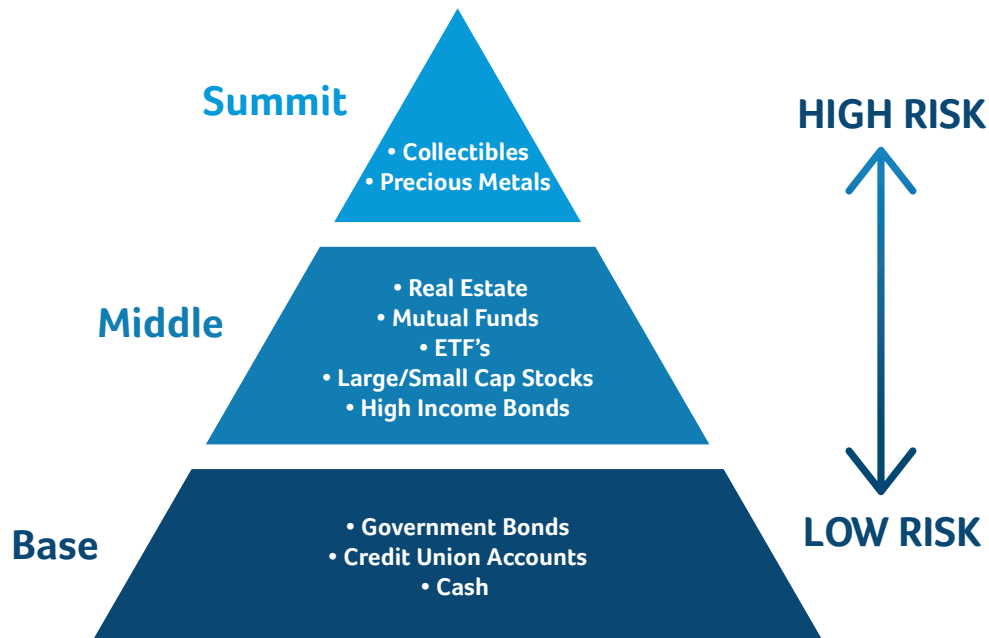
Precious Metals and Collectibles: Gold and silver are the most common metals used for investing, people also may invest in collectibles like fine art, jewelry, toys, comic books, and coins, buying them at lower prices and reselling them at higher prices. These can be risky investments due to price fluctuations, a lack of tax advantages, and in some cases the need to store and secure physical items.

UNDERSTANDING WEALTH CREATION AND RISK



A key to success in creating wealth is taking on some risk while being honest about your comfort with losing money. Your investment choices should align with your ability to stomach risk in your investments and your age. An individual with a long timeframe to grow wealth (15+ years) can take on much more risk than someone who is five years away from retirement.

Let's check out the Investment Risk Pyramid, which categorizes investments based on their risk.



- **The Base of the Pyramid:** The foundation of the pyramid represents the strongest portion, which supports everything above it. This area should consist of investments that are low in risk and dependable. It is the foundation on which other investments are built. It may be a small part of your wealth in terms of dollar amount, but it creates a foundation for adding other investments. You need to be able to draw on these investments in emergencies such as a job loss or medical situation.
- **Middle Portion:** This area should be made up of medium-risk investments that offer a stable return while still allowing for investment growth. They are riskier than the assets creating the base but can still be relatively safe. This is normally the largest part of your pyramid in terms of dollar amount.
- **Summit:** Reserved specifically for high-risk investments, this is the smallest area of the pyramid and only includes money you can lose without any repercussions. Some people choose not to have any money in these types of investments.

In general, the more risk you accept in your investments, the more return you can earn. The opposite is also true, the more risk you take the more money you can lose in your investments.

UNDERSTANDING WEALTH CREATION AND RISK



In the long term, assets in the middle section of the pyramid tend to increase in value. The sooner you begin growing wealth the less money you must invest consistently. You want to put yourself in a space to grow wealth at a pace and risk level you are comfortable with. Growing wealth now gives you more flexibility in your pyramid.

Let's look at some examples for people of different ages who are just starting to invest and what return they would need to average to reach a \$500,000+ retirement portfolio when they retire:

Starting Age	Retirement Age	Total Years Invested	Monthly Contribution	Average Investment Return Needed	Money at Retirement
25	67	42	\$300	5%	\$513,404
30	67	37	\$300	6.15%	\$507,886
35	67	32	\$300	8%	\$532,187
40	67	27	\$300	10.25%	\$517,444

This table shows us that we can afford to take on less risk if we start growing wealth earlier.

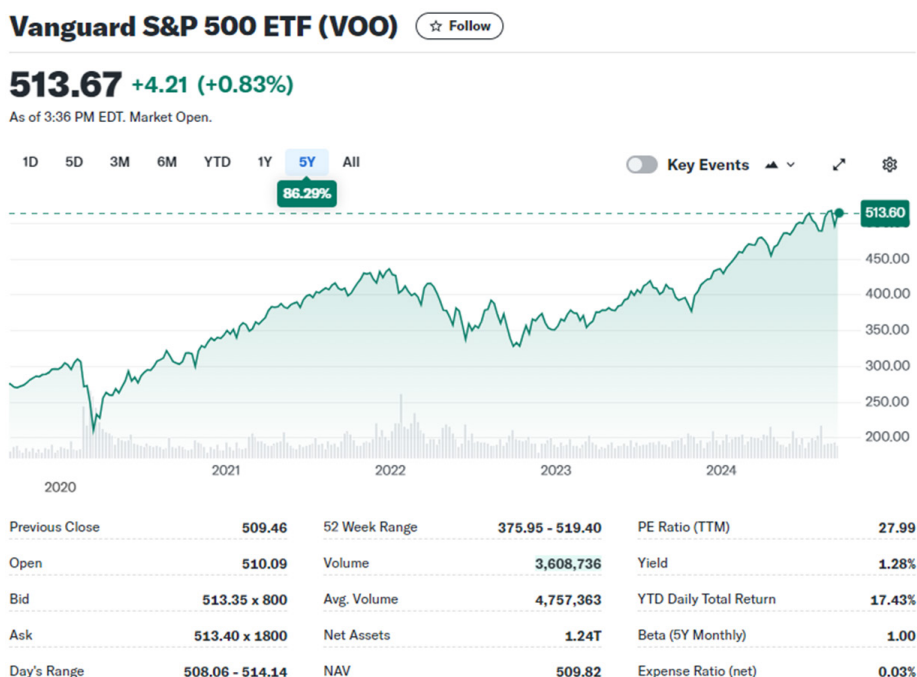
Ironically, we can also take on more risk if we start early because our investments have time to bounce back in value from a drop before we need to access or sell them.

How comfortable are you with risk and uncertainty with your money?

HOW TO READ AN INVESTMENT CHART



Picking investments can be overwhelming, but it starts with learning how to read an Investment Chart. All stock market investments have a stock ticker, which identifies the investment and lets you read up on its performance. This is the chart for the Vanguard S&P 500 Exchange Traded Fund (VOO), an index Exchange Traded Fund (ETF) that tracks the performance of companies in the Standard & Poor's (S&P) 500. The 500 largest companies on the U.S. stock market. We are looking at its performance for the past 5 years from 9/12/2024:



Current Price: The value of the investment right now, \$513.67.

1D, 5D, 3M, 6M YTD 1Y 5Y All: These show the investment return during a specific time frame, the last day, five days, three months, six months, year to date, one year, five years, and all-time since the investment was first offered. These are the total returns in these periods, not annualized returns. In this example, this ETF has returned 86.29% over the past five years.

Net Assets: The total money invested in this ETF, \$1.24 Trillion.

Expense Ratio (net): The fees you will pay to invest in this ETF, .03%. For every \$1,000 invested, you will pay \$3.00 per year. A high expense ratio can eat into your investment returns. Not all investments have expense ratios, individual stocks being the prime example.

YTD Daily Total Return: This is the amount of profit or loss an investment has made since the first day of the year to today's date, in this case, 17.43%.

This example also shows us that in the long term, the value of these companies tends to go up and that staying invested in diversified investments through market fluctuations can pay off. The value of this ETF dropped significantly in 2020, at the start of the COVID-19 Pandemic, but has since grown well past that value.

Staying invested through market fluctuations is often a sound strategy, especially if you have time for your investments to bounce back.

HOW TO READ AN INVESTMENT CHART



The same cannot be said for meme stocks, which are often individual stocks that fluctuate widely in value. Here is an example of a meme stock, AMC Entertainment Holdings which was driven up in price by speculative investing driven by social media. Here is the stock chart for AMC for the 5 years from 9/12/2019-9-12-2024.



At the start of 2021, AMC sold at about \$2 per share. In June of 2021 investors drove up the price by buying millions of shares of the stock. It increased to \$72 per share, a 36-fold increase. Yet as we look at the above chart it has sunk in value from that all-time high to around \$5 per share.

Some investors made money, some made lots of money in the price spike and the smaller spikes that followed. However, many normal investors tried to time the stock and lost significant amounts of their money. Knowing when to get in and out of an investment quickly is very hard to do.

If you get a hot stock tip or read about a meme stock online make sure to do your research and know what you are getting into. There is an old saying that "time in the market beats timing the market." Pick solid investments that grow steadily over time, and you increase your chances of being successful.

What hot stock tip or advice have you received? How did it turn out?

THE TRUE COST OF INVESTMENT FEES



Investing can come with fees; these are some of the most common.

Expense ratios: If you invest in funds like Mutual Funds or Exchange Traded Funds (ETFs) it may carry an expense ratio, expressed as a percentage, for example, .03% 1.0%, etc.. This fee is charged for operating the fund.

Sales charge or load: These are sometimes charged by mutual funds; it is a fee you pay when you buy or redeem shares in a fund. There are many “no load” mutual funds available so this fee can normally be avoided.

Trading fee: This is a fee you pay when a broker or investment advisor executes a sale or purchase for you. Some investment companies do not charge trading fees.

Investment expense ratios can make a big difference, let's look at an example of three different investments with different expense ratios that earn the same rate of return over a long investing time frame. We will assume that in both scenarios we are starting with \$0 invested.

Starting Age	Retirement Age	Monthly Contribution	Expense Ratio	Investment Average Rate of Return	Money at Retirement after fees	Cost of fees
25	67	\$250	.05%	8%	\$971,607	\$14,141
25	67	\$250	.25%	8%	\$917,166	\$68,582
25	67	\$250	.45%	8%	\$865,968	\$119,780

Expense ratios can make a massive difference in how much money your investments make, so read those investment charts carefully!



To pursue a financially secure future, it's important to plan and determine your financial goals. You have a multitude of options for retirement, health care, education, and investing for other goals. Let's dive into your options.

RETIREMENT ACCOUNT OPTIONS

Most retirement account options come with tax advantages; non-retirement accounts may not have those same advantages. They come in two main categories, self-initiated or employer offered.

SELF-INITIATED

IRA

IRA stands for an individual retirement account. It allows individuals to direct pre-tax income toward investments that can grow tax deferred. You can invest in a wide range of investments in an IRA including stocks, bonds, mutual funds, ETF's and more, but you must choose your investments. An IRA is intended to be used for long-term investing since a 10% IRS penalty may apply to withdrawals prior to age 59½. You can open an IRA yourself with an established investment company like Fidelity or Vanguard. Keep in mind that you need to pick investments within your IRA, it doesn't automatically invest your money for you.

OFFERED BY EMPLOYER

401(k), 403(b)

401(k) plans are employer-sponsored accounts. They make it easy for employees to set aside pre-tax income from paychecks for retirement. A huge benefit of some 401(k) plans is employer matching. If your employer offers to match your contribution, take advantage of it! That is free money for retirement.

The Roth option

When setting up retirement accounts, there is often an option to open a Roth version. With Roth accounts, investors pay taxes on the front end but enjoy tax-free withdrawals in retirement. That means growth on these investments is not subject to tax. Roth IRAs are available to investors who fall within certain income limitations. Most 401(k) plans also offer a Roth option. Roth IRAs also have some incredible benefits including:

- You can withdraw money you contributed after you've had the account for five years.
- You can withdraw money without penalty to purchase your first home.
- There are no Required Minimum Distributions in a Roth IRA in retirement.

Here are some small steps you can take to impact your retirement investing:

- Talk with your Human Resources department to learn about your workplace retirement plan and options.
- Contribute to your employer-provided retirement plan and invest a small portion of your paycheck.
- Take advantage of a company retirement match, every \$1 they match is a 100% return on your investment, which is incredible!
- Utilize a tool like Numerica's small dollar investing tool to set aside small amounts of money each month and grow your wealth.



SMALL BUSINESS RETIREMENT PLANS

If you own a small business you have a range of retirement account options for yourself or your employees including 401k and IRA plans.

SELF EMPLOYED 401(K)

A Self-employed 401(k) allows owner-only businesses and partnerships to invest for their retirement. This is only available for self-employed individuals with no employees and the owner's spouse may participate in the plan if they are a compensated employee of the business.

SEP IRA

Simplified Employee Pension Plans (SEP IRAs) can allow self employed individuals and small business owners to open a tax-deferred account for retirement. These are available in Traditional and Roth options. These are primarily for sole proprietors or businesses with a few employees.

There are contribution limits and restrictions for SEP IRAs, for example, contributions must be made by the employer and must be the same percentage for each employee i.e. 5% in a year.

SIMPLE IRA

Simple IRAs may be a good fit for employers who have fewer than 100 employees and allow employer and employee contributions to the plan. There are some contribution restrictions for employees and employers. For help or advice setting up your small business retirement account, connect with our Numerica Financial Services team by scanning this QR code.



SAVING & INVESTING FOR EDUCATION

Paying for education for yourself, your kiddo or grandkids can be very expensive. Fortunately, there are great options to help invest for these expenses.

529 PLANS

529 plans are tax-advantaged college savings accounts that can be used to pay for education including tuition, or textbooks for anyone who is the beneficiary of the account including yourself. With changes that were made to 529 plans, they can also become the first retirement accounts for kiddos or grandchildren.

Every state except for Wyoming offers a 529 plan, but you do not have to utilize your home state's 529 plan option. Many states offer a state (not federal) tax deduction for contributing to a 529 plan and there are a wide range of investment options to grow the balance of your account including mutual funds, index funds, ETFs, and more.



You make after-tax contributions to your 529 plan, and your investments grow tax-deferred, so they aren't subject to capital gains tax annually. When you use your 529 funds to pay for qualified education expenses, that money is tax-free. Those qualified education expenses include :

- Tuition and fees for college, trade school (check eligibility), or private K-12 education (limited to \$1,000 per year for K-12 education).
- Books and supplies for college.
- Computers, software, and internet access for college only.
- Room and board for college only, if the student is enrolled at least half-time.
- Student loan payments, up to a \$10,000 lifetime maximum.

Funds withdrawn from a 529 for non-qualified expenses are subject to a 10% penalty and you'll pay federal income taxes on those funds. You have options to avoid paying those penalties and taxes.

START A ROTH IRA

You can rollover 529 funds into a Roth IRA for your 529 plan beneficiary, up to a lifetime limit of \$35,000. If you have had the 529 plan for at least 15 years, with the same beneficiary, you can roll over the annual maximum contribution to a Roth IRA, up to a lifetime total of \$35,000.

There are certain restrictions on these rollovers, so consult a licensed tax professional for further advice.

INVESTING FOR HEALTH CARE EXPENSES

One of the best investment and wealth-creation accounts may help you pay for health care expenses tax-free. If you are on a High Deductible Health insurance plan (HDHP), you may open and contribute pretax dollars to a Health Savings Account (HSA). Those HSA funds can be used to pay for qualified healthcare expenses for yourself, your spouse, and your dependents tax-free.

Many HSA accounts allow you to invest your excess funds in mutual funds, index funds, bonds, target date funds, ETFs, and more.

If used correctly you contribute tax-free dollars to your HSA, can invest those funds and enjoy tax-free investment growth, and withdraw the funds for qualified medical expenses tax-free. This is one of the rare accounts that offers a triple tax benefit!

The funds you contribute to an HSA are always yours, even if you switch health insurance plans or employers. If you are on a qualified HDHP and your employer doesn't offer an HSA, you can open and contribute to one on your own.

After you turn age 65 you can withdraw money from your HSA for non-medical reasons, but you will pay income taxes on those withdrawals.



Start Early: The earlier you begin, the more time compounding interest can work in your favor.

Start Small: Even \$100 a month when invested or put toward home ownership can have a big impact. Start small and increase your contributions to wealth creation as your finances improve.

Be Consistent and Calm: Stay disciplined and make growing wealth a priority, take small steps each month toward your wealth goals. Regulate and check your emotions when you make financial decisions.

Automate your Finances: Set up regular transfers to your retirement account, home savings account, buy a business account etc. to support your financial goals.

Pay down your high-interest debt: Credit card debt and other forms of high-interest debt can eat into the money you need to grow wealth. If you need help tackling your high interest debt connect with one of our financial counselors at www.numericacu.com/financial-wellness/advice-counseling.



What area of your finances do you want to focus on this month?

*“THE BEST TIME TO START GROWING WEALTH
WAS YESTERDAY, THE NEXT BEST TIME IS TODAY.”*



HOW NUMERICA CAN SUPPORT YOU:

At Numerica, we help our members and community members grow wealth for their future. Whether you want to take a small or big step in your wealth creation journey here are a few ways we can help:

- Offer advice on how to use your Numerica accounts and loans to maximize your finances.
- Call our free financial counseling resource, GreenPath Financial Wellness at 855.400.3710, to create a spending plan that includes room for growing wealth.
- Connect with one of our home loan experts to start or continue your home ownership journey by calling 800.433.1837.
- Check out our investment resources for members through Numerica Financial Services www.numericacu.com/invest-insure/services.



What questions or concerns do I still have about creating wealth?

About Numerica Financial Services

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