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Morgan Stanley

Playbook: Your Guide to Life & Money

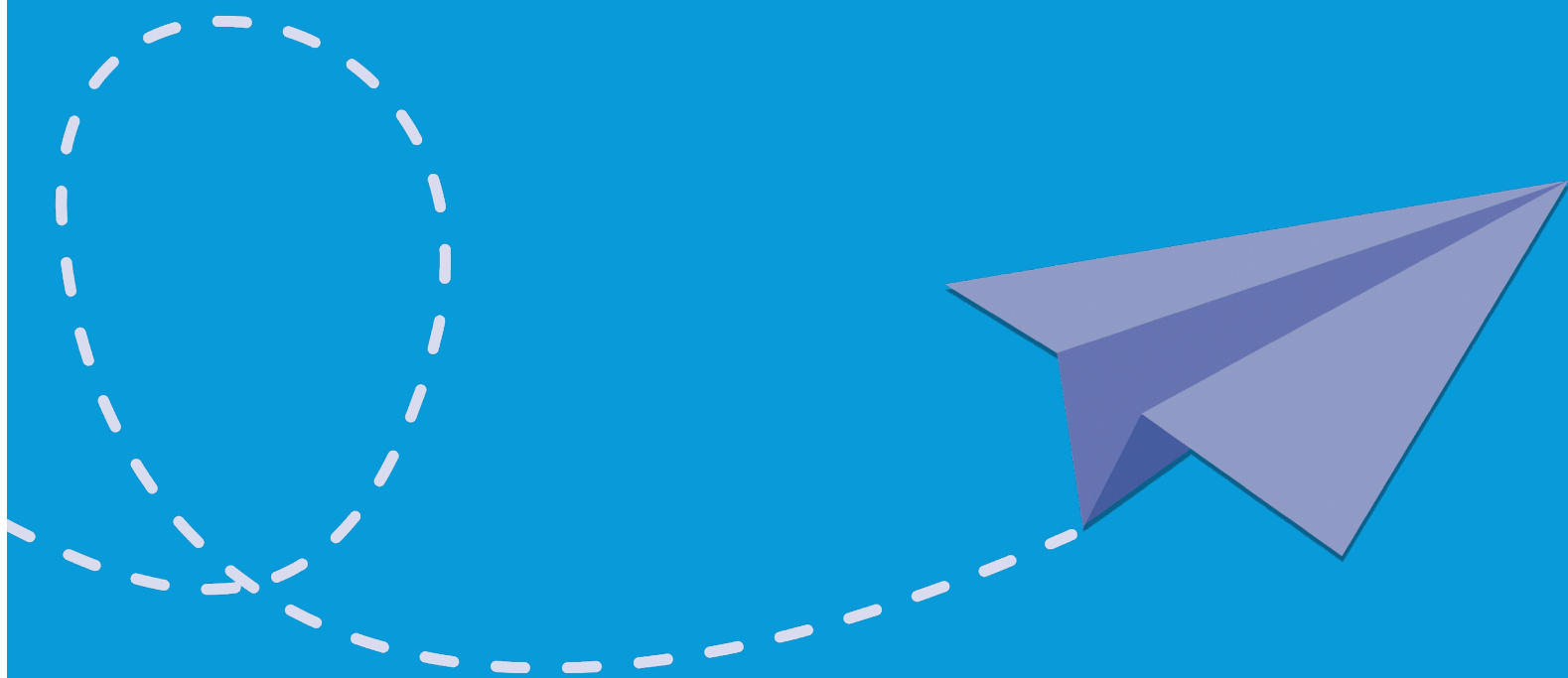
# Introduction

**How much of your savings should you be investing? Do you need a prenup? How do you know when you're ready to buy a home or start a business? If you're wrestling with some of these questions, the *Playbook: Your Guide to Life & Money* may have the answers you're looking for.**

Money is often considered a taboo topic, but it shouldn't be. When managed intelligently, wealth can be a powerful tool for impact.

Our goal is to help prepare the next generation of leaders, parents, philanthropists, innovators, trustees, executors, board members and investors by empowering you with the knowledge and tools needed to help achieve your goals: whether you're buying a home, starting a family, pursuing a passion or giving back. For 90 years, Morgan Stanley has been helping generations of clients navigate life's milestones, sharing expertise and guidance on subjects such as family dynamics, sustainable investing and philanthropy. We created the Playbook as a resource to guide you on this financial journey. Filled with articles, infographics, checklists, interviews and expert tips that cover major life milestones, the Playbook shares essential money know-how to help you navigate the road ahead and explore new horizons with confidence.

We hope this Playbook inspires honest conversations about money and the role money plays in your life. In addition to your friends and family, we encourage you to view your Financial Advisor as a resource. Take advantage of his or her expertise and professional training by asking questions, brainstorming ideas and getting unbiased advice on important decisions you will need to navigate along the way.



Playbook: Your Guide to Life & Money

# Graduating College: A Whole New World



## What Is Covered in This Chapter:

- Figuring out your next step in the real world.
- Deciding where to live and what to look for in a location.
- Handling the cost of reality with a winning budget.
- Why credit is so important and how to make sure you're in the clear.
- Determining whether grad school is right for you.

**Congratulations!** It is finally here—the grand finale after years of self-discovery, sporadic sleeping patterns and the pursuit of anything and everything that interests you. You have graduated... and now what? Armed with a college degree and a blank slate, your future awaits. You are about to embark on a journey of infinite possibilities, yet without the ability to opt out of early morning classes or charge meals to a student ID card. Get ready for exciting new adventures (and challenges) like figuring out where to live, why credit matters, how to manage debt, what boxes to check on your taxes and who to call for a dentist appointment (Note: “Call mom” is no longer the answer). To help ensure you are prepared for what’s ahead, it is important to understand how your financial decisions today can impact your opportunities tomorrow.



# Let's Review: Where Exactly Are You Starting From?

*When standing at a crossroads of open-ended possibilities, figuring out your next move can feel overwhelming. Here is a series of questions to help assess your starting point, so that you can begin mapping out the path ahead.*

## 1. Have you secured a job?

**YES** — Congrats! See our chapter on *Starting Your First Job* for winning plays on negotiating salary, understanding employee benefits and enhancing career development.

**NO** — You are not alone. See our chapter on *Starting Your First Job* for useful steps on getting job-ready and resources to help you throughout the search process.

## 2. Have you updated your social media profiles to help ensure you are portraying your most employable self online?

**YES** — Like. 👍 Make sure to update your LinkedIn profile (or create a profile) to establish a professional presence online as well!

**NO** — 7 in 10 companies (70%) report they utilize social media sites to research potential job candidates.<sup>1</sup> It's imperative to think about what first impression your future employer may get from your social media profiles.

## 3. Do you have a strong grasp on your skill set and how to position yourself with potential employers?

**YES** — See our chapter on *Starting Your First Job* for winning plays on how to find the right career for you.

**NO** — Consider taking an online personality test or build your repertoire of skills through an online course. You may discover strengths you were unaware of before.

## 4. Are you considering grad school?

**YES** — If you're having trouble committing, check out the section on determining if grad school is right for you and what your options are.

**NO** — Fasten your seatbelt, because it's time to face the professional world head-on. After a few years of work experience, you may even consider revisiting the grad school opportunity.

## 5. Have you decided what your next zip code will be?

**YES** — See the section about how to make sure your credit score doesn't prevent you from securing your dream digs.

**NO** — Turn the page to map out where to consider calling "home."

## 6. Have you thought about how to manage cash flow in the real world?

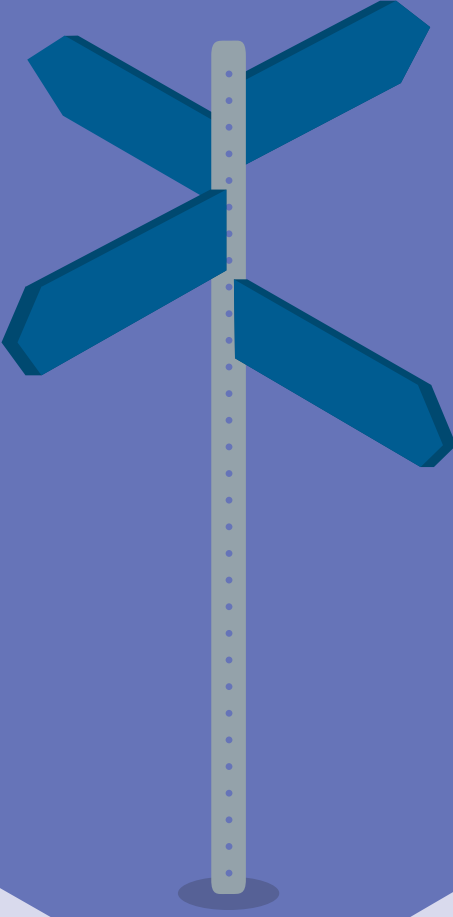
**YES** — You're off to a great start. See our chapter on *Saving: A Penny Saved Is a Penny Earned* to discover ways to make the most of your savings.

**NO** — Get started by reviewing the section on post-college budgets. Goodbye dining hall, hello leftovers.

## 7. Do you have student debt?

**YES** — Make sure to work that into your budget. See the budgeting section for more on incorporating loan payments into your budget.

**NO** — Take advantage of your financial freedom and check out our chapter on *Saving* for suggestions on how to get a head start on saving for the future.



# Master of Your Own Destiny: Where to Drop Your Next Pin?

*Oh, the places you'll go.* As a recent college graduate, it's easy to feel unsettled and anxious when trying to figure out your next move. Do you choose an occupation or a location first? Do you move back in with your parents? Should you spend some time traveling abroad before joining the workforce?

When deciding where to put down your post-college roots, keep in mind that there's a good chance you may switch employers at least twice over the next five years, so consider choosing a location that has more to offer than your dream job, especially as companies are increasingly adopting more flexible, work-from-home policies. Odds are that your idea of the "dream job" may evolve over time anyway.

Focus on locations that offer opportunities for you to grow, both professionally and personally. "Livability" is based on a variety of factors but it ultimately comes down to your individual priorities. Here are several things you may want to consider when deciding where to drop your next pin:

## Quality of Employment Opportunities

Unemployment rates don't always tell the whole story. Around 52% of young Americans with a bachelor's degree are considered "underemployed."<sup>2</sup> Or in other words, they aren't realizing their full potential in the workforce. One indicator of long-term career growth and quality of employment opportunities can be the share of a city's workforce that is employed in management, professional and related occupations (also known as "non-service" positions).

The U.S. economy is now a hybrid economy, with 35% of the U.S. labor force working from home full-time.<sup>3</sup> If this applies to you, make sure to check that your city offers the necessary infrastructure to support you, like co-working spaces and shared-interest community groups.

In many cases, the quality of a professional opportunity will depend on personal career goals. Take the time to research the major employers as well as the dominant industries in and around the city.

## Quality of Workforce

If most of your close friends have job offers in the same city, your decision may already be strongly swayed. However, if you are choosing between several different options, you may want to consider which locations have a lower median age. It can also be worth researching what percentage of 18-34 year olds hold a bachelor's degree, as this can be an indicator of a city's economic potential.

## Cost of Living

Research housing options thoroughly as this is one of the most important factors when choosing where to live. If buying or renting, focus on median home or rental prices as opposed to the average, which is often skewed by outliers. Taxes, public transportation and school districts are also important elements to take into consideration.

## Quality of Life

There are many other factors that can influence your final decision, but here are a few to consider:

### CLIMATE

Are you a fair-weather fan or do you take ice-cold winters in stride?

### PUBLIC TRANSPORTATION

What are your options for getting to and from work and how convenient are the nearest public transportation hubs? If you need a car to commute, how expensive is it going to be to get a parking spot or cover your monthly gas bill?

### NIGHTLIFE AND RECREATIONAL ACTIVITIES

If you are moving somewhere new, ask yourself how you will make new friends. Big cities will most likely offer a more vibrant social scene with plenty of restaurants, bars and pick-up leagues.

### PROXIMITY TO FAMILY

Do you want to be within driving distance to home? Are you hoping to benefit from a casual drop-in on laundry day? If being close to family is important to you, prioritize locations that allow you to travel home easily.

### EDUCATION AND CHILDCARE

If you have school-aged children or are planning to start a family in the future, consider school districts and academic options that meet your needs, as well as child care costs.

FACT:

**31%**



Nearly 31% of Gen Zs and 17% of millennials  
plan to leave their current job  
in the next two years.<sup>4</sup>

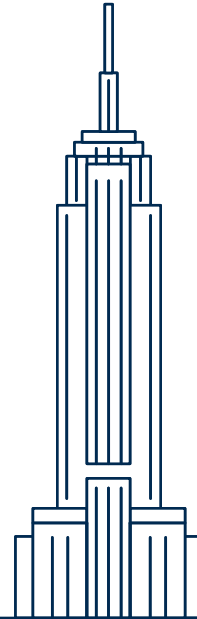
**17%**



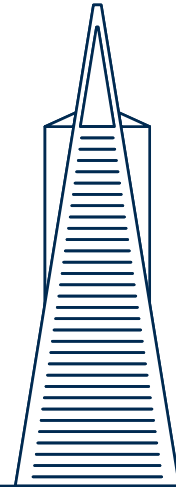
# Livability Comparison Chart

*Before dropping your pin, make sure to look at some of the key metrics to get a better overall picture of your future hometown. The chart below will help you understand how each city compares based on affordability, demographics, educational level, housing costs and general living expenses.*

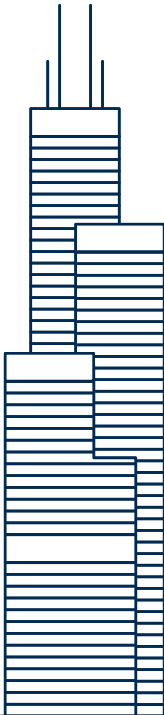
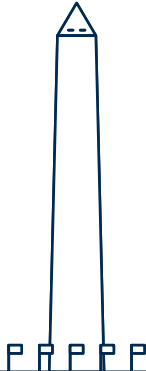

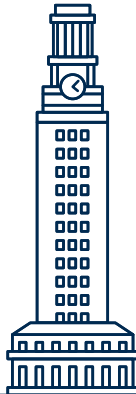
## NEW YORK CITY



## SAN FRANCISCO



<b>Average salary per person<sup>5</sup></b>	\$82,050	\$97,460
<b>Median age<sup>6</sup></b>	38.8	40.7
<b>Percentage of population with a bachelor's degree<sup>7</sup></b>	40.2%	59.8%
<b>Rental vacancy percentage<sup>8</sup></b>	3.9%	6.6%
<b>Median 2-bedroom apartment rent<sup>9</sup></b>	\$5,743 / month	\$3,862 / month
<b>Public transportation rating out of 100<sup>10</sup></b>	89—excellent transit	77—excellent transit

	CHICAGO	WASHINGTON, D.C.	BOSTON	AUSTIN
				
<b>Average salary per person<sup>5</sup></b>	\$69,490	\$88,370	\$84,490	\$69,150
<b>Median age<sup>6</sup></b>	36.4	34.9	33.7	34.9
<b>Percentage of population with a bachelor's degree<sup>7</sup></b>	42.4%	62.6%	53.4%	56.5%
<b>Rental vacancy percentage<sup>8</sup></b>	5.6%	5.5%	2.5%	9.0%
<b>Median 2-bedroom apartment rent<sup>9</sup></b>	\$3,176 / month	\$3,490 / month	\$4,216 / month	\$1,870 / month
<b>Public transportation rating out of 100<sup>10</sup></b>	65—good transit	71—excellent transit	72—excellent transit	35—some transit

# Budgeting for the Real World

*When used as a guide, a budget can be incredibly empowering. Having a good understanding of your monthly saving and spending habits will allow you to make smart financial decisions that will position you for success in the long run.*

Like dieting, however, budgeting can have the opposite effect if you're too restrictive. Cutting out sweets altogether is more likely to lead to a midnight Oreo binge, after all. Your goal is to find a balance between living for today and saving for tomorrow.

Things are about to get a bit more complicated (and costly). In addition to your Netflix account and penchant for online shopping, you will have to factor in new expenses like rent, insurance and utilities. By taking the time to create a monthly budget based on what's coming in and what's going out, you can avoid money-related stressors and get on with life.



Ready to tackle real-world realities? Here is a step-by-step guide for creating a post-college budget:

## 1 Understand what you're working with.

Figure out how much money you have in your various savings and checking accounts (include any investment accounts, if applicable). These are known as your "assets" or what you own. Then tally up any debt or outstanding loans you may currently have (student loans, credit card debt, etc.). These are known as your "liabilities" or what you owe. Finally, calculate how much income will be coming in from your new job, internship or side project(s) each month. Make sure you calculate total income after taxes.

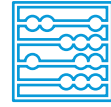
## 2 Estimate your fixed expenses.

Fixed expenses are the expenditures that won't change much from month-to-month and can be seen as "essentials" for sustaining your lifestyle.

Here is a list of potential fixed expenses:

<b>RENT OR MORTGAGE PAYMENT</b>	
<b>STUDENT LOAN PAYMENTS</b>	
<b>MEDICAL EXPENSES (PRESCRIPTIONS, MEDICATIONS)</b>	
<b>CHILDCARE (IF APPLICABLE)</b>	
<b>INSURANCE</b>	Car Insurance
	Health Insurance
	Dental Insurance
	Property Insurance
<b>UTILITIES</b>	Water, Garbage, Sewer
	Electricity, Heat
	Internet
	Cell Phone
<b>PERSONAL CARE</b>	Food and Groceries
	Laundry
	Toiletries and Personal Care
	Gym Membership
	Household Items
	Pet Supplies
<b>TRANSPORTATION</b>	Car Payment (if leased)
	Parking
	Public Transportation Pass
	Gas





**3 Create a savings goal and treat your savings like an expense.**

Try saving at least 10% of your income after taxes. This might seem like a lot, but if you automate your monthly deposits, you will soon forget that the money was there in the first place.

**Estimate your variable expenses.**

**4** This refers to the “extras” or non-essentials that you can cut back on, if necessary, to increase your savings. Expenses that belong in this category include entertainment (think golf memberships, movie tickets or sports events), eating out, subscriptions, babysitters, clothing and travel. It is always a good idea to account for “miscellaneous” expenses here as well, like birthday gifts and other unexpected splurges.

**5 Do the math.**

Deduct your fixed expenses, target savings and variable expenses from your monthly income after taxes. In an ideal world, you will have a small surplus. If this surplus is too big, you might want to consider increasing your savings goal. If you end up with a negative number, you will need to scale back on your variable expenses or find a way to limit your fixed expenses.

**6 Use an online tool to create a budget.**

There are several budgeting tools that can help you track your spending habits by syncing with your accounts and payment cards. Many of these tools will also allow you to set budget goals for each spending category and receive alerts whenever you are at risk of exceeding your budget.

**7 Track your spending and try to stick to your goals.**

Life happens. Don't be too hard on yourself if you exceed your budget limits every once in awhile. Remember, it's all about finding the balance that works for you.



**WINNING PLAYS to Stretch Your Budget:**

**Pay bills on time.**

You'll be stuck paying unnecessary late fees and overdraft fees if you miss a payment. One way to avoid these fees is automating payments whenever possible.

**Make your own coffee.**

You can save thousands of dollars a year by cutting back on your Starbucks tab. Keep your latte splurges to once a week instead of daily by investing in a coffee maker or sticking to the free coffee at work.

**Make the most of credit card rewards and loyalty programs.**

While extreme couponing may not be for everyone, there are plenty of freebies to be had in the real world. Cash back programs are another way to save a few dollars every week.

**Live economically.**

Shop in bulk. Pack a lunch. Plan a backyard BBQ or picnic at your local park instead of dining out.

**Cut your cable bill.**

Consider jumping on the bandwagon and cut your cable bill by opting for on-demand services like Netflix and Max.

**Set up alerts.**

Many online tools will allow you to set up personalized alerts when certain payments are due or when your spending activity has exceeded a particular limit to keep you in check.

**Start a side hustle.**

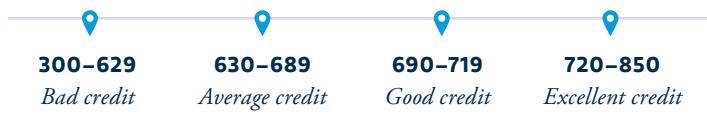
Thanks to platforms like Etsy and Upwork, it's never been easier to earn a little extra cash on the side.



# Credit 101: Using Credit Wisely

Your credit report is your personal financial report card. This report gives you a 3-digit score ranging from 300 to 850 that tells lenders how risky you are as a borrower. Every time you pay your credit card balance or repay a loan, the transaction is reported to one of the credit bureaus and counts toward your total credit score.

## Score Ranges:



You can find out your credit score by requesting a credit report from one of the three national credit bureaus online: Experian, Equifax or TransUnion. You are entitled to one free copy a year, or within 60 days of being rejected for credit, employment, insurance or rental housing due to bad credit. There are also plenty of third-party sites that offer free credit reports, like [Credit Karma](#) and [freecreditreport.com](#), but keep in mind that they are still getting their information from one of the three national bureaus.

## FACT:

# 27%

27% of Americans said they found an error in their credit report.<sup>11</sup>

## THE MAGIC BEHIND THE NUMBERS:

The first step to establishing good credit is to understand how your score is calculated. A credit score takes the following five factors into account:

### 1 Payment History

Paying your bills on time has the greatest impact on your credit score. The credit bureaus prioritize credit card payments over other debt like student loans or mortgages, which is another reason to set up automatic credit card payments and prioritize paying off credit card debt.

### 2 Credit Utilization Ratio

This is the sum of all your outstanding credit balances (i.e., your total debt) divided by your total credit limit—in other words, how much of your total available credit are you currently using. For example, if you have a balance of \$1,000 on a card with a \$5,000 limit, your credit utilization ratio for that card is 20%. Generally, the lower your utilization ratio, the better.

### 3 Length of Credit History

The longer your credit history, the better, so make sure to start building credit as early as possible.

### 4 Total Open Lines of Credit and Types of Credit Used

There are several types of credit that can influence your credit score. In addition to credit cards, your credit score takes car loans, mortgages, student loans and several other forms of debt into account. Generally, having multiple open lines of credit may help boost your creditworthiness, as it shows that you have been approved by various lenders, but other factors can have a greater impact on your credit score.









### 5 Number of Hard Credit Inquiries

Checking your own credit once a year may not affect your score, but there are a lot of other people who might be requesting a report on your behalf. Every inquiry made by a third party in your name (known as a hard inquiry) can have a negative impact on your score, so try and keep these to a minimum.

**WHO CARES?**

So who is interested in your credit score, anyway?  
More people than you may think, including:

One of the most important reasons you should care about your credit is because a good credit score helps position you as a trustworthy, responsible customer. A low credit score can have significant implications on your ability to access money: It can affect your application for an apartment rental, car financing, a graduate school loan or a home mortgage. A low credit score can also result in higher interest rates and down payments because you will be considered a “high-risk” borrower. To help avoid being scrutinized when it comes to future important financial decisions, make sure you are establishing good credit.

 <p><b>UTILITY COMPANIES</b></p>	 <p><b>MORTGAGE LENDERS</b></p>	 <p><b>HOME INSURERS</b></p>	 <p><b>EMPLOYERS</b></p>
 <p><b>CREDIT CARD COMPANIES</b></p>	 <p><b>GOVERNMENT AGENCIES</b></p>	 <p><b>AUTO INSURERS</b></p>	 <p><b>LANDLORDS</b></p>



**WINNING PLAYS for Keeping up Your Credit:**

**Avoid late payments.**

Late payments on anything from medical and electric bills to credit card dues and monthly rent can cause your credit score to drop and may be noted on your credit report for up to 7 years. Credit bureaus typically don't report late payments until 30 days after the payment is due, but don't let it get to that.

**Avoid canceling credit cards.**

Canceling a card will decrease the amount of total credit in your name and lower your credit utilization ratio as a result, even if you have no balance on a card.

**Stay below a 30% credit utilization rate.**

Keep in mind that your credit score takes your overall credit utilization into account, as well as the credit utilization rate for each individual card.

**Automate payments.**

Set up automatic payments for your credit cards to avoid being penalized for late payments.

**Make copies.**

If you know that several people will be inquiring about your credit within a short period of time (e.g., when you're moving or applying for a loan), offer to send them a recent copy of your credit report instead of having them each make a formal credit inquiry on your behalf.

**Avoid applying for several credit cards at once.**

Credit institutions record all credit inquiries made in your name. Multiple inquiries within a short amount of time can suggest that you might be “high risk,” which may have a negative impact on your score.

**Be cautious when co-signing a loan.**

If your co-signer defaults on a payment, it could have a negative impact on your score too.

**Review your credit report annually.**

Many credit reports have mistakes that could result in a lower credit score, so make sure to request a report once a year. Not all institutions report to all three credit bureaus, for example.

# Playing With Plastic



## Credit Cards

Credit cards allow you to borrow up to a certain limit and pay it back in monthly installments over time. Credit card companies and the banks issuing these cards make money by charging you interest rates on the amount borrowed. In some cases, interest rates can be upwards of 15%.

You have probably been warned about the dangers of credit cards, given their ability to let you spend more than you currently have in your account. It can be very easy to rack up high-cost debt, resulting in a vicious cycle that can have serious consequences for your long-term financial well-being. While you should proceed with caution, there are several benefits to using your credit card wisely. One of the most obvious benefits is that most credit cards reward you for spending money.

## Debit Cards

Debit cards or ATM cards can be used in similar fashion to credit cards, but the money you spend is withdrawn directly from your checking or money market account. In other words, you cannot spend more money than you currently have in that account. Unlike credit cards, debit cards do not help you build a credit history, and they don't offer rewards.

### CONVENIENCE

Consider the location of the nearest bank branches, as well as their online and mobile experience. If you travel a lot, you may want to ask about their travel policies and international presence.

### FEES

Fees vary depending on the bank and account type. One way to reduce or eliminate fees is to opt for an account with a higher minimum balance requirement, or choose a bank with ATMs close to your home or office to avoid withdrawal fees from non-affiliated ATMs.

## Charge Cards

If you have ever made a purchase at a department store or large retail chain, you probably experienced the pitch at the checkout counter: "Receive a 30% discount on today's purchase by opening a store card." These store cards are similar to credit cards, but you are required to pay your balance in full every month. Be careful not to charge more than you can pay off at the end of the month or you may incur large penalties and potentially damage your credit rating. Also, make sure to check fees and interest rates, as these are often higher than those that accompany a bank-issued card.

**THERE ARE A FEW TYPES OF CREDIT CARD REWARDS**

When choosing a credit card, consider which rewards make the most sense for you personally. Are you a frequent flyer? Are you likely to redeem your points for the rewards offered or would you rather have cash back?

1



**POINTS**

*Earn points based on the amount you spend and redeem points for a variety of rewards ranging from travel to gift cards.*

2



**MONEY BACK**

*Earn a percentage of cash back on the amount you spend.*

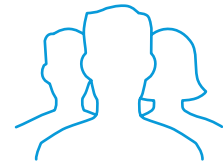
3



**FREQUENT FLYER MILES**

*Some credit cards have partnered with airlines to reward you with frequent flyer miles based on the amount you spend.*

4



**CARDHOLDER ACCESS**

*Some credit cards offer access to exclusive discounted offers, VIP experiences and pre-sale tickets.*

# Grad School: A Worthwhile Investment?

## Questions to Ask Yourself When Considering Graduate School

### 1 Why are you considering a graduate degree?

#### Is it necessary for your career aspirations?

**TIP:** For certain jobs, a graduate degree is required (lawyer, doctor, etc.). For others, it may be additive. Look up the educational background of people who currently have your dream job. Talk to people you know in your particular field of choice to get feedback on the importance and professional value of a graduate degree.

#### Will it help you find a job or better position you for a particular role or field?

**TIP:** If you choose to pursue a graduate degree for a specific career goal, try to keep that goal in mind at all times. It can help keep you motivated and position you for targeted opportunities upon graduation.

#### Will it help improve your existing career, salary and/or growth trajectory?

**TIP:** It may be useful to talk through the decision with your existing employer or HR department to better understand the pros and cons in relation to your current career. This is also an opportunity to ask about any potential company benefits regarding employee education.

#### Will it give you access to new opportunities?

**TIP:** Make a list of all the potential opportunities that graduate school may provide and highlight those you feel would be most impactful for your career. Then, explore whether there are alternative ways to access those opportunities. If so, consider exploring those channels before committing to graduate school.



#### Is grad school the only path to satisfy your intellectual curiosity?

**TIP:** There are many educational resources available for personal and professional development. Check out local classes, workshops, continuing education courses or certification programs that may help you achieve your goals with less investment.

### 2 Are you financially ready for grad school?

In addition to tuition costs, be sure to consider other financial implications such as upfront costs (e.g., application fees, required exams and prep courses), income reduction, student debt, commuting and living expenses.

**TIP:** Create a grad school budget based on your anticipated expenses. Think about how you can best prepare for and plan to ensure your financial stability during and after school. See our chapter on *Savings* for more on the value of milestone-based saving.



### 3 When should you go to grad school?

If a graduate degree is not required for your next career step, it can be incredibly valuable to get some on-the-job training before heading back to school. If you know a graduate degree is required for your dream career, enrolling immediately after college can allow you to maintain momentum.

**TIP:** If you are considering starting a business, graduate school can be a strategic way to find a business partner, leverage on-campus resources or access certain funding opportunities that are only available to students.

### 4 What type of degree should you pursue?

**FULL TIME VS. PART TIME:**

Part-time programs can include evening or weekend courses as well as supplemental online modules, providing you with the flexibility to balance work and school if desired. On the other hand, the benefit of being at school full-time is that you will be able to take full advantage of networking events and on-campus activities, as well as other opportunities, such as a teaching assistant role.

**MASTER'S DEGREE:**

A master's degree can establish your expertise in a professional field (e.g., Master of Business Administration, "MBA") or academic field (e.g., a Master of Science, "MS").

**PROFESSIONAL DEGREE:**

A professional degree recognizes your ability to practically apply certain knowledge and skills, and is required for particular career paths. Professional degrees include Doctor of Medicine ("MD") and juris doctor ("jd").

**DOCTORATE:**

A doctorate (such as a "Ph.D.") establishes academic credibility through original research and advanced knowledge in a given field. According to the U.S. Department of Education, "the research doctorate is the highest earned academic degree in U.S. postsecondary education."

### 5 What are your funding options?

- Savings
- Loan from family or personal relationships
- Student loan
- Employer

# Questions to Ask Your Financial Advisor

---

- 1 As a recent grad focused on learning as much as I can, where should I start?
- 2 What is the most important thing I can be doing right now as far as my finances?
- 3 Can you help me understand my portfolio allocation?
- 4 What market trends are most important for me to monitor?
- 5 What changes (if any) should I make to align my portfolio with my current lifestyle and goals for the future?

# Citations & Disclosures

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- [9] [NerdWallet's City Life Guides](#) (2024).
- [10] [Walk Score](#) (2024).
- [11] Consumer Reports, ["More Than a Quarter of People Find Serious Mistakes in Their Credit Reports"](#) (2024).

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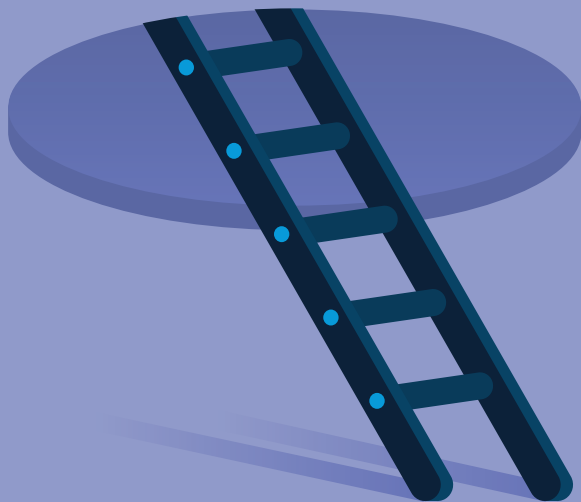
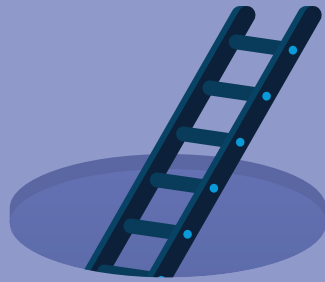
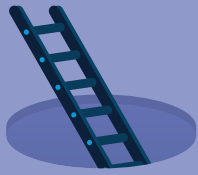
Playbook: Your Guide to Life & Money

# Starting Your First Job: What You Didn't Learn in School

## What Is Covered in This Chapter:

- Choosing a career path that is right for you.
- Ways to tackle the job search, from prep work to follow up.
- Why you may want to review your social media, stat.
- Things to know regarding salary and employee benefits.
- Tips for building authentic business relationships.

**Rise and grind!** Starting a new job can be nerve-wracking, but it's a crucial first step toward finding a career that gets you out of bed in the morning and inspires you to grow. Getting your priorities in order will help determine what path is right for you (not your parents, not your friends, not your old classmates—just you) and prepare you for making decisions down the road. From professionalism and productivity to paychecks and purpose, get ready to jump-start your career.



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# Choosing a Career Path That Is Right for You

Sure, you probably thought you knew exactly what you wanted to do when you were in the fourth grade. But unless you have spent the past twenty-something years training to be an astronaut, you probably feel a bit overwhelmed by the sheer number of possibilities out there.

So where do you start?

A little self-reflection can go a long way. By digging into what makes you tick, how you work best with others and the skills you bring to the table, you can better identify the environments and career paths in which you are most likely to thrive.

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## No. 1 Self-Evaluation



**Instructions:**

For each question in the Self-Evaluation Quiz, select the answer that best reflects your personality and preferences. Circle your answers as you go and sum up the numbers associated with each answer option (1, 2 or 3) to get your total score.

<p><b>How do you deal with uncertainty?</b></p>	<p>1. Can't eat, can't sleep, can't handle.</p> <p>2. I can handle uncertainty in moderation.</p> <p>3. I find it thrilling. What's life without a few surprises?</p>	<p><b>Are you willing to put time and effort into building your personal brand?</b></p> <p>1. No. I'm only on Instagram so I can keep up with other people's lives.</p> <p>2. I would be willing to make more of an effort if I had to.</p> <p>3. Absolutely. I am constantly managing my various social feeds and I make sure to post something at least once every few days.</p>	
<p><b>How much flexibility do you have to explore a variety of options right now?</b></p>	<p>1. Very little. I have clearly articulated goals and people counting on me—I refuse to get sidetracked.</p> <p>2. As long as the level of uncertainty is within reason, I am willing to bet on an idea I believe in.</p> <p>3. I'm game for anything—even if I fail, I know I'll learn something from it.</p>	<p><b>How would you describe your working style?</b></p> <p>1. I am a master at multitasking and am happiest when working on several things at once.</p> <p>2. It depends on a lot of things—my mood, the task itself and the time of day.</p> <p>3. I am most productive when I can dedicate large, uninterrupted chunks of time to a task.</p>	
<p><b>What best describes your preferred work environment?</b></p>	<p>1. I get my energy from being around other people and working in a collaborative setting.</p> <p>2. I need a balance between people time and alone time, but prefer to be in an office environment at least a few days a week.</p> <p>3. I am most productive when I'm alone and have no problem working from home or from a local coffee shop.</p>	<p><b>How motivated are you to learn new things?</b></p> <p>1. I will take on a new learning challenge if I think it's necessary or if I have some extra time on my hands, but it isn't a priority.</p> <p>2. I'll read a nonfiction book and watch a good documentary every once in awhile, but that's about it.</p> <p>3. I am extremely curious and regularly find myself watching video tutorials online in my spare time.</p>	
<p><b>How much structure is too much structure?</b></p>	<p>1. You can never have enough structure. I am happiest when I have clear milestones and a clearly defined career trajectory.</p> <p>2. It depends. I like having some routines, but I'm pretty good at creating these for myself.</p> <p>3. Structure makes me feel claustrophobic—I never know what my day will look like and I prefer it that way.</p>		

## SCORE YOURSELF: Self-Evaluation Results

### Corporate Gig

7–12 POINTS



There is no need to cause unnecessary stress or sleepless nights. You may want to opt for a stable, structured environment where you know precisely where you stand. Your hours, benefits, salary and career trajectory are clearly defined. There are both pros and cons to working in the corporate world, but big companies have the resources to make a difference at scale.

### Startup Life

13–17 POINTS



If you're looking for an opportunity to be an integral part of building something—even if it means less certainty around compensation and job security—you may consider working at a startup. There can be days of utter chaos; startups move quickly and you are expected to keep up (often with very little direction). If you're up for the challenge, being part of a startup can be an incredible learning opportunity.

### Freelance or Contractor Work

18–21 POINTS



There are two main reasons you may want to consider this route. One reason is that you may be incredibly disciplined and drawn to the opportunity of being in control of your own destiny; another is that you may be someone who works best when you don't have to report to a boss or manager. Maybe it's a little of both. As a freelancer or contractor, you may be juggling multiple projects at once. In addition to client work, a successful freelancer also stays focused on business development by investing in a strong personal brand and the ongoing refinement of your skills.

## No. 2 The Job Search

*Armed with a better understanding of the types of environments in which you're likely to thrive, it's time to begin looking for a job. Without a plan of attack, it can be disheartening spending hours scrolling through online job boards or sending carefully crafted emails to HR representatives only to get the silent treatment. Here are several steps you can take to prepare yourself for the search.*

### Preparation Is Half the Work

A big part of the job search is timing. While this part may be hard to control, preparation can help ensure that you are ready whenever an amazing opportunity might present itself. Help position yourself for success by getting your basic career assets in order.

**STEP 1: Spruce up Your Resume.**

The purpose of a resume is to communicate your talents and qualifications as a job candidate, but it is not always easy to describe these qualities on a piece of paper. Make yourself stand out by clearly demonstrating the value you could bring to the role. Don't be afraid to show potential employers a bit of your personality by adding some creativity to your resume.

**STEP 2: Revamp Your Online Presence.**

Here are a few ways to help ensure that you are portraying the most employable version of yourself to the public:

1. Review your social media accounts and what public information can be viewed on each profile. Google yourself.
2. Check your privacy settings. This is particularly important for Facebook.
3. Clean up any public photos, posts and comments that may be seen as inappropriate for the workplace or could be misconstrued out of context. Never share anything negative about previous employers online.
4. Establish a presence on professional sites such as LinkedIn.

**STEP 3: Work Your Network.**

Your network is perhaps the most powerful tool in your arsenal. Between people you already know, family contacts, friends of friends and alumni circles, you have an ever-growing list of people that may be appropriate to reach out to. Investing in professional relationships can not only help you land a job in the near-term, but can also result in potential partnerships, future client work or interesting opportunities down the road. Leveraging your relationships effectively can be challenging, so here are some tips to get the most out of your network:

**Meeting Prep: How to Prepare for a Meeting**

**DO YOUR RESEARCH**

Make sure that you have an understanding of the individual's career experience to avoid wasting his or her time discussing general information that is available online. If the individual works at a company that you are interested in joining, review job listings on the website beforehand to ask about specific opportunities.

**PREPARE QUESTIONS**

Remember that with informal networking meetings, it may be up to you to guide the conversation. Looking to learn more about a company, understand a particular industry or navigate a specific challenge? Prepare questions in advance to help get the information you need.

**Some Example Questions**

<b>INDUSTRY OR COMPANY PERSPECTIVE</b>	What do you see as the major issues/changes/opportunities in the industry today?
	Where do you see the industry heading in the next five years?
	What trends are influencing the industry's direction?
<b>PROFESSIONAL DEVELOPMENT</b>	What skills are most in demand? Is there a particular skill set that would be valuable to develop (e.g., taking an intensive Excel workshop)?
	What relevant books or online resources would you recommend reading or following?
<b>JOB SEARCH</b>	Do you have any feedback regarding my job search strategy or suggestions on what I can do to get in front of the right people?
	Do you have any suggestions for other people that I could reach out to?

**PREPARE FOR VIRTUAL INTERVIEWS**

When prepping for virtual interviews, keep these best practices in mind to ensure things run smoothly. Download the app or program you will be using and make sure your camera, microphone and Wi-Fi are working. Dress professionally and opt for a neutral background and space with minimal background noise. Making a connection virtually can be more challenging than in person, so try to find a common interest or share a personal anecdote that will set you apart. Ultimately, if you come prepared and just be yourself, you will do well!



## WINNING PLAYS for Resumes and Cover Letters:

### Resumes:

Include a summary phrase or descriptive “elevator pitch” (one or two sentences) at the top to highlight why you would be a great fit for the role.

- List your experience starting with most recent experience in reverse chronological order.
- Try to quantify your accomplishments by providing data points whenever possible to demonstrate results.
- Add professional social media handles if appropriate.
- Depending on the career opportunity, you may even consider creating a video resume, personal website or online portfolio to showcase your expertise.

### Cover Letters:

Writing a cover letter gives you the opportunity to tell your future employer exactly why you would be the best fit for the job, beyond the experience and skills listed on your resume. Here are a few guidelines to consider when crafting your story.

- Take the time to research. Dig into the company: what it does and what your responsibilities would be in the advertised role. This can make it easier to communicate why a company might consider hiring you.
- Share information that isn't found on your resume. Cover letters allow you to communicate why you are excited about a company and why you believe you are an ideal fit for the role.
- Be authentic. Describe your value add to the specific job you are applying for rather than just highlighting your general strengths.
- Show you care. Mention something that the company or team has recently accomplished or point out a specific responsibility that is particularly interesting to you. Show how excited you are about the opportunity on a personal, as well as a professional, level.

## Following Up: You Met With Your Uncle's Friend About Your Job Search. Now What?

*Following up is critical*—and not just because it's polite. A well-crafted note can help to ensure that you remain at the top of their lists, while also providing another opportunity to demonstrate your professionalism, values and skills. A handwritten thank-you note can be a thoughtful gesture, but nowadays a sincere thank-you email can work just as well—especially given the fast pace at which businesses and people move.

### Beyond showing appreciation for someone's time and advice, here are three ways to make the most of your follow up:

Mention an actionable takeaway to show that you are taking proactive steps: *“After our conversation, I... (e.g., looked up the company you had mentioned, reached out to a particular person, reviewed available positions on the team, etc.).”*

If you were able to talk about a relevant project, article or program you worked on or were involved with, provide some additional detail and reiterate how the item showcases your skills and experience: *“I have attached [insert example] that I mentioned during our conversation...”*

Make an ask. If you are looking for an introduction or a follow-up meeting, now is your time to muster up the courage and make the request. The worst they can say is no.

- 1.
- 2.
- 3.

# 69%

**FACT:**  
of employers use social networking sites to research job applicants.<sup>1</sup>

# No. 3

## Making a Decision

Career development can come in many forms. Even though a job may not be perfect, it may have potential to be a valuable experience or stepping stone depending on what you are looking for. For some, location is non-negotiable, while others would move practically anywhere if it might provide a means to pay off student loans. Everyone's priorities are different, so take time to consider what is most important to you when choosing a career.

### STEP 1

This framework can serve as a tool to help you evaluate each job based on seven key criteria. Rank these seven criteria from most important to you (7) to least important to you (1).

### Seven Evaluation Criteria:



#### ROLE

*Do the role and responsibilities of the work excite me? Will I be challenged?*



#### GROWTH

*Is there a clear growth trajectory in this role? Will there be people invested in my professional development and/or will I be developing a valuable skill set?*



#### PEOPLE

*What type of people will I be working with? What are their skill sets, personalities and experience levels? Is this a work culture I want to be a part of?*



#### LIFESTYLE

*Does this job offer the balance I need? Will I be able to pursue my passions outside of work?*



#### PURPOSE

*Do I feel passionate about the company's mission and the impact it can have on the world? Do I feel like my work will be directly contributing to this mission?*



#### MONEY

*Will this job provide the income I need to support myself? Does the company provide benefits like health insurance or a 401(k)?*



#### LOCATION

*With work policies becoming more flexible, what are other factors that weigh on where I'm located? Are there co-working spaces?*

### STEP 2

Use the questions as a guide to score each job on the seven criteria. A score of 1 suggests the job does not perform well in that particular area, while a score of 10 suggests that the job provides everything you dreamed of and more.

### STEP 3

Multiply the rank you gave each criterion by the score you gave a particular job on that criterion. When you tally up the final score, the jobs with the highest number of points should be the most compelling.

**TIP:** The top-ranked opportunity does not necessarily mean it is the best option for you. This exercise is simply meant to help you clarify what trade-offs or sacrifices you are willing to make, as well as the aspects of a job that are most important to you.

### NON-NEGOTIABLES

Consider what your non-negotiables are and take these "must haves" into account when comparing opportunities. Non-negotiables can include company culture, office environment, schedule flexibility, team dynamics or creative freedom. Remember that your preferences may shift over time so be sure to consider whether the job offers room to evolve alongside your lifestyle.



No. 4

## Working It

First day on the job and you're ready for action. As a new employee, you may have a bunch of logistics to finalize before jumping in. Spoiler alert: There is a lot of paperwork involved.

### EMPLOYEE BENEFITS:

#### The [Boring] Stuff That's Worth Paying Attention To

Selecting your benefits can seem unnecessarily complex, but educating yourself about benefits prior to signing new employee HR forms can make the process a lot less overwhelming (and may even end up saving you some of that hard-earned income).

A 401(k) is an employer-sponsored plan that allows you to save a portion of your money for retirement. 401(k)s are not offered by all companies, however. If your company does not offer a 401(k) or similar tax-qualified retirement plan, be sure to check out some of the other retirement savings vehicles in our chapter on *Savings*.

**The bottom line?** You can decide what percentage of your paycheck you'd like to contribute to your 401(k) account, subject to certain limits. That percentage is then taken from your compensation on a pre-tax basis and stashed safely away before your paycheck hits your bank account each month. As a young professional, it can be tempting to minimize savings to maximize your income, but a 401(k) provides an easy way to start preparing for your life in the future. Not totally sold? Learn more about compound interest, one of the greatest money hacks, in our chapter on *Savings*.

**The catch?** If you withdraw money from your 401(k) before you're 59½ years old, you'll generally incur an unwelcome early withdrawal penalty tax of 10%.



### WINNING PLAYS for Your 401(k):

Some companies will match their employees' 401(k) contributions up to a certain amount or percentage, no strings attached. If your employer offers a 401(k) plan with a match, consider contributing at least the amount necessary to take full advantage of the opportunity.

### Health Insurance

Securing health insurance is incredibly important. It might seem like a lot of money for a healthy twenty-something to pay every month, but without insurance you may find yourself spending your entire paycheck on an unexpected emergency room visit.

**TIP:** If you're under the age of 26, you may be able to piggyback on your parents' health insurance plan. If they aren't thrilled about this idea, you may want to offer contributing the additional amount it will cost them to add you to their policy, as typically it is more cost-effective to add a family member to an existing policy than it is to take out your own.

Your employer may offer you a particular health insurance plan as part of your employment package. You may also have the option to upgrade your plan for an additional cost. Depending on your (family) health history and lifestyle, certain plans may be a better fit for your needs, so make sure to read the paperwork carefully when considering your options.

### In between policies?

You may be eligible to get short-term coverage. If you do not have access to health insurance at the moment, there are alternatives—such as purchasing coverage from your previous insurance provider for up to 18 months through COBRA.

### Need-to-know insurance jargon:

#### DEDUCTIBLE

*"You go first"*—the amount you must spend on certain expenses before your insurance company will begin paying.

#### CO-PAYMENT

*"Shall we split it?"*—the amount you pay alongside your insurance company's contribution to cover certain costs.

#### PREMIUM

*"Pay to play"*—the cost for having health insurance.



#### HMO

Typically least expensive and least flexible.

Covers in-network doctors; you pay for out-of-network doctors.

Requires a referral from primary care doctor to see any specialists.



#### EVERYTHING IN THE MIDDLE:

One example of the many plans that fit somewhere between a HMO and a PPO is a POS.

Price and flexibility can fall somewhere in between.

Out-of-network doctors may have an added cost.

Requires a referral from primary care.



#### PPO

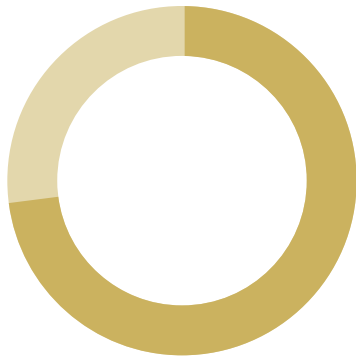
Typically most flexible and most expensive.

Covers in-network doctors and may share cost of out-of-network doctors.

Does not require a referral to see other doctors.

## Salary: The Art of Negotiation

Negotiating can be an important part of your growth trajectory. In order to negotiate effectively, it is important to have a strong understanding of the position within the company and the unique value you will add to it, and then to be able to clearly articulate that value.



**FACT:**

**73%**

*of managers expect a salary negotiation when they make a job offer.<sup>2</sup>*

### HERE'S SOME ADVICE ON WHEN AND HOW TO NEGOTIATE EFFECTIVELY:

#### Do Your Homework

Research the average salary range for comparable jobs in your industry. Remember that an employee's level of education, experience and track record can also influence salary.

#### Have a Magic Number in Mind

Be prepared to suggest a specific number when negotiating to demonstrate you have put significant thought into your request. It may be a good idea to start high, assuming they will come back with a counter-offer; just make sure you are able to back it up with sound reasoning.

#### Timing Matters

Some companies determine pay raises in advance of performance reviews, so you may want to speak to your boss about your salary earlier rather than waiting to negotiate during your review.

#### Show and Tell

It is important to keep track of your successes while in a particular role so that if you plan to ask for a raise, you have concrete examples to help communicate why you feel that you deserve it.

- Research industry comparables online to compare your salary against those of similar roles.
- Review how long you have been at your job.
- Highlight new responsibilities you have taken on since your last review.

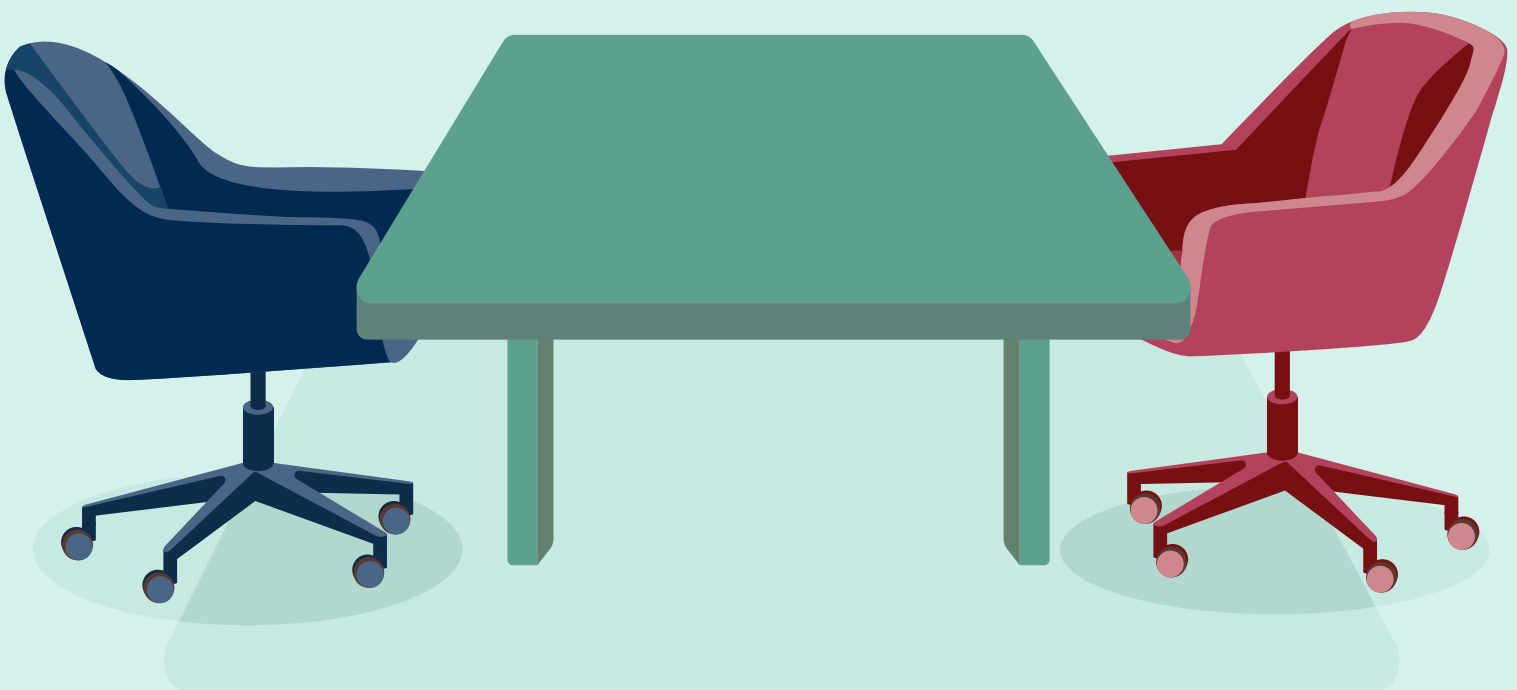
Be specific about your value add and provide relevant examples that show how your performance has helped move the needle for the company.

**48%**

*of men negotiate upon receiving a job offer.<sup>2</sup>*

**42%**

*of women negotiate upon receiving a job offer.<sup>2</sup>*



# No. 5

## Professional Development

### Networking Events

Networking may not be your favorite way to spend your time, but it is an essential practice for career success. It can help you expand your professional circles, introduce you to new opportunities and push you to step outside of your comfort zone. Here are some helpful hints to help you work a room at networking events.

#### COME PREPARED

It never hurts to have a plan. If you know who will be attending the event, take some time to determine whom you want to talk to and what you want to get out of those conversations. Be prepared with business cards if you have them. If you don't, bring a few copies of your resume (which should have your contact information on it).

#### MAKE THE MOST OF NEW CONNECTIONS

Always try to exchange contact information so that you can follow up with questions or revisit the dialogue at a later date when you have a more specific ask. It can be helpful to jot down a few notes on the back of someone's business card to help jog your memory when you get home.

Ask how you may be able to provide value to their efforts; it shows your commitment to developing the relationship and will most likely prompt others to want to collaborate or help you in the future. There is a limit to how much you can offer, however, so use your best judgment to determine what is appropriate.

**TIP:** Remember that networking can be just as useful online as it is offline. Use professional networks such as LinkedIn to join relevant professional communities and connect with industry peers.

#### NETWORKING IN A VIRTUAL WORLD

In our ever-expansive digital world, virtual networking events are part of our new reality. Attending virtual events to maintain relationships and connect is important, from one-on-one check-ins via Zoom or FaceTime to larger virtual seminars, panels and social events. Make sure to reach out to speakers or other attendees afterwards via email or LinkedIn. Participate in online forums and communities by sending out links to interesting articles or highlighting your subject-matter-expertise.



#### WINNING PLAYS for LinkedIn:

Have an appropriate headshot that is aligned with the work environment you are looking for. Your photo is often the first thing viewers will look at on your profile.

Manage your privacy settings to view other profiles anonymously or show interest by purposefully allowing others to see you are looking at their page.

Join groups related to your expertise or field of work.

## Mentorship

Mentors can be catalysts for both professional and personal growth. They can be colleagues, managers, peers or, occasionally, strangers you happen to cross paths with. Every relationship is different: While some mentor-mentee relationships are cultivated in a more formal setting at work, others can be more informal in nature.

There are three types of roles a mentor can play in your professional and personal development. The type of advice and support you need will vary based on your life stage and priorities. Understanding the various types of mentorship and the purpose of each type can help you make the most of these relationships.

### MENTOR

Your sounding board; someone who helps you talk through decisions, shares experience and coaches you professionally or personally.

### ADVOCATE

Your champion; someone who helps represent your strengths and interests to others on your behalf.

### SPONSOR

Your secret weapon; a decision maker who has the influence to help advance your career by opening doors and making introductions.



## WINNING PLAYS for Boss Talk:

**Come prepared.** Before meeting with your boss, even informally, make sure to define your objectives and goals and be ready to support what you say with additional information and data.

**Collect yourself.** If you are frustrated, upset or angry, take time to cool off and gather your thoughts before speaking with your boss. Getting caught up in your emotions in the workplace can give the impression that you are unreliable rather than establishing your ability to deal with a crisis in a mature and professional manner.

**Always be open to feedback.** By checking in with your boss to ask for constructive feedback on what you could have done better after a presentation or what you should focus on developing further for next time, your boss will see your dedication to improving on the job.

**Be positive.** If you are facing an issue with a team member, avoid harping on the negative by focusing on what others did wrong. Rather, approach the dialogue in a proactive manner by acknowledging that you may work slightly differently and suggesting what would be most helpful for you to do to be part of the solution. A positive attitude is always a good place to start.

## MODERN HUSTLING:

### Pursuing a Side Project in Addition to a Full-Time Job

If your 9-to-5 job isn't giving you the fulfillment or cash flow you need, consider starting a side hustle. A "side hustle" is a sideline business that gives you something worthwhile in return.

While some are motivated by the extra cash, others may pursue side hustles to build a new skill set, exercise their creativity, support a cause they're passionate about or try out a particular industry or role before deciding to make a more permanent move.

A "portfolio career" is not just for freelancers anymore—nowadays you'll find corporate employees running online shops on Etsy and retirees spending their weekends driving for Uber. The rapid growth of the on-demand economy now makes it easier than ever to find the side hustle that is right for you.



# Questions to Ask Your Financial Advisor

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- 1 How should I start reducing any outstanding debt?
- 2 Do you have any suggestions about how I can maximize the advantage of compound interest at this stage in my life?
- 3 What is the appropriate risk tolerance for my investment strategy?
- 4 Do you host any events or recommend any conferences that I should attend to meet like-minded young investors and professionals?

# Citations & Disclosures

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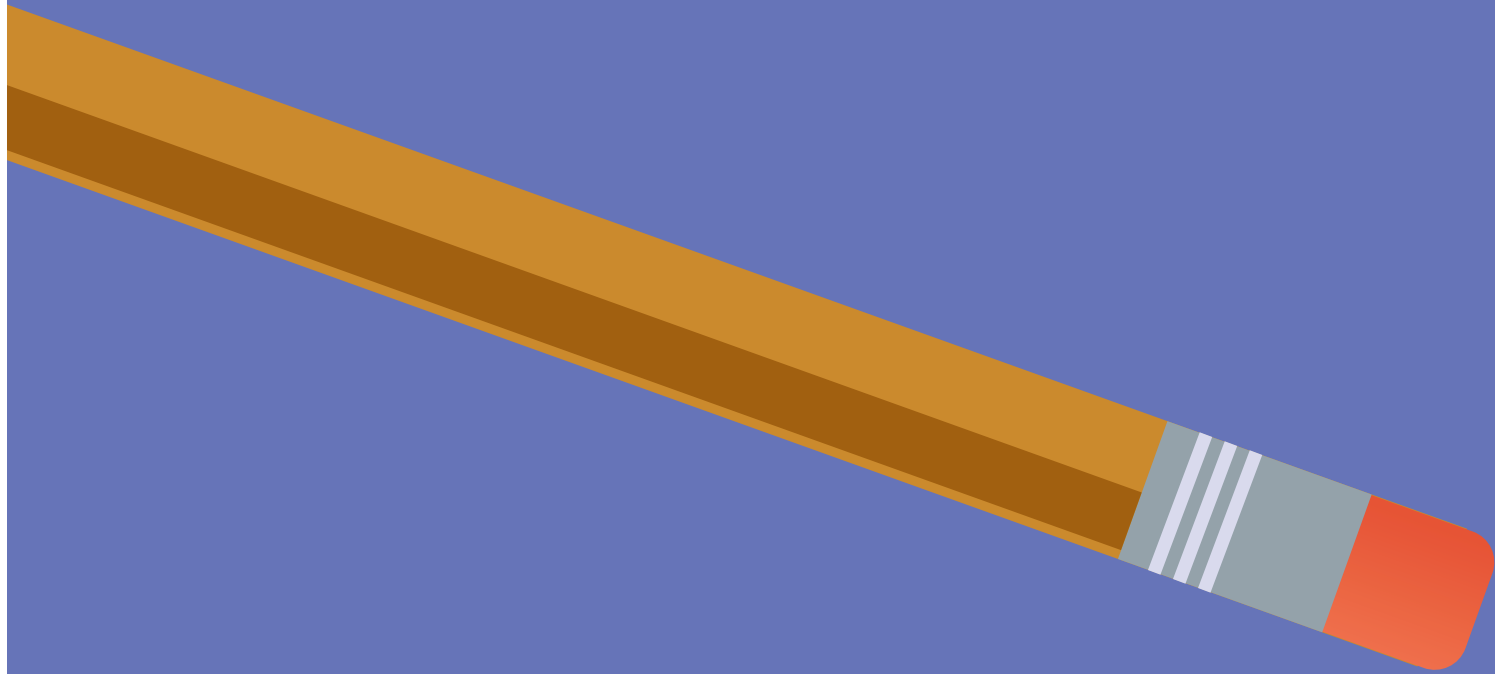
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Playbook: Your Guide to Life & Money

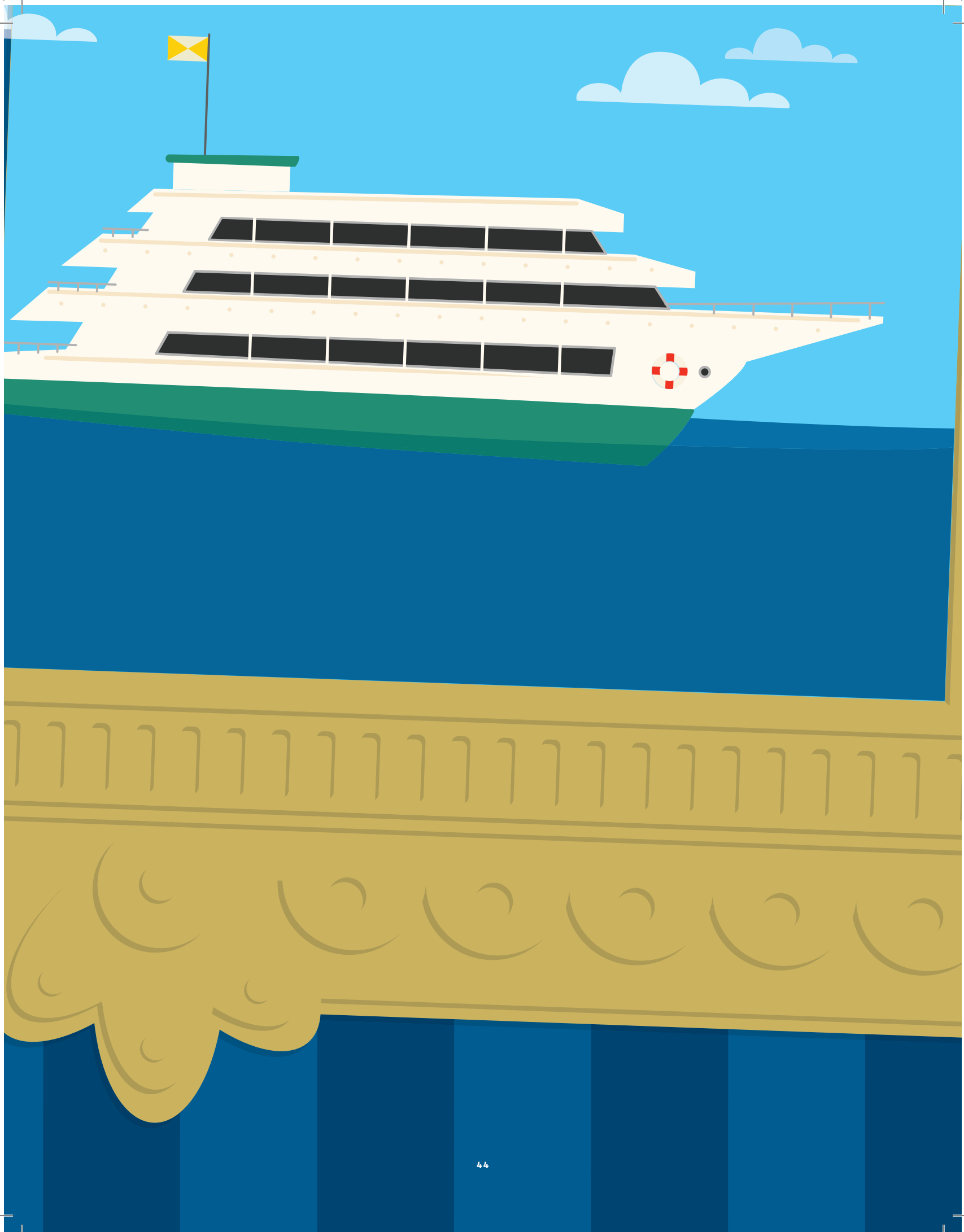
# Saving: A Penny Saved Is a Penny Earned



## What Is Covered in This Chapter:

- Ways to use saving as a tool to plan for the future.
- Why compound interest can be a game changer.
- Savings strategies for different timeframes.
- Understanding retirement accounts.
- Managing student loan debt.

**Whether** it's 18 holes of golf, a trip around the world, a poolside mojito (complete with a mini umbrella) or quality time dedicated to a local non-profit, the possibilities for your own post 9-to-5 paradise are endless. The key to making your daydream a reality? Retire the notion that it is still too early to save, and start saving early so you will have the freedom to enjoy your future in style.





# The Art of Saving

*Take advantage of your twenties.* You probably hear this a lot, but not necessarily in relation to your saving habits. The art of saving is more than simply putting money aside: It's a practice, a philosophy and a tool for accumulating wealth, reaching your goals, and most importantly, achieving financial freedom.

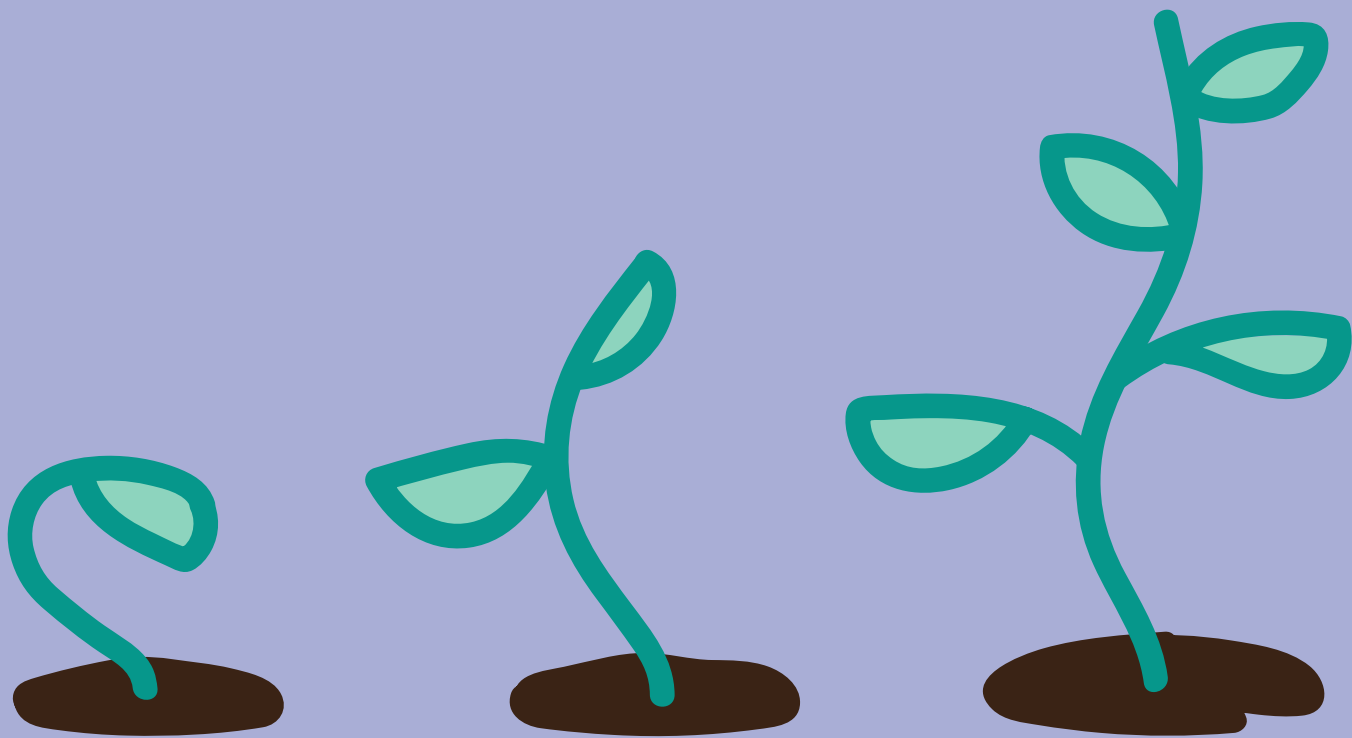
Saving is not just about retirement. It is about creating a plan to help finance your dreams—big ones like selling your home and retiring on a yacht in the South of France, but also shorter-term aspirations like adopting a pet or buying your first car. Saving can also make life cheaper. Living paycheck to paycheck may increase your probability of racking up credit card debt (which you will then pay interest on) or encountering additional costs associated with low account balances and bounced checks.

For most, life will gradually become more expensive as you take on additional responsibilities. More responsibilities mean more bills, and more bills mean less disposable income to stash away in your proverbial piggy bank. No more excuses—the time to start saving is now.

Practicing sound saving habits can help provide you with the option to pursue more, experience more and achieve more because you have the financial foundation and flexibility to do so.

## It's Never Too Early: The Magic of Compound Interest

Why is it so important to start saving early? Here's the deal. Over time, your money can benefit significantly from something called "compound interest." Compounding is the process of earning interest on your interest. For example, when you first open a savings account, your initial deposit grows by the percentage you earn in interest annually. The next year, however, you will earn interest on the original amount you put in as well as the interest you earned last year. It may not seem like much at first, but over time it adds up.



**COMPOUND INTEREST AT WORK**

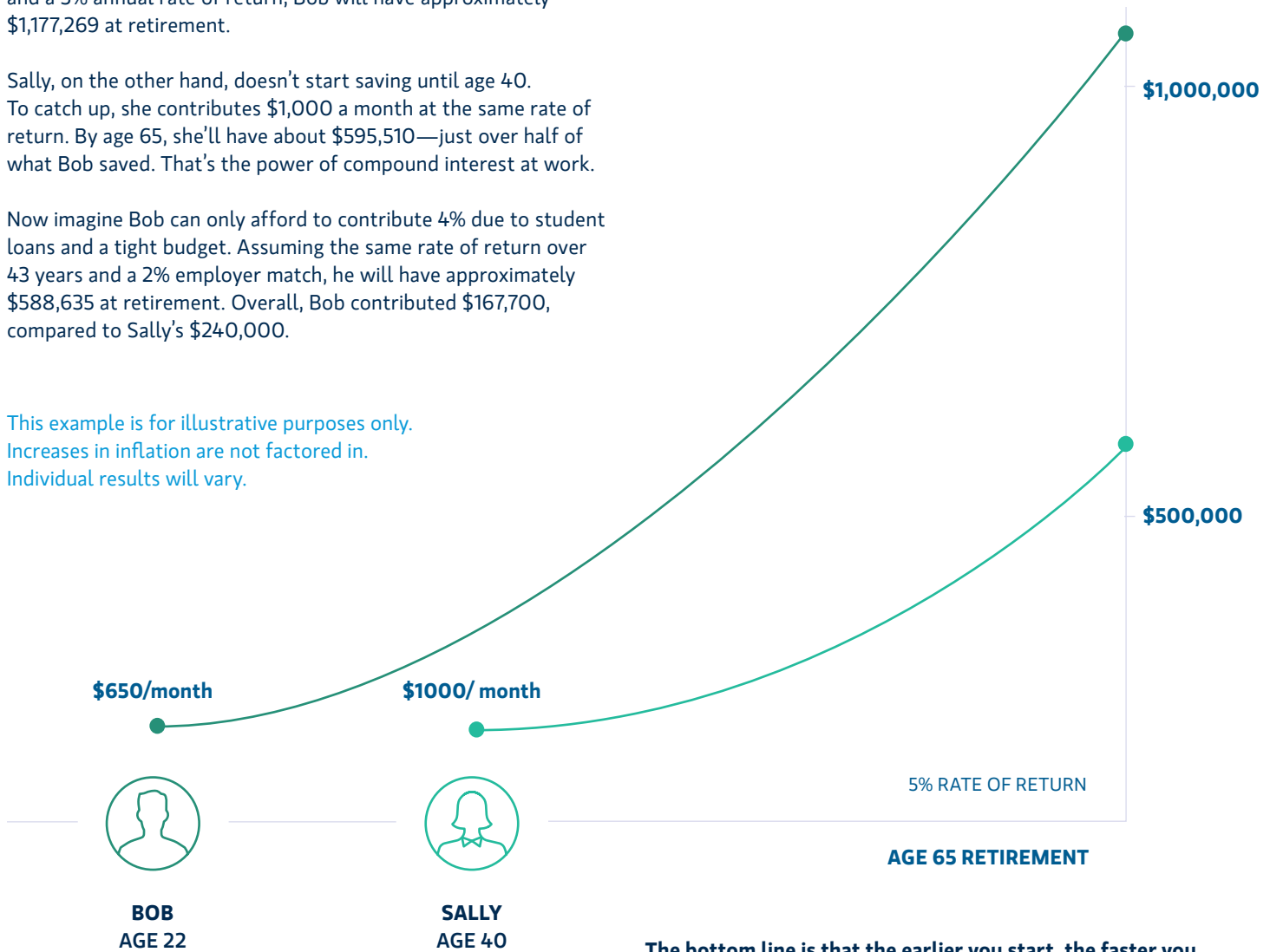
Imagine 22-year-old Bob makes \$65,000 a year and retires at 65. He contributes 10% of his pre-tax salary into his 401(k) retirement account, and his employer matches up to 2%.

Assuming a combined contribution (i.e., salary deferral contribution, plus employer match) of 12% (\$650 a month) and a 5% annual rate of return, Bob will have approximately \$1,177,269 at retirement.

Sally, on the other hand, doesn't start saving until age 40. To catch up, she contributes \$1,000 a month at the same rate of return. By age 65, she'll have about \$595,510—just over half of what Bob saved. That's the power of compound interest at work.

Now imagine Bob can only afford to contribute 4% due to student loans and a tight budget. Assuming the same rate of return over 43 years and a 2% employer match, he will have approximately \$588,635 at retirement. Overall, Bob contributed \$167,700, compared to Sally's \$240,000.

This example is for illustrative purposes only. Increases in inflation are not factored in. Individual results will vary.



**The bottom line is that the earlier you start, the faster you can reach your saving goals.**

**TIP:** Don't be discouraged by a slow start. The true magic of compound interest might not kick in until you've been saving for a decade or more. Use the Rule of 72 to forecast the time it will take to double your money with the help of compound interest.

**DO THE MATH:  $72 / \text{interest rate} = \text{number of years it will take to double your money.}$**

## Step 1: Save for the Basics

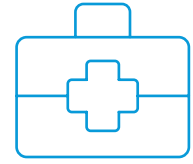
It is always a good idea to keep at least a couple of month's worth of living expenses available in your checking account for day-to-day transactions.



### WINNING PLAY to Prep Your Plastic:

Consider setting up overdraft protection on your account to help avoid fees from accidentally spending more than you have available. If you have outstanding credit card debt, make it a priority to pay it off before focusing on additional savings.

## Step 2: Save for the Unexpected



To make sure you're prepared to deal with any and all unexpected costs that come your way, consider creating an emergency fund. These "emergencies" can include events such as losing your job and steady income stream, getting evicted from your home or paying for care related to an urgent medical condition. As a general rule, your emergency fund should cover about three to six months of expenses.

Ensure your emergency fund is readily accessible by keeping the allocated money in a vehicle that is highly liquid, such as a savings account or money market account. A savings account helps protect your money from market swings and allows you to easily withdraw funds at any time.



### WINNING PLAY for Combined Accounts:

Many banks will link accounts and give you credit for all assets you hold in combined accounts. It may be worth accepting a lower interest rate on savings if it qualifies you for free checking and other reduced fees.

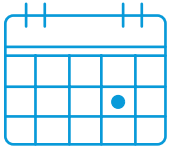
Another option to consider is investing in a money market deposit account. Money market deposit accounts can offer the best of both worlds—they often pay higher interest rates than savings accounts while also allowing you to write checks. Similar to checking and savings accounts, your money is easily accessible; however, most money market deposit accounts require a minimum deposit to open the account.

### THE FDIC EXPLAINED

When opening a bank account, choosing a chartered bank with FDIC insurance tends to be the safest move. The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects depositors of insured banks against the loss of their deposits if any of the banks fail. FDIC insurance provides dollar for dollar coverage (up to \$250,000 per depositor, per insured bank) for deposits in

checking accounts, savings accounts, money market deposit accounts, cashier's checks and money orders. The FDIC does not insure money invested in stocks, bonds, mutual funds, life insurance policies, annuities or municipal securities even if these investments are purchased at an insured bank.

# Step 3: Save for the Future



In general, a good rule of thumb is to try and save at least 10-15% of your post-tax income. Once you have saved up enough money to cover your day-to-day expenses and any unexpected emergencies, you can start planning for your longer-term goals.

To encourage people to save for the future, the government created several tax-deferred accounts. This means that over the years, your contributions (the money you put in) can grow faster because the taxes are being deferred to a future date (think back to the value of compounding). In general, you will only be taxed when you make a distribution (or withdraw money). Keep in mind that most tax-deferred accounts are structured to help you save for retirement and therefore you may be subject to a penalty tax if you withdraw assets before reaching age 59½.

### CERTIFICATES OF DEPOSIT (CD)<sup>1</sup>

Purchasing a certificate of deposit (CD) can be a useful saving tool because CDs pay a set interest rate for a pre-defined period of time ranging from 3 months to over 10 years. Generally, the longer you are willing to lock up your money, the higher the rate will be, so CDs may be an option to consider for predictable longer-term expenses such as buying a home.

**There are several types of retirement accounts to consider. Different types of accounts have different rules about who is eligible, how much you can contribute, when the money is taxed and at what age you can access the funds. The following is a non-exhaustive list of tax-qualified arrangements that may be available to you.**

### 1 401(k) Plan

401(k) plans are employer-sponsored plans that allow employees to make pre-tax contributions into a tax-qualified account. If your employer offers a 401(k) plan, you can choose to automatically deposit a portion of your pre-tax salary into your 401(k). If available, this can be a good option for those who have trouble staying disciplined when it comes to saving. Your 401(k) plan may also offer a Roth contribution option, which allows for after-tax contributions and tax-free withdrawals if certain conditions are met.



### WINNING PLAY for Your 401(k):

Some companies will match their employees' contributions up to a certain amount or percentage. If your employer offers a 401(k) plan with a match, consider contributing at least the amount necessary in order to take full advantage of the opportunity.

### 2 403(b)

403(b) plans are essentially 401(k) plans for employees of certain 501(c)(3) organizations and public schools.

### 3 Traditional IRA

A traditional IRA is an "Individual Retirement Arrangement." Unlike a 401(k) or 403(b), a traditional IRA is not offered by employers, but by financial institutions. An IRA has a lower pre-tax contribution limit than a 401(k) and there is no employer-matching involved, but your IRA contributions may be tax-deductible. So if your annual salary is \$60,000 and you contribute \$7,000 to a traditional IRA, you may only need to pay income taxes on \$53,000, subject to certain limitations if you are otherwise eligible to make tax-deductible IRA contributions.<sup>2</sup>

### 4 Roth IRA

If you earn below a certain income threshold, you may qualify for a Roth IRA. The difference between a traditional IRA and a Roth IRA is that contributions made to a Roth IRA are not income tax-deductible, meaning you don't get a tax deduction on your federal income tax return for your contributions to a Roth IRA. However, distributions from a Roth IRA are not subject to federal income taxation if certain conditions are met. Unlike a traditional IRA, Roth IRAs do not force the Roth IRA owner to withdraw money by a certain age, but after the death of the Roth IRA owner, the beneficiaries are required to take distributions in accordance with the required minimum distribution rules. You can also contribute to a Roth IRA after age 70½, as long as you continue to earn below the income limits. Talk to your own independent legal and tax advisors, along with a Financial Advisor, about what retirement account may be appropriate for your long-term goals.



## 5 SEP IRA

A SEP (Simplified Employee Pension) IRA allows employers to make tax-deductible contributions on behalf of eligible employees, including self-employed individuals. Employers can contribute up to a certain percentage of compensation or the annual SEP IRA contribution limit, whichever is lower.

## 6 529 Plan

Instead of helping you save for retirement, a 529 plan helps you save for your child's future college expenses. Also known as "qualified tuition plans," these are offered by your state, state agencies or educational institutions.



### WINNING PLAY for Retirement Plans:

You may be eligible to participate in multiple retirement plans simultaneously, such as an employer-sponsored 401(k) and an IRA. Take time to understand the tax advantages, eligibility requirements and contribution limits of various accounts before mixing and matching. Talk to your legal and/or tax advisor, along with a Financial Advisor, to help determine the most effective way to put your retirement strategy into practice.

### SAVING FOR SHORT-TERM GOALS

There are probably countless other milestones you'll want to save for before you even think about leaving the workforce. We get it. So let's look at how to approach one of these shorter-term goals, such as saving for a new pet.

As with saving for anything, it starts with a plan. Figure out your total expected costs upfront and work backward from there. How much do you need to put away each month to foot the bill? Then determine the necessary sacrifices in your day-to-day spending that you may need to make to start saving that money.

Keep in mind that you may encounter unexpected costs that you did not budget for. For instance, when it comes to a share house, you typically will be charged a security deposit upfront (10-20% of the total rental price), and some landlords may even ask for a utilities or services deposit to cover things like fuel, cable, internet access, lawn and pool maintenance, garbage removal and house cleaning.



### WINNING PLAYS for Smart Savers:

#### **Start early.**

Take advantage of compound interest so that you can enjoy the fruits of your labor in the future.

#### **Set clear goals.**

It's a lot easier to save when you know what you're saving for. Get specific about your goals as well as any upcoming expenses or life milestones and calculate how much you will need to save within what time horizon.

#### **Pay off your debts.**

While you should never compromise your ability to cover day-to-day expenses, debt is expensive and has a way of overstaying its welcome. Focus on eliminating high-interest debt first, which is typically comprised of credit card or store card debt. While it is important to pay off lower-interest debt, such as student loans, don't sacrifice building up personal savings in case of an emergency.

#### **Automate your savings.**

People have a tendency to spend what they have. Treat your savings as an additional expense and set up an automatic deposit to transfer a percentage of your income to your savings account each month. Some employers allow you to do this through payroll, but you can easily set this up via your bank account.

#### **Take advantage of tax-deferred savings accounts.**

If your employer offers a 401(k), consider it as an opportunity to build long-term wealth. If this option is not available to you, consider one of the other types of accounts covered earlier in this chapter.

#### **Master the art of saying "no."**

One of the biggest obstacles to overcome when trying to remain disciplined about your saving strategy is FOMO or "Fear Of Missing Out." This doesn't just apply to exotic trips and dinners with friends, but can also relate to saying "not right now" to that pair of shoes you've had in your virtual shopping cart for the past two weeks. If you find yourself feeling tempted, turn to your savings goals for inspiration.

#### **Don't forget to treat yourself.**

When it comes to saving, recognize what small expenses give you the most pleasure and allow yourself to enjoy these in moderation. These occasional rewards can help keep you motivated as you build healthy money habits.

#### **Save on taxes.**

Make sure you educate yourself about any tax deductions you may be eligible for. If you're in grad school, you may be eligible for an education credit or certain deductions. Similarly, if you are self-employed, you can deduct certain expenses related to transportation, health insurance, a home office and client-related activities.

# Questions to Ask Your Financial Advisor

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- 1 When looking at my income, can you help me determine how much should be allocated toward any outstanding debt and how much I should save?
- 2 What are some ways that I can save for nearer-term expenses such as a big trip, wedding or grad school without jeopardizing my retirement savings?
- 3 What lifestyle factors should I consider when calculating the amount I will need to retire and should I be thinking about this now?
- 4 Should I have different saving strategies for different milestones like buying a house or having children? What can I do now to start preparing?
- 5 Given my upcoming milestones, what savings vehicles are most appropriate in relation to my goals, risk tolerance and time horizon? Are there alternate types of accounts that provide more compelling interest rates when it comes to saving money for medium-term goals?
- 6 What are some strategies to accelerate my student loan payments without compromising my other saving goals?

# Citations & Disclosures

## CITATIONS

[1] CDs are insured by the FDIC, an independent agency of the U.S. Government, up to a maximum amount of \$250,000 (including principal and accrued interest) for all deposits held in the same insurable capacity (e.g. individual account, joint account, IRA etc.) per CD depository. Investors are responsible for monitoring the total amount held with each CD depository. All deposits at a single depository held in the same insurable capacity will be aggregated for purposes of the applicable FDIC insurance limit, including deposits (such as bank accounts) maintained directly with the depository and CDs of the depository.

[2] Contribution limits can vary year over year. [IRS.gov](https://www.irs.gov), [401\(k\) limit increases to \\$23,500 for 2025](#), [IRA limit remains \\$7,000 \(2024\)](#).

## DISCLOSURES

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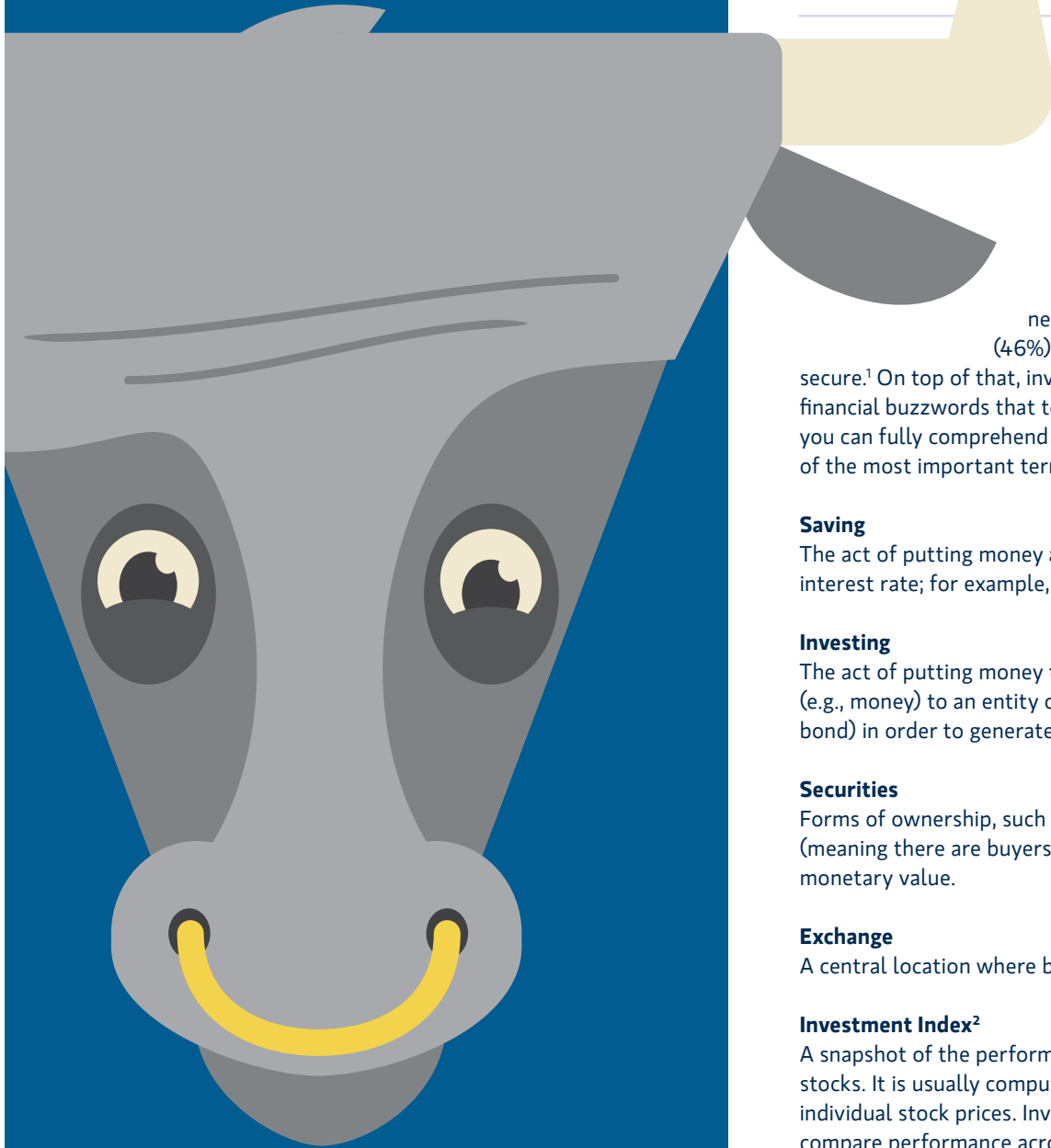
Playbook: Your Guide to Life & Money

# Investing: The Basics

## What Is Covered in This Chapter:

- The basics of investing, including asset classes, stocks vs. bonds and the long-term play.
- What “the market” actually means.
- The principles of investing and the importance of managing risk.
- Getting started and determining your investment strategy.
- Ways to find the right Financial Advisor.

**In today’s fast-paced reality, balancing work, family life and social engagements can be challenging enough**—let alone finding time to create an investment plan. But creating an investment strategy that incorporates your lifestyle goals and tolerance for risk is essential. Setting clear goals for the short-term, long-term and everything in between will help you decide what trade-offs you are willing to make to prepare for the important milestones ahead. This chapter will cover some of the basic principles of investing so that you can build your financial confidence and make more informed decisions about creating and managing your wealth.



## The Basics

On the surface, investing can be intimidating. According to a survey, financial insecurity is on the rise, with nearly half of Gen Zs (48%) and millennials (46%) saying they do not feel financially secure.<sup>1</sup> On top of that, investing can involve an endless number of financial buzzwords that tend to trigger the snooze button before you can fully comprehend what they mean. Let's break down some of the most important terms:

### **Saving**

The act of putting money away in an account with a relatively low interest rate; for example, a bank account.

### **Investing**

The act of putting money to work by committing financial capital (e.g., money) to an entity or a financial product (i.e., a stock or bond) in order to generate a potential profit.

### **Securities**

Forms of ownership, such as stocks, that can be traded on a market (meaning there are buyers and sellers) and have a measurable monetary value.

### **Exchange**

A central location where buyers and sellers can trade securities.

### **Investment Index<sup>2</sup>**

A snapshot of the performance and value of a certain selection of stocks. It is usually computed based on a weighted average of the individual stock prices. Investors use indices as a benchmark to compare performance across categories and industries.

### **Cash and Cash Equivalents**

The money you have saved in your checking and savings accounts, as well as short-term, low-risk investments like money market funds and certificates of deposit.

### **Stock<sup>3</sup>**

A share of the value of a company that can be bought, sold or traded as an investment; this ownership is also referred to as equity.

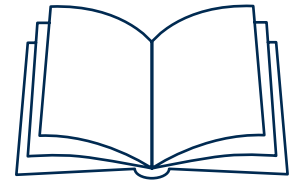
### **Bond<sup>4</sup>**

Essentially an IOU from the issuer to pay the bondholder a specific sum of money at specific intervals and to repay the principal amount of the loan at maturity. A bond is also referred to as fixed income.

**If you thought investing was only for the super-wealthy, think again.**

There are lots of ways that people at every asset level can start investing—as long as they have sought out appropriate advice and understand the risks involved.

Remember, saving is a prerequisite to investing. Make sure you have sufficient savings to cover monthly living expenses as well as cash reserves available in case of emergencies before you begin investing money in the markets.



**Dividend**

A payout from a company to its shareholders using company profits.

**Market Capitalization**

A company categorization found by multiplying the current market price by the total shares outstanding. It basically measures the current price tag of a company. For example, “large-cap” refers to a company whose capitalization is typically \$10 billion or higher in outstanding market value.

**Diversification**

The process of spreading your investments across multiple asset classes to manage risk.

**Broker-dealer**

A financial institution that is licensed to facilitate the buying and selling of financial securities.

**Investment Advisor**

A person or firm that is in the business of providing investment advice to investors.

**FINRA**

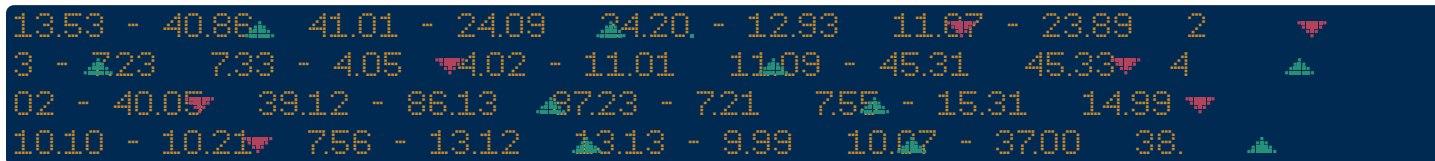
The Financial Industry Regulatory Authority, Inc. is a private organization that regulates the securities business in the United States.

There’s a good chance you already know how to invest. Time spent learning a new skill, studying a foreign language, getting outside—all of these activities represent instances when you’ve given something up in order to get something in return (whether it was an education or set of summer-ready biceps). “Investing,” in a financial sense, is really no different. Financial investing involves the expectation that you will earn money on your investments over time—typically more than you could earn with a savings account over the long term.<sup>5</sup>

Citing rising costs of living, nearly two-thirds (63%) of those aged 18-34 believe the stock market is a great place to invest but many are not participating.<sup>6</sup> Don’t give up on the markets just yet, though—investing is an integral part of building wealth.

By putting your money to work, investing may help you achieve higher returns than the lower interest rate earned in a savings account. However, the potential for higher returns comes at a price. Investing involves more volatility than saving and, as a result, the risk of losing your money is also considerably higher. Wise investing starts with understanding the different investment strategies that can help you manage risk and finding quality advice to help guide you through the process.

# The Market



“The market is down. The market is up.” No doubt you’ve heard these phrases before, but what do they actually mean? What exactly is “the market?”

A financial “market” consists of people buying and selling (also referred to as “trading”) certain assets or valuables. There are many different types of markets: a wheat market, a car market, a market for commodities like gold, and yes, you guessed it...a stock market.

The stock market itself is made up of several exchanges. An exchange is a central location where investors can buy and sell securities in a regulated environment. Most stocks in the United States are traded on two exchanges: the New York Stock Exchange (NYSE) and the NASDAQ Stock Market. Exchanges can be in a physical location, also known as “floor-based” where industry professionals can do trading in-person, or computer-based, meaning that all trading is done electronically. The NASDAQ is a computer-based trading system, while the NYSE, formerly floor-based, is now a mix of both floor-based and electronic trading.

## Making Sense of It All

When it comes to the stock market, financial professionals and investors love looking for clues and patterns to help uncover opportunities. Market trends are important because they can give investors a heads up about what might happen next and influence decisions about when to buy or sell certain securities. To help them track the performance of specific categories, such as a particular industry or company size, the concept of an “index” was created. An index represents a group of securities and acts as a performance benchmark for other similar investments. While it is not possible to invest directly in an index, there are funds that attempt to recreate the returns of a particular index.

Index Name	What it Reflects	# of Securities	Serves As...
<b>Dow Jones Industrial Average</b> <sup>7</sup>	Very large, well-established U.S. companies (e.g., American Express, Chevron, Johnson & Johnson, McDonald’s).	30	An indicator of overall market trends; most referenced U.S. market index.
<b>Standard &amp; Poor's (S&amp;P) 500</b> <sup>8</sup>	U.S. companies with capitalization of at least \$3 billion (e.g., Apple, The Coca-Cola Company, Ford Motor, Hewlett-Packard).	500	An indicator of the strength or weakness of the larger U.S. economy, business growth and consumer confidence.
<b>Russell 2000</b> <sup>9</sup>	Small-cap stocks (e.g., Alaska Air, Cracker Barrel Old Country Store).	2,000	A benchmark for smaller U.S. companies.
<b>NASDAQ</b> <sup>10</sup>	All stocks that are traded on the NASDAQ stock market, the second largest stock market in the world.	Over 3,000	An indicator of how the information technology sector is performing.

**Disclosure:** The companies mentioned in this table are used as examples only and are not a solicitation of an offer to buy or sell any security or other financial instrument or to participate in any trading strategy.

# Types of Investments

## Types of Investments

There are lots of ways to get in the game. Take candy as an example: you can choose to invest in your favorite chocolate brand, but you can also buy shares in the company that supplies the chocolate factory's energy, or the company that produces the aluminum foil wrappers for the chocolate bars. All of these investments are counting on your candy brand of choice performing well and all are considered to be financial assets since they represent something you own that has a measurable monetary value.

An "asset class" refers to a particular type of investment or category of securities. There are three main asset classes you should know about:

### 1. Cash and Cash Equivalents

Generally, the money you hold in cash and cash equivalents is meant to be the liquid part of your total assets (meaning if you needed to access that money to pay for something tomorrow, you could).

### 2. Bonds

Essentially an IOU, a bond allows investors to lend money to companies or governments (called "issuers") for a certain amount of time in exchange for interest payments until the money is repaid.

### 3. Stocks

When you buy a stock, you are buying a piece of a company (also known as a "share"). The value of the company (and your ownership stake) on any given day is determined by the forces of supply and demand. When a company is growing and making money, there can be more demand for its stock and the value of your share can increase as a result. But when a company experiences tough times and has to publicly lay off employees, people may start selling their stocks and the supply can soon outpace demand, which can decrease the value of your piece of the pie.



**Bonds**

Bonds are also known as notes, fixed income securities, debt securities or debt obligations. When you buy or invest in a bond, the entity issuing that bond promises to pay you interest for lending your money to them. These interest payments, usually paid semi-annually, are based on the interest rate, also known as a “coupon.” The coupon is one of the factors that determine the price of the bond. When interest rates rise, bond prices typically fall and the yield increases to compensate for new comparable bonds issued in the market at higher rates.

When the bond reaches its “maturity date,” the investor is repaid the original amount or “face value” of the bond.

Bond ratings help investors make more informed assessments about the credit risk of a bond issuer. There are three dominant rating agencies: Standard & Poor’s, Moody’s and Fitch. Agencies may assign ratings ranging from AAA or Aaa to BBB- or Baa3 for Investment Grade, and BB+ or Ba3 to C for Non-Investment Grade Bonds (also known as High Yield Bonds).<sup>11</sup> As rating agencies downgrade the bond issuer due to a deterioration of the company’s credit quality, the bond’s market price may potentially decline causing yields to rise to compensate investors for the additional risk.

**Bond Characteristics**

Bond Type	Maturity Period	Tax Status	Risks and Returns
<b>Corporate Bonds</b> Issued by companies to finance expansion and other activities.	1 to 40 years	Taxable.	Considered higher risk than government bonds, particularly where issuers have higher potential for default. To compensate, they typically have higher coupons.
<b>Municipal Bonds</b> Issued by state and local governments to pay for construction and other projects.	1 month to 40 years	Exempt from federal, state and local income taxes under certain conditions.	Risks vary significantly depending on fiscal health of the issuing state or municipality. Lower pre-tax rates than comparable corporate bonds due to tax exemption.
<b>T-Bonds</b> Issued by the federal government as a major source of long-term financing.	20 and 30 years	Generally exempt from state and local income taxes.	Very low risk of default because they are backed by the U.S. government, though the long maturities increase inflation risk and interest rate risk. Generally lower rates than comparable corporate or municipal bonds.
<b>T-Notes</b> Issued by the federal government to fund operations and pay interest on the national debt.	2 to 10 years	Generally exempt from state and local income taxes.	Considered low risk, with commensurately low coupons.
<b>T-Bills</b> Issued by the federal government for immediate spending needs.	4 to 52 weeks	Generally exempt from state and local income taxes.	Generally considered the lowest risk, lowest return of all fixed income investments due to government backing and short maturities.
<b>Agency Bonds</b> Issued by U.S. government agencies or government-sponsored agencies.	30 days to 20 years	Varies depending on issue.	Considered marginally higher risk and higher interest than Treasury bonds.



INVESTING: THE BASICS

MAIN STREET

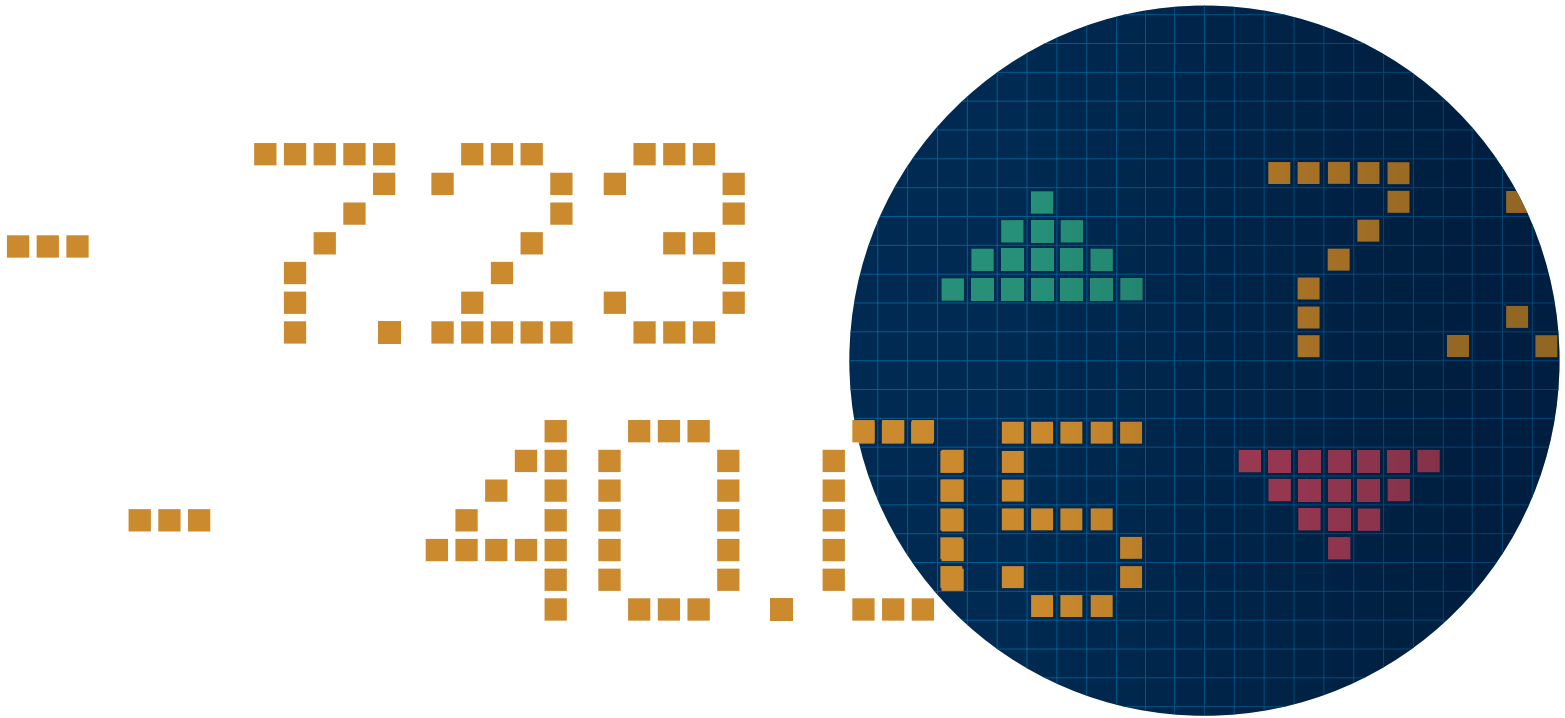
STATE ROUTE 11

MAIN STREET

NEW CONSTRUCTION

### **Tax Advantages of Municipal Bonds**

Municipal bonds, or “munis” as bond enthusiasts call them, are issued by government entities such as states, municipalities or counties to pay for expenses and fund projects like building roads. As a benefit to incentivize taxpayers investing in municipal bonds to help fund government projects, income received from many municipal bonds (i.e., your interest payments) is exempt from federal taxes, and sometimes even state and local taxes. You can imagine why munis can be a particularly attractive solution for long-term investors. Note: there are also taxable municipal bonds.<sup>12</sup>



### Stocks

Companies sell stocks to investors in order to raise money. If you buy stock in a company, your ownership is calculated by dividing the number of shares you own as an investor by the total number of shares outstanding. For example, if a company issues 5,000 shares and you own 500, you technically own 10% of the company. The value of that ownership stake is based on the stock price, which can go up and down throughout the course of the trading day.

One benefit of investing in stocks is that you may be eligible to receive dividends. A dividend is a payout from a company to its shareholders. Whether or not companies pay dividends and how frequently they do so is up to the discretion of the company.

### Types of Stocks

All stocks are not created equal. Stocks issued by large, established companies will have a different risk-return profile than smaller technology start-ups that recently went public. The following table outlines the various classifications to help you understand the differences between each type of stock as well as how each can affect your portfolio's performance.

### Market Value and Pricing

The value of a stock can go up or down throughout the course of the day. This market value (equivalent to the price of the stock) is influenced by several factors:

- How profitable the company is.
- How quickly the company is growing.
- The amount of debt the company carries.
- Changes that impact the prospects for future profitability (e.g., a product launch, a new CEO, or a regulatory change).
- Interest rates.
- Uncertainty in the geopolitical climate.

Remember that one factor sets the actual price of a stock: the most recent trade, which reflects the opinions of one buyer and one seller about the stock's value.

## Types of Stocks



Classification	Description	Example
<b>Blue-chip Stocks</b>	Blue-chip stocks are stocks of large, established companies that have a long history of growth, profit and dividend payout.	Large, reputable companies like General Electric, Walt Disney and Johnson & Johnson.
<b>Growth Stocks</b>	Growth stocks are stocks of companies whose earnings are expected to grow at a faster rate than the industry average. Growth stocks typically do not pay dividends because the company would prefer to reinvest earnings into research and development or other projects.	Fast growing companies such as Apple, Amazon and Amgen.
<b>Income Stocks</b>	Income stocks are stocks of companies that pay regular, often higher than average, dividends. In general, income stocks have lower levels of volatility than the overall stock market.	Telecoms such as AT&T, Real Estate Investment Trusts and utility companies including electric and natural gas companies.
<b>Cyclical Stocks</b>	A cyclical stock's price moves in sync with ups and downs in the business cycle or overall economy. Cyclical stocks typically include companies that sell discretionary items that consumers can afford to buy more of in a booming economy (e.g., technology, luxury goods), but will cut back on during a recession.	Includes retail companies and automotive companies.
<b>Defensive Stocks</b>	Defensive stocks, also called non-cyclical stocks, are stocks of companies whose business performance and sales are either unaffected by or not highly correlated with changes in the business cycle. As their name suggests, defensive stocks may help defend your portfolio from losses during uncertain times because they tend to be less vulnerable to economic downturns.	Includes utility companies and healthcare companies.
<b>Value Stocks</b>	Value stocks are stocks that tend to trade at a discount to their intrinsic value. Their valuation is also priced lower than broader market or similar companies in their industry.	Companies trading below their intrinsic value like McDonald's.
<b>Penny Stocks</b>	The term "penny stock" generally refers to a stock that trades at less than \$5 per share. They are considered high-risk and have low trading volumes.	Small, growing companies with limited resources and no track record. Can include companies that have filed for Chapter 11.

**Disclosure:** The companies mentioned are used as examples only and are not a solicitation of an offer to buy or sell any security or other financial instrument or to participate in any trading strategy.

### Additional Asset Classes

Anything that is not a stock, bond or cash equivalent is referred to as an “alternative investment.” Investing in alternatives is another way to diversify your portfolio and help manage your risk. Some of the most notable alternative asset classes include:

#### HEDGE FUNDS

These are funds that are actively managed by professionals. Generally, these are only accessible to institutional and accredited or qualified high net worth investors because you have to commit large sums of money for a relatively long period of time.

#### REAL ESTATE

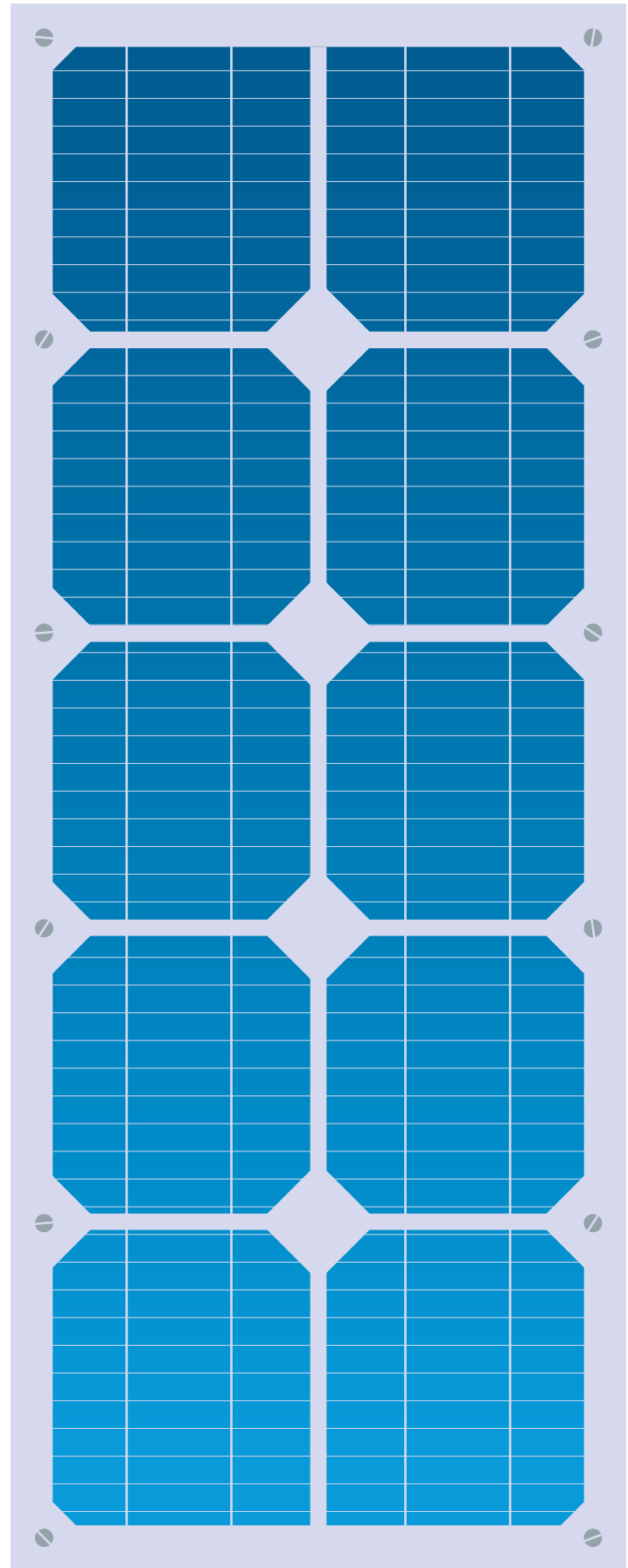
In addition to the investment you might make in your own home, there are a few ways to incorporate real estate holdings into your asset allocation. You can either invest directly in an investment property or choose to invest indirectly through a publicly traded Real Estate Investment Trust (REIT)<sup>13</sup> or limited partnership (LP). The latter two options require you to pool your money with others to invest in a portfolio of properties (similar to a mutual fund).

#### COMMODITIES<sup>14</sup>

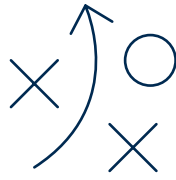
Wheat, gold, crude oil, live cattle, soybeans...pretty much anything you grow, raise or dig out of the ground are commodities that can be traded. While the quality of the item traded may differ slightly based on the producer or source, it is generally uniform or “commoditized.” Most commodities are traded in the form of futures, which means that two parties agree to buy or sell a commodity at a predetermined price in the future.

#### ART AND COLLECTIBLES

Valuables such as art, antiques, sports cars or rare collectibles are purchased for aesthetic or personal reasons. In some cases, a collection or individual pieces in that collection can be considered an asset. Because the market is fairly opaque and unpredictable, investing in art and other non-traditional assets typically requires high transaction costs and highly specialized knowledge. Given the unique nature of alternatives, including potential barriers to entry and generally less transparency surrounding pricing, seek advice from a qualified Financial Advisor to help determine what strategies are appropriate for you.



# The Rules of the Game



## Principle #1: Risk and Return

Investing is not just about betting on that once in a lifetime new app opportunity, it's about the long-term plan. By thinking strategically about your future and making smart investment decisions today, you can reap the potential rewards of those choices down the road. Like any journey, there are various routes and each has their own potential for traffic, delays or roadblocks. There is always the risk that the trip may not turn out exactly as planned, but in order to get there, you have to be willing to take that risk.

The balance of risk and reward is at the core of each investment decision—higher returns require greater risk, while lower returns denote lower risk. As an investor, you will have to take on some level of risk or uncertainty in order to make a return. However, with no guarantees, the key is to create a portfolio of investments that balances your risk and the potential return. Each asset class has a different risk-return profile:

## Relationship of Risk and Return



**Principle #2: Inflation**

Inflation is the increase in the prices of goods and services over time. In other words, life gets more expensive each year even if you keep shopping at the same stores. Although the rate of inflation only increases a small amount from year to year, it adds up over time. For example, with a 4% inflation rate, a house that costs \$250,000 in 2014 will cost \$360,000 in 2025.

In order to maintain your current standard of living, you should consider making investment returns that are equal to or greater than inflation. For example, if inflation is 4% and your investment portfolio is only returning 3% each year, you are technically losing money.

**Principle #3: Diversification<sup>15</sup>**

You probably know that having all your eggs in one basket is never a good thing; you risk losing everything if something happens to the basket. In finance, one of the best strategies for avoiding this scenario is diversification. Diversification is the process of spreading your investments across multiple asset classes (or "baskets") to manage risk. The rationale behind diversification is that over time, a portfolio that includes different asset classes may be less risky because when certain investments perform poorly, your downside can be balanced out by assets that are performing well.

Stocks can provide higher returns to investors, but these investments are also much more volatile than bonds. In other words, their price can fluctuate quite a lot from day-to-day based on market activity and company performance. A diversified portfolio helps manage this risk by including lower-risk securities (e.g., bonds) as well as higher-risk securities like stocks. If stocks are performing very poorly, your bond investments could help limit your downside.

**Principle #4: Asset Allocation**

Asset allocation is an investor's bread and butter. It is the process of deciding how to divide your investment portfolio amongst the different financial asset classes to balance your risk tolerance, time horizon and investment goals.

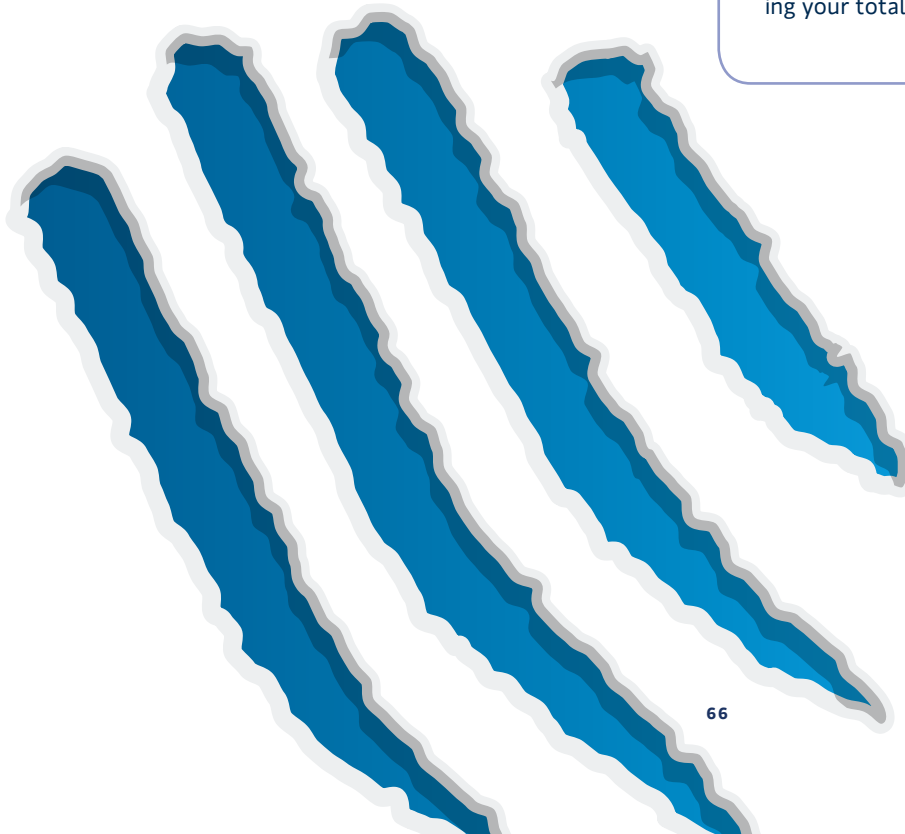
Conservative investors who do not want to take on a lot of risk or have shorter investment horizons may be better off with a portfolio that is weighted towards money market securities and bonds (which have lower risk, but also lower returns). Aggressive investors, on the other hand, are often willing to tolerate the higher risks associated with stocks.

Typically, the longer your investment horizon, the more risk you can take. This is because you won't need to access your money for a while and can afford to ride out the inevitable ups and downs of the markets.

Asset allocation, diversification and rebalancing do not assure a profit or protect against loss in declining financial markets. There may be potential federal income tax implications with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

**Dollar Cost Averaging<sup>16</sup>**

Dollar cost averaging is an investment strategy used to help minimize the impact of a volatile market. By investing equal amounts periodically over a longer period of time regardless of the price, rather than one lump sum at a particular price, you can reduce the risk of a sudden market downturn affecting your total investment.



# Creating a Diversified Portfolio With Managed Funds

*Picking individual stocks and bonds takes a lot of time, effort and experience.* Investing without these things can be quite risky, especially if you're new to the stock market. Fortunately, there are people who do this for a living. In exchange for a fee, a knowledgeable person will do the heavy lifting for you by creating a diversified portfolio that you can buy into as an individual investor. Instead of purchasing hundreds of individual stocks and bonds, you simply buy a share in a fund that is already made up of a mix of securities.

**Two of the most popular types of managed funds are mutual funds and exchange-traded funds.**

## 1 MUTUAL FUNDS<sup>17</sup>

A mutual fund pools the capital of many individual investors and invests it in a collection of stocks, bonds and other securities. The company that issues the mutual fund manages the pool of money on behalf of the investors. The fund is traded on an exchange and the price is set at the end of the trading day. Because of this, you can only purchase mutual fund shares once a day after the market has closed.

Fund managers are compensated through commissions and fees. Sometimes referred to as "loads," commissions can be charged when you buy (i.e., "front-ended") or sell (i.e., "back-ended"). Fees typically range from 0.1-3% of the amount invested.

Mutual funds are not guaranteed or insured by the FDIC or any other government agency.

## 2 EXCHANGE-TRADED FUNDS (ETFs)<sup>18</sup>

An exchange-traded fund operates very similarly to a mutual fund. The difference is that you can buy an ETF from any brokerage firm at any time you want. ETFs are not actively managed and can be bought and sold at any time throughout the trading day just like stocks on the exchange. Because there is less management involved, fees are often lower than mutual fund fees.



### Index Funds<sup>19</sup>

For the passive investor who does not have the time, interest or expertise required to buy and sell individual securities on a daily basis, index funds can be an attractive solution. These funds track a particular index (like the S&P 500) or benchmark with the goal of mimicking their performance over time.

# The Way to Invest



**There are a wide variety of investment solutions to accommodate an equally wide variety of needs. Here are a few of the service providers who can help you get in the game.**

## Brokers

A broker helps investors buy and sell securities. For investors looking for trading support and guidance on investment decisions, a “full-service broker” offers access to research and customized advice as well. Typically, full-service brokers charge an annual fee of 1–2% of the assets they are managing on your behalf in exchange for a more personalized, goal-based approach.

For investors who prefer to do their own research, “discount brokers” also facilitate trade execution, but without the added advice. Like the name suggests, discount brokers are often less expensive than full-service brokers because they charge a fee per transaction (i.e., trade commission) rather than an annual fee to cover the personalized advice.

Discount brokers can be a cost-effective option for the DIY investor; however, since their revenue is based on the quantity of transactions rather than the quality of service, their “discount” service can end up costing you a pretty penny.

**TIP:** Check the details on a broker or Financial Advisor’s background and qualifications for free on FINRA’s BrokerCheck website.

## Robo-Advisors

The rapid growth of technology has given rise to new, digitally-driven investment providers. These “robo-advisors” run on autopilot, cost just a fraction of traditional advisory fees and are typically available to people with smaller amounts to invest. However, as an automated service, they can fall short of a human-based solution when it comes to understanding your needs and providing customized advice.

## Investment Advisory and Brokerage Relationships<sup>20</sup>

Money is a sensitive topic. It is the primary source of stress for many Americans and has a profound impact on everything from your romantic relationships to your ability to achieve long-term goals.

The emotions associated with money can easily cloud your judgment, creating unintended blind spots. People often shy away from talking about their finances with others because it is so personal and requires an established foundation of trust.

Your Financial Advisor may be registered as an investment advisor, a broker-dealer or both, and may offer investment advisory services, brokerage services or both. Either or both types of services may be appropriate for you. It is very important that you ask your Financial Advisor which type of services they are providing, and that you understand the differences between investment advisory and brokerage services, including the manner in which you pay for these services.

When your Financial Advisor provides brokerage services to you, they assist with individual securities transactions and are paid a commission on each transaction. In an investment advisory relationship, your Financial Advisor provides you with ongoing investment advice and other services related to your investment portfolio. In an investment advisory relationship, your Financial Advisor is paid an annual advisory fee for their services, as opposed to transaction-specific fees. This fee for applicable programs is known as a “wrap fee” and generally covers investment advisory services, compensation of Financial Advisors, execution of transactions, custody of account assets and reporting.

When your Financial Advisor acts as your investment advisor, they are a fiduciary to you under applicable law. As a fiduciary, they are obligated to act in your best interests by providing investment advice that is based on your stated overall financial situation and investment objectives.

When your Financial Advisor provides brokerage services to you, they may recommend that you purchase, sell, hold or exchange a security. As a broker, your Financial Advisor must have a reasonable basis for believing that the recommendation is appropriate for you. However, when your Financial Advisor acts in a brokerage capacity, they do not have a fiduciary or investment advisory relationship with you, and their obligations to disclose information regarding their business, conflicts between their interests and yours, and other matters are more limited than if they did.

In general, brokerage services are more appropriate for investors who wish to pay only for assistance with their individual transactions. Investment advisory programs may be appropriate for investors who want to receive ongoing investment advice that is tailored to their investment objectives and risk tolerances, as opposed to an engagement on a transaction-by-transaction basis, and who are willing to pay an annual fee for this advice and associated services.

#### PRO TIP

**If your financial goals entail directing basic monthly savings to a simple allocation of stocks and bonds, then perhaps some of the automated platforms can fit the bill. Our experience has shown us, however, that most clients want financial advice that is holistic and customized. This means taking into consideration a host of factors that include dynamics and choices around your job, family responsibilities, debt and borrowing needs, tax status and philanthropic interests. At the heart of the advisory relationship is the concept of education and personalization that ultimately allows you to make the choices about your financial health that are right for you.**

## Factors to consider when choosing a broker:

- Do they charge a commission for trades?
- Is the fee per trade or does it vary depending on level of trading?
- How many shares are being bought or sold?
- What range of products is available on their platform?
- Is there a minimum for opening an account?
- Do they offer trading on foreign exchanges?
- Do they offer their own mutual or index funds?

# Questions to Ask Your Financial Advisor

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- 1 Is my portfolio aligned with my life goals?
- 2 Do I need to make any changes to my current portfolio allocation to help plan for my short-term and long-term saving and wealth goals?
- 3 What economic indicators and market trends should I be aware of that may impact my portfolio?
- 4 Where can I afford to take on additional risk, and where should I mitigate my risk with diversification or portfolio rebalancing?
- 5 Are there any alternative asset classes that I might want to consider investing in (if appropriate)?

# Citations & Disclosures

## CITATIONS

- [1] Deloitte, [2025 Gen Z and Millennial Survey \(2025\)](#).
- [2] The indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.
- [3] Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment. Companies paying dividends can reduce or stop payouts at any time.
- [4] Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.
- [5] Morgan Stanley, [What's the Difference Between Saving and Investing? \(2024\)](#).
- [6] CNBC/Generation Lab Survey, ["Gen Z, Millennials Want to Invest—But Many Aren't" \(2024\)](#).
- [7] Dow Jones Industrial Average is a price-weighted index of the 30 "blue-chip" stocks and serves as a measure of the U.S. market, covering such diverse industries as financial services, technology, retail, entertainment and consumer goods. An investment cannot be made directly in a market index.
- [8] S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.
- [9] Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 11% of the total market capitalization of the Russell 3000 Index. An investment cannot be made directly in a market index.
- [10] NASDAQ Composite Index is a market-value-weighted index of all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. An investment cannot be made directly in a market index.
- [11] Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.
- [12] Interest on municipal bonds is generally exempt from federal income tax. However, some bonds may be subject to the alternative minimum tax (AMT). Also, municipal bonds acquired in the secondary market at a discount may be subject to the market discount tax provisions, and therefore could give rise to taxable income. Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence. The tax-exempt status of municipal securities may be changed by legislative process, which could affect their value and marketability.

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# Conclusion

# The Value of Advice

As you accumulate wealth, you often face more complexity. When it comes to your finances, family and future, there is rarely a “one-size-fits-all” approach, as everyone faces a different set of challenges, expectations and pressures. The key is finding a Financial Advisor who can point out blind spots and help you create a financial strategy that works for you. Sometimes, finding the right partner starts with asking the right questions.

## What Should You Look For in a Financial Advisor?

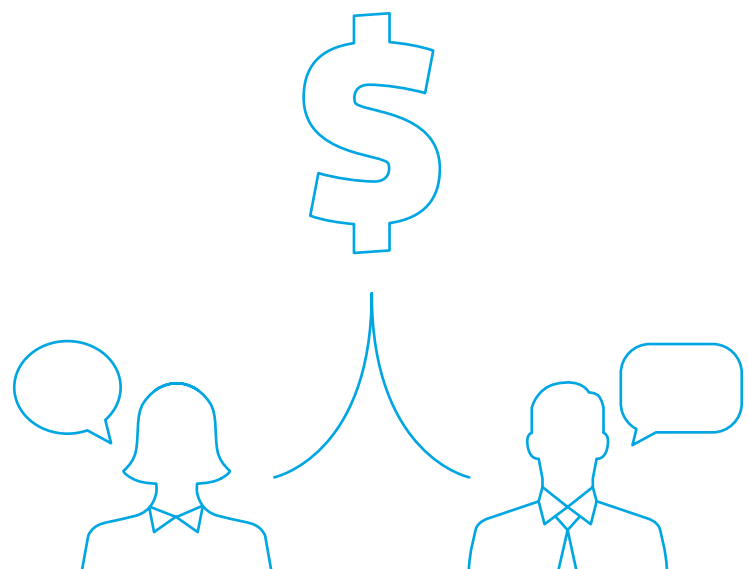
The first question to ask yourself when evaluating a Financial Advisor is, “Can I see myself partnering with this person in the long-term, and do I have the confidence in him or her to help me achieve my goals?” In order to answer that question, you need to understand the Financial Advisor’s investment style, level of experience, services provided and methodology for measuring success.

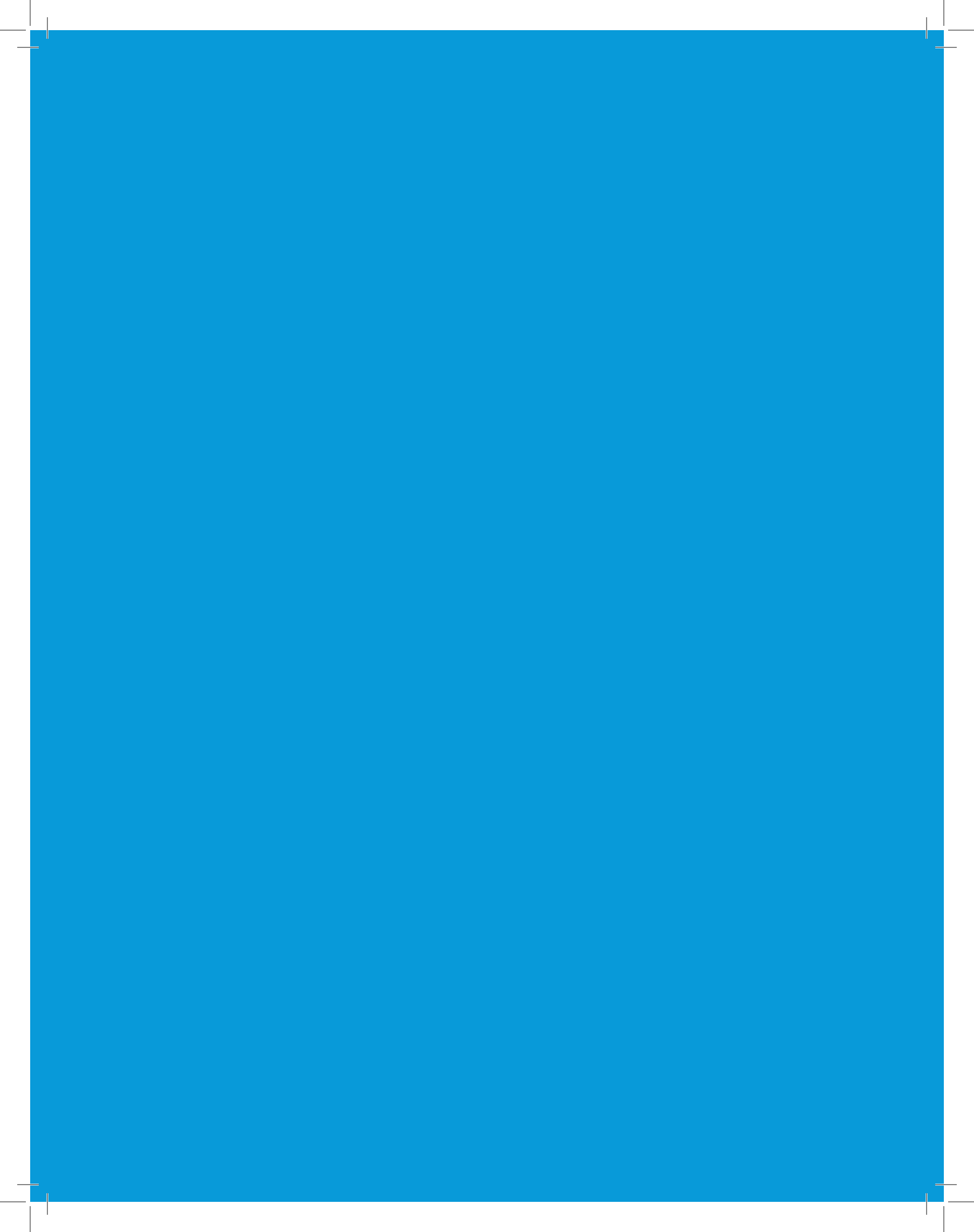
## Here Are Some Questions to Consider Asking When Shopping Around for a Financial Advisor:

- How much do you charge and what is covered in that fee?
- Do you have a team, and, if so, what do your team members do?
- Do you work with a client’s personal attorney or tax professional?
- What is your approach to advising investors?
- What type of experience and qualifications do you have?
- How often do you meet with your clients?
- What type of investors do you like to work with?
- Do you have systems or software to help develop investment strategies?
- How will you inform me of my investment performance?  
Can I access this information on demand?
- How are you compensated?
- What other services do you offer?
- What kinds of research and other support can you provide?

## Working With a Morgan Stanley Financial Advisor

From building an investment portfolio to building a legacy, a Financial Advisor can be a powerful ally. At Morgan Stanley, our Financial Advisors work with individuals, families and businesses to deliver services and solutions that help build, preserve and manage wealth. We understand our clients’ aspirations, and we’re as devoted to your goals as you are. Reach out to us to learn more about how we can help you create a plan that meets your needs at each stage of life.





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