

# financial literacy

# FOR TEEN\$

## *Welcome!*

We're glad you're here...

PLEASE: sign in • help yourself to a snack • grab a handout • have a seat



# OBJECTIVES

By the end of this discussion,  
you will be able to answer the  
following questions:

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Why is it important to start saving now?

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What is the difference between savings and investing?

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What are the different ways I can save or invest?

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How do the concepts of risk and reward affect my choice of investment?

*Time value of money – start saving NOW and watch it grow!*



Read 500 pages every day. That's how knowledge works. It builds up like compound interest.

— Warren Buffett —



*Time value of money – start saving NOW and watch it grow!*



**COMPOUND INTEREST IS THE EIGHTH  
WONDER OF THE WORLD. HE WHO  
UNDERSTANDS IT, EARNS IT... HE WHO  
DOESN'T... PAYS IT.**

**– ALBERT EINSTEIN**

## *Time value of money – start saving NOW and watch it grow!*



“Money makes money.  
And the money that money  
makes, makes money.”

– Ben Franklin



[To watch video – click here](#)

*Before we talk about different ways to save and invest...*



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Money kept in your wallet, backpack, or jar on your shelf

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Money in a savings account at a Bank or Credit Union

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Money lent to a friend who says she will pay it back next week

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Money spent on \$100 worth of lottery tickets

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Money kept in your wallet,  
backpack, or jar on your shelf

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Money in a savings account

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Money lent to a friend who says  
she will pay it back next week

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Money spent on \$100 worth of  
lottery tickets

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**Risks:** theft, fire, lose

**Rewards:** instant access, watch it grow

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**Risks:** don't have instant access

**Rewards:** safe (insured by the federal government), earn interest

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**Risks:** money may not be returned, don't have use of money

**Rewards:** may be safer with friend (you may spend if in your possession), interest earned (if agreed upon as a condition of the loan)

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**Risks:** huge – will probably lose your money

**Rewards:** huge – if you win, you win BIG

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# SAVING versus INVESTING

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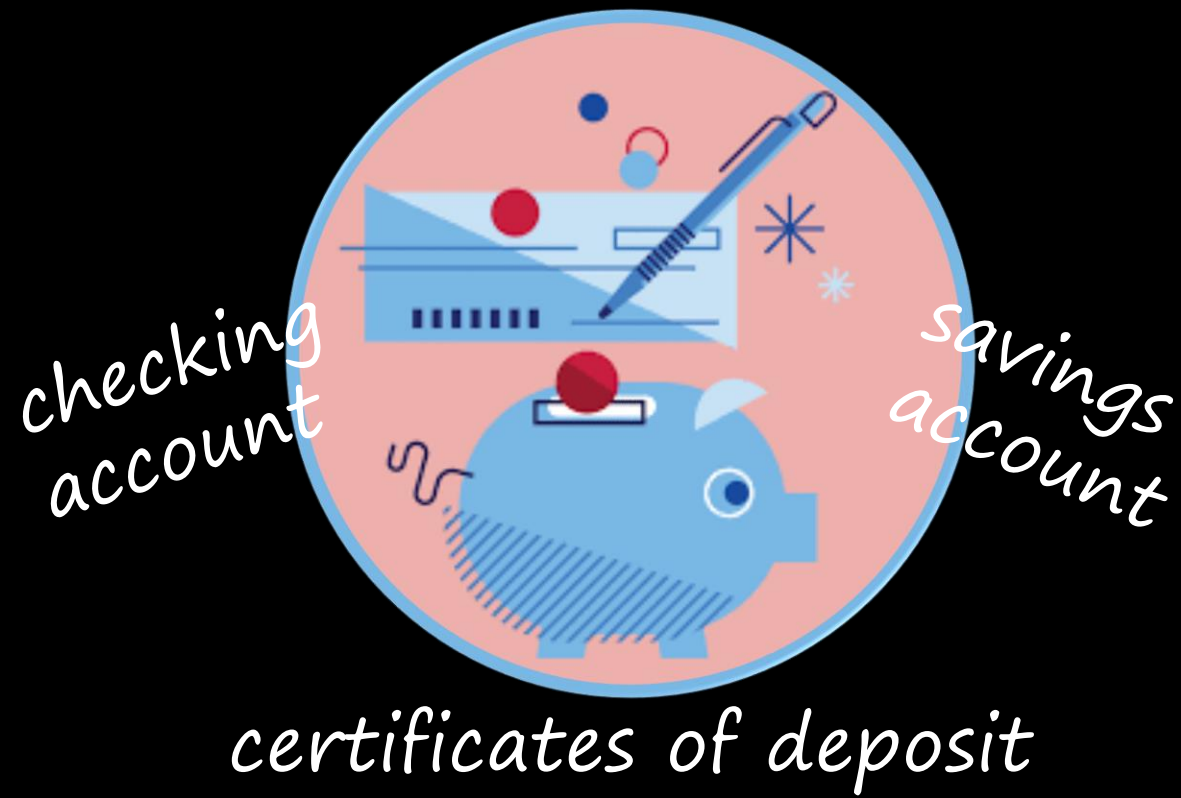
If you are not doing either,  
the time to get started is  
now



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A general rule of thumb is  
saving should be short term  
while investing should be  
long term





*Why do we have so many options for saving and investing?*

*Because of your timeframe and risk tolerance!*

# What's the Difference?

**Saving**

**vs**

**Investing**

**Short Term Goals**

**Long Term Goals**

**Easily Access Funds**

**Difficult to Access Funds**

**Low Risk of Value Loss**

**High Risk of Value Loss**

**Lower Profit Potential**

**Higher Profit Potential**

**Funds Federally Insured**

**Funds Not Federally Insured**

*goal*

*access to money*

*risk*

*reward*

*risk*

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saving

	What is it?	Advantages	Disadvantages
savings account	money in a financial institution used for short-term savings	safe, can have access to it with ATM or in branch office, earn interest	low interest, no or low growth potential
checking account	money in a financial institution used for short-term savings	safe, can have access to it with ATM, check book, or in branch office, may earn interest	little or no interest, low or no growth potential
certificate of deposit	money in a financial institution used for mid-term savings	safe, earn more interest than savings/checking accounts	do not have instant access to money
bonds treasury private	loan money to an institution with a promise to pay it back with interest	interest rate is often higher than standard accounts at banks	money invested in not federally guaranteed
stocks mutual funds large cos. small cos. start-ups	purchase a part of a company with promise to pay dividends only when company is profitable	potential for return is higher than for standard bank accounts or bonds	potential for loss can be high, money not federally guaranteed
real estate	purchase of home or income property	potential for return on investment is good	potential for loss can be high

low risk

short term

low/no return/profit

high risk

long term

high potential return/profit

Let's recap!

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Start saving NOW and watch it  
GROW!

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SAVING versus INVESTING

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SAVING and INVESTMENT options

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RISKS versus REWARDS

Ibbotson® SBI®

Stocks, Bonds, Bills, and Inflation 1926–2017

# How \$1 Grew



Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©2018 Morningstar, Inc. All Rights Reserved.

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*Thank you for  
attending*



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