

TRANSCRIPT

Five money musts

Kelly Lannan: Hi guys. My name is Kelly and I work at Fidelity Investments. And my job at Fidelity is to encourage and hopefully inspire young adults to engage more when it comes to their finances. Now, this is through a variety of means through product services, marketing, and one part that's particularly a passion of mine is through education. And today I'm going to take you through a workshop called "The Five Money Musts" and the thing is, is that I know a lot of people listening. People don't tend to just wake up in the morning and are like, "Yeah I get to learn about financial literacy today!" And I totally get that. So, we're going to spend the next little bit together and I'm going to go over these five concepts that a lot of both recent graduates as well as people who are currently in school have told us that if they just learned a little bit more about, they would feel a lot more confidence once they're out there in the quote unquote real world. Now, for me, I'm someone who went to a liberal arts school and I specifically remember graduating with my double major in history and political science and I graduated school, I kind of looked around and I was like, "What the heck was I learning in college?" Because these are also the things that are so important, but they sometimes don't get taught to us. These are also concepts that can kind of span through your entire life, so you don't have to be in college, you can be many years out or maybe even in high school. And these are all important things that can again, make you feel more

confident when it comes to your money. The other thing is that we're going to go over a lot today. We're going to spend the next little bit together and you're not going to remember every single little thing that I talk to you about. So, the important thing is, is to take one thing -- two things, and then continue to ask questions. Have these money conversations. Come to us, come to Fidelity for help. Because again, you're not going to remember anything, but the power is talking about money. Because money will touch every single aspect of all of our lives, and we want to give each and every one of you the confidence to do anything you want in life. That's an important part of our jobs here at Fidelity. So, I'm going to get right into it. So, Fidelity, a family-owned company, we've been here for over 70 years, and part of something that us at Fidelity are really passionate about is financial education. We want to ensure that we're arming people with this education, with this confidence, to again, to achieve all that they want in life. So, what are we going to talk about today? So, as I mentioned, you know, you might not walk away from this session being a money expert and we completely get this, but we really want to arm you with a solid foundation for your future. And again, were going to start with just five simple money concepts. And the goal is to have you start to think about making smart choices with what you've got, even when sometimes that might not feel like a lot. So, before I start, I want everyone listening today to focus on this question: What would you do with 1,000 dollars? So, if I gave each and every one of you 1,000 dollars, what

would you do with it? Okay, I'll give you a second, formulating something in your mind. Now, and I also fully understand that how you're thinking about this today might be very different than a few months ago, which is completely fair, but what would you do with this money? So, as I mentioned, this is a workshop that we've given to people of all sorts of ages and what we've seen is that regardless of your age, regardless of where you are in life, we always see the same thing over and over again, is that many people would take their money and they would save it. They would save it, or they would invest it. And a lot of other people, they might take it and put it towards something that makes them happy. Something that they have fun, travel, new computer, new shoes. And the thing is, guys, is that you shouldn't have to choose between the two. In fact, you should be able to do both. So, a lot of what we'll be talking about today is how can you get that balance. How can you ensure that you're saving for both the short and the long term, while at the same time saving money for those things that make you happy? So, as I mentioned, we like to keep this simple, five little money concepts. Those five concepts are as follows: budgeting, credit, debt, investing, and retirement. The five money musts. Now, again, we're going to have some fun today. I definitely make fun of myself. I'd probably make fun of you guys out there if I can see you as well. But again, I'm hoping that you can learn through my stories, learn through my mistakes, as well as my successes. And if those funny things help you remember, that's fine, too. So, the first concept, really at the foundation of it all, is

budgeting. Budgeting. It's really about making the most of what you've got, even when sometimes it doesn't feel like much. So, a question to everyone: Have you ever felt shocked about how much you've spent in a month? Okay, I'm going to raise my hand. How about a weekend? Shocked about how much you've spent in a weekend? Yeah, called Mondays, right? And so that's what happens, and sometimes you're faced with an unexpected expense and guys, this is life, right? You know, sometimes we spend more than we intended. Sometimes we're faced with the unexpected and we have to deal with it. And the thing about budgeting is that we don't want these things to completely throw you off your budgeting. So, that's why at Fidelity we created a rule where you don't have to keep track of every single little thing you're spending your money on. Because what if you have an off month or an off weekend? Again, we don't want that to completely throw you off track of your budget. So, the example I like to give a lot is a good friend of mine. And maybe some of you guys can relate to, because part of me can relate to as well, like during the week super healthy eating like salads every day, good stuff for dinner, and then the weekend rolls around. And you kind of meet up with your friends, you order some food. What do you think my friend gets? Do you think she gets the salad, or do you think she gets the pizza? Yeah, she gets the pizza. And she gets one slice of pizza. And then after that, what do you think she does next? Yeah, she eats another slice of pizza, and then another slice, and then she's eating French fries. Because in her mind,

everyone, in her mind, okay? Because of that single slice of pizza, she's already had it, she could've stopped there. But in her mind, because she already cheated, because she'd already gone off her diet rails, you know, it's like, "I'm going to keep going and diet starts Monday." And that's exactly the same with budgeting. It's human nature. We don't want those simple things in life to throw us off track. We always want you to try to stay on track when it comes to your budget. So, before we get into our little rule, we're going to actually take a look at where our money goes. So, there's four main buckets of where our money usually goes. The first bucket are the essentials. These are the things you simply cannot live without: the bills you have to pay every month, the debt you have to pay off every month, you've got to eat, you've got to keep a roof over your head. These are the essentials, the things we cannot live without. Then we get into our second bucket, and this is the non-essentials. Now, the non-essentials are those things that we probably could live without if we wanted to, but they also happen to be the things that make us happy. And then the third bucket is short-term savings, and most specifically an emergency fund. And we're going to talk about that in just a second. And the fourth and final bucket are those longer-term savings. And this can vary. This could be a house, a car, or something that Fidelity really specializes in: retirement. So now that we've taken a look at the four buckets of where our money goes, we're going to get into our rule: the 50/15/5 Rule. Okay, everyone? The 50/15/5 Rule. So, 50 percent, that first bucket. Fifty percent of the

paychecks we get, 50 percent of the money coming in should probably be earmarked towards your essentials. Once again, those things you cannot live without. Roughly 50 percent should really be earmarked towards that. Now, we get to our second bucket, which is 15 percent. Fifteen percent should be earmarked towards your retirement. Now, if I was younger, as some of you guys listening, and somebody told me 15 percent of my money coming in had to go towards retirement? First of all, I'd probably look at them like they were a little crazy. Because number one, when you're younger, you're never going to retire, right? I mean, you are, don't worry, but again, that's how you feel, it's like, retirement's so far away. And the other thing is, is that when you're younger, especially if you're just getting out of school, you're not really making that much to begin with. I know I wasn't. If you are, if you're not like me, that's great, but I know I wasn't. And so, what this number represents is actually a combination of two things. The first is any money you yourself are putting towards your retirement. Typically, when you get your job, you have access to something that's called an employer-sponsored retirement plan, which what this means is that your employer is like, "Hey, I really care about you, Kelly. I want you to retire one day. We're going to open this account for you to put money in towards your retirement." You often hear of a 401(k), or a 403(b) if you're going to be a teacher or a doctor one day, and that's an employer-sponsored retirement plan. So, this 15 percent is any money that's coming out of your paycheck and going directly into that account. That's the first

half of it. The second half of it is comprised of something called a match. What a match is, is once again, your employer likes you, they care about you, they want you to retire one day. And so often what they'll say is that, "Hey, Kelly. If you put seven percent of your paycheck towards your retirement, I will also match that seven percent and give you more money towards your retirement." Now, this is awesome, right? And the key to this is that it's like free money. You don't really have to do much; you just have to make that percentage. And so, it's your employer doing something nice. So, it's like free money and you never, ever want to leave free money on the table, okay guys? It's like me actually giving you that 1,000 dollars at the beginning of today's session and you being like, "Eh, nah, it's okay Kelly. I don't really need that." None of you would do that. Or if you did it, you probably wouldn't listen to the rest of the session. So never leave free money on the table. So, once again, this 15 percent is comprised of two things: any money you yourself are putting towards your retirement, as well as any money your employer is matching. So, in the case of Fidelity, I'll just use that example because that's where I work, they do a seven percent match. So, I put seven percent of my paycheck, Fidelity puts seven percent to match it. That's a total of 14 percent. I'm pretty darn close to that 15 percent. So, really, we say anywhere from 10 to 15 percent should go towards your retirement. And again, the money you yourself are putting in as well as any match that your employer is also giving you. Now, the final bucket is five percent. That's short-term savings, and most specifically,

that's an emergency fund. An emergency fund is money set aside in case the unexpected happens. Now, each and every one of us, I don't care who you are, each and every one of us has been faced with something unexpected. And you always, always want to make sure you have money set aside in case something does happen. You always want to be prepared. So, we recommend putting about five percent of the money coming in towards your emergency fund. This also translates anywhere from three to six months of your essential expenses. So, take a look at what you're paying each and every month, your essential expense. And try to aim for anywhere from three to six months of your essential expenses in that emergency fund. Now, a few quick helpful hints, if it's helpful to anyone out there, the first is you know, put anything you can aside. If you're younger, if you're maybe just kind of just starting out and three to six months sounds like a lot, I would just urge you to put whatever you can. Put whatever you can, 25 bucks a week, 25 bucks a month. Just make sure you put money set aside in case in a separate account. That's the other point. You know, you would ideally want to have a separate place for it, a separate account that's not mingled with the rest of your money, because you never want to be tempted to dive in to that emergency fund for either an essential or for example, something that's non-essential, something that just makes you happy. And the other thing is make things automatic. You guys will hear this from me a lot today. Make things automatic. Set things to automatically pay into your different accounts. For example, your

retirement. For example, your emergency fund. You don't necessarily want to set it and forget it per se, because you always want to pay attention and know what's coming out and then going into other accounts. But again, making things automatic just makes our lives so much easier because we're all very busy. So, this is our 50/15/5 Rule and if you follow this, you get about 70 percent. So, what this means is the remaining 30 percent, that's for you. That's for you to do as you see fit. Spend that on the things that make you happy. And we have this flexible rule on purpose, because once again, you know, part of the reason why we have money is to make us happy. You always, always want to make sure that you're taken care of for those essentials, while at the same time being also able to spend money on the things that make you happy. So, that's budgeting. And our next topic is something called credit. So, guys credit for me was really something that I had to learn big time when I graduated from school. And the big reason was, is that I went to school up in New York, I was actually an ice hockey player, so I always played ice hockey, doing my double major, liberal arts. And so I graduated school and I was moving back to Boston, where I'm from. And I went to get an apartment and everything was great, the landlord, the real estate agent, they were like, "Yeah, you guys got the apartment" and me and my friend were so excited, but the real estate agent came back and was like, "Kelly, just one more thing." And I was like, "Yeah?" And she was like, "Well, you know, you need someone to cosign for you." I was like, "Well, what do you mean?" And they were like, "Well,

you don't have a credit score." And I was like, "What do you mean I don't have a credit score? I have a debit card." I was like, "I can swipe this thing." And so, guys, I thought my debit card was a credit card. I know, you can make fun of me, but I was swiping it like it was a credit card. And turns out I never had a credit card, so all the time when I thought maybe I was using it I was not. So, I was not actually building credit. I was just using my debit card. Because my parents, great people, Michael and Paula, but they were people who told me never to get a credit card because so many people abuse it. And that's a really important thing because with credit there's ways to use it to your advantage. I mean, you think about credit too, I just want to stress something. There's how you can use credit, and then how you can build credit. And really these things go hand in hand with one another. How you're building credit can determine how you use it. And how you're using credit can then determine how you're building credit. How I often like to think about credit is it's like a report card. So, just when you think you don't need a report card anymore, you're out of school it never goes away. And so, what a credit score is, is better or worse, is like a report card. It's a way for people to understand if they can trust you with things. In my example, it was a landlord who, again, who doesn't know the difference between me and any of you out there. It was a way for a landlord to understand if he could trust me with his apartment and he could trust me paying him each and every month. He was looking at my report card, my credit score in order to tell me how to do that. Now, like anything,

like anything you take in school, you can work hard, you can build up that report card, you can build up that score, and there's a lot of ways you can do that with credit as well. But one of the most important things is actually understanding what goes into that report card. It's like your syllabus, you know, you get your syllabus from school and you're like, "Okay, these are the components that make up my score" -- excuse me, "my report card at the end of the year." Same thing with your credit score. So, here's an example here of your FICO credit score. And this is important. This is what helps you understand what goes into your report card. So, 35 percent of your credit score is determined by payment history. And what this means is it's comprised of two things: how you -- if you're paying your credit -- excuse me, if you're paying your bill on time and you're paying at least the minimum. Okay, guys? If you're paying on time and at least the minimum. Those are the most important things. But I would urge anyone, anyone out there, especially if you're just starting out, and especially as you're just trying to build up your credit card -- excuse me your credit score and your report card, I would urge you to pay that bill off each and every month in full. So, anything you put on that card, you want to pay that off in full each and every month. Always treat your credit card like it's a debit card. This is important. Always treat your credit card like it's a debit card. And really what that means is never put anything more on that card than you physically have in the bank. So, that's payment history. The next piece, 30 percent of your credit score is made up of credit utilization. So, for anyone

who has a credit card out there or is again, interested in getting one, you often have a credit limit. What this means is how much you can actually put on this card each and every month before you get declined if you went and tried to put more on it. And so, you never want to spend more ideally than 30 percent of that available credit limit. That's credit utilization. The reason why is again, credit lenders, they don't know the difference between me and anyone out there, is if you're constantly bumping up against your limit, or getting really close each and every month, they don't know what's going on in your life. And so, they might see that as a sign that you're really struggling with your finances and the only way to stay balanced is to put more and more money on your credit card. So again, you always want to aim to have a 30 percent of your available credit limit. That's what you want to try to stay close to. The next bucket is 15 percent, which is length of history. And this is actually how long you've been build-- you've been working to build up your credit score and so the longer length of history, credit lenders, anyone else, they actually are like, "Oh great, she's been doing this for a while and she's doing okay." And they see that as a very good thing. So, the length of your history is really important and that often is determined by a few things. I know I've talked a lot about your credit card and often that helps, like if you open up your first credit card, that's how you start establishing your credit history. They can also be established by your first student loan payment, or if you do have a car loan when you're really young. Those are all things that can really help to jumpstart the

length of history. The next piece is credit mix. Now, credit mix, as I've already kind of alluded to, we have a credit card, your student loan, when you buy a house one day your mortgage, or if you have a car loan, these are all examples of your credit mix. These are line of credit or debt under your name. And again, if you have a variety of things that you're balancing and you're doing a good job and you're paying off, your payment history's looking good, credit lenders see that as a good thing. They're like, "Oh wow, Kelly's doing pretty good, she has a mortgage and she's paying off her credit card, she's paying off her student loans" and that's a good thing. But now I would urge anyone starting out, you never want to take on more debt just to kind of check this bucket. Because again, it's only 10 percent of your credit score, when the majority is made up by the payment history. And if you're taking on lines of debt and you can't pay that off, that's going to affect your credit score more over time. The fifth and final piece is new credit. And new credit -- how many of us have gone to pay for something and the cashier says, "Hey, do you want to save 15 percent off your Target purchase by opening a credit card?" I think we've all heard that, don't always say yes. I would urge everyone, do not always say yes. Because again, if you're constantly opening up these new lines of credit, a credit lender, again, they don't know the difference between me and you, they might be like, "Oh man, Kelly's really struggling and she just needs to keep taking on these credit cards in order to stay afloat." So again, new credit, you want to be careful and not say yes to every single credit card offer that

comes your way. Next is check your debt load. This is the rule of 30: always try to spend under 30 percent of your available credit limit on your credit cards. The fourth bucket is read the fine print. And this is really important and because a lot of times, especially as you're just first starting out, you know you see these ads or you get these things in the mail and they're like, "Oh my goodness, this credit card's free for five years." And then you look at the fine print and then after your five, it's 500 dollars a year. That's a lot of money. Or, "Oh my goodness, your interest for the first 18 months" and then after 18 months the interest goes up to eight percent. I mean, that's a lot, so again, you always want to read the fine print. And the fifth and final bucket, the most important things guys is pay on time and pay at least the minimum. This is the largest percentage that makes up your credit score and you always want to pay on time and pay at least the minimum. And for anyone who's just starting out, try to pay that sucker off in full each and every month. This is actually another great example of automating things. Let's say you're new to getting a credit card or you're nervous about getting that credit because it can be bad, it can be an effect on your life. You know, put a single reoccurring payment on there. You have the Netflix bill for your family. Put your Netflix monthly bill on your credit card, set that thing to automatic, hide your credit card from you and just use your debit card. Because that way, you're building credit in a responsible way, it's paying off each and every month and again, you don't even have to worry about it. So, here's a few things about credit and

actually this coincides directly from our next topic, which is debt. So, debt, and what we're going to talk about here is just about handling it smartly. Because I've got to be honest with you guys, at some point in our life every single one of us are going to find ourselves in debt. And the thing about debt is that there is good debt and there is bad debt. An example of good debt, student loans for example. Sometimes we have to take out student loans to get ourselves educated and put us through college so we can get a good job one day and do other things in our life. Well, bad debt is credit card debt. Credit card debt can have a severe impact on if you can get a house one day or if you can get an apartment. So again, good debt, bad debt. However, I say that with fully realizing that regardless of it's good or bad, debt is something that causes each and every one of us stress. It's something that can wear on us emotionally. And so, I want everyone when we think about debt, you know, going forward from here, is you want to think about savings because debt and savings should really go hand in hand. Now, I realize that it's kind of hard to think about because with debt, usually you just think of payment -- paying off, paying off, paying off. But I just urge all of us to think about a time when you maybe save more, and you could've paid your debt off sooner. Or think about a time when you did save money and you were faced with an unexpected expense, you had an emergency, and you could just pay it off, you could deal with it, and you didn't have to take on a loan or borrow money from someone. Or another example is that even though again, student debt feels heavy but if you have

a lot of it, let's say you just paid off, paid off, paid off and you don't worry about anything else. You're just focused on paying off your debt and you turn 50 years old and you look around and you don't have any more debt and you're like, "Yay I don't have any more debt." And then you realize you haven't saved for your retirement. And you have to work until you're 120 years old, you know, no one wants to work until they're 120 years old. So, I just say that because you never, ever want to prioritize paying off your debt at the expense of saving for your future. And so, I say that because we've actually created a six-step rule to help you guys think about your debt. Because there is a way to pay off your debt as well as save at the same time. So, the first step, and I've talked about this a few times already, is build an emergency fund. Always have money set aside in case the unexpected, because you never want to be in the position where something unexpected happens and then you have to take on more -- excuse me, you have to borrow more money or take on a loan. So, step one with anything is always make sure you have an emergency fund anywhere from three to six months of your essential expenses set aside. The second bucket is contributing up to the match on your 401(k). Contribute up to the match on your 401(k). This is your employer-sponsored retirement plan. You always want to make sure you're contributing up to the match because as I already noted in our first section, is that this is free money and you never ever want to leave free money on the table. And we'll actually see an example in a little bit of the importance

of compounding and getting started early when it comes to investing for your retirement. The third bucket, now we're finally going to get to debt. The third bucket is you want to pay off high-interest credit cards. So, everyone in the call very important, is nothing, nothing will make your debt grow quicker than interest. Nothing will make your debt grow quicker than interest. So, rule of thumb with all of the different debt that you have is always take a look and always try to tackle that higher interest debt before anything else. And why we actually say credit cards is that first of all, in our first section -- in our previous section, excuse me, we saw the importance of maintaining a good report card, a good credit score and all the things that can go with it. The other thing, too with credit cards, is that you can't ever get a tax break off them. You can never take a tax break off them like some of your other debt, which we'll see an example in just a second which is your student debt. So again, pay off high interest credit card debts first because you never ever want to get into bad credit card debt because it will affect your credit score and affect other components of your life. The next bucket is paying off private student loans. So typically, but not always, so again, you want to check, private student loans carry a higher interest rate than your federal or government student loans. So remember, nothing makes your debt go quicker than interest. So, you want to tackle those private student loans before any other loans that you might have. The next two buckets, you know honestly can probably go back and forth, but what we've seen is that contributing even more to your 401(k), contributing even

more and more percentage to your 401(k) can actually benefit you more in the long term than tackling some of those lower interest loans. The reason being is that we've actually seen over the past few years the stock market has done quite well and sometimes contributing just another percentage can benefit you more instead of those lower interest loans. Now, the reason why I say sometimes you can go back and forth is because I never, ever want to discount the fact that debt can really wear on you. It's an emotional thing. And so, for some people that they would prefer maybe to tackle some of that lower interest loans first, and that's totally fine, but again, and we'll see an example in just a second, sometimes in the long term, contributing just a few more percentages can equal a little bit more in the long term than again, tackling some of those lower interest loans. So, this is our six-step process of how you can both prioritize your debt as well as save for your future. So now we're going to go into our final two topics of the day: investing and retirement. And the first thing we're going to start with is investing. And in terms of investing, what it is, it's really about reaching your money goals. And often I say this to a lot of people, when it comes to investing, when it comes to the stock market, sometimes it can be a very scary thing to a lot of folks. And so, I urge you to think about it a little bit differently. Think about the different things you want in your life. Think about the house you want to buy 10 years down the line or the car five years down the line or retiring or, and maybe you have kids already, saving for your kids' education. Investing can be a way to help you reach your

money goals. And for me, especially in terms of investing in the stock market, I'm someone who is very risk averse. I graduated, like a lot of other people out there, in the middle of the recession. And for me upon graduation, even my graduation speaker kind of gave us a spiel, he was like, "You can be anything you want, just maybe not right now." I mean, that was the real feeling graduating so the stock market was a really scary thing for me. In fact, and I'll get to retirement in a second, but my retirement story is, I particularly remember at my first job out of school my manager was saying, "Hey, do you want to opt into this thing called a 401(k)?" And I was like, "Well, what's a 401(k)?" And he said it was something going to my retirement. So guys, I was 22 years old, I was never going to retire, and also he was like, "Some money's coming out of your paycheck and it's going to go into the stock market." And I kind of looked at him because I particularly remember out of the corner of my eye there was like TV on and again, not great times out there and it was like, stock's go down, down, down, scariness. And you know for me, for someone to tell me that the money I was making, and as I shared, it was not much, was coming out of my paycheck and going into the stock market, it was a very scary thing. And you know, I said no. So, I actually said no to the first 401(k) offered to me because what my manager failed to tell me is that the economic cycles are cyclical and what comes up must go down, what goes down must come up and that every downturn is typically followed by an upstream on the other end. And also, he didn't tell me that because I am

younger, I can weather the ebbs and flows of the stock market. And I didn't need the money tomorrow, so even though the stock market wasn't doing so great, because I didn't need it for many, many years out, I could weather those ebbs and flows of the stock market over time. So, that's what I am here to tell you. So, in terms of the stock market, often what term we like to use is a term called "compounding." Albert Einstein, really smart guy, he said compounding is one of the most single wonders of the world. And so, what this means is interest earning interest, our returns on top of returns on top of returns. So, you're not just making money off that original 100 dollars you might put in the stock market, but let's say there's a 10 percent rate of return. Now you're making money off 110, and 120, and it keeps growing up and up. Now, there is of course risk involved, especially compared to your savings account, but a lot of our savings account, I know I'm a perfect example, I think I get like a penny of interest a month. Now I know there's a lot of high-yield savings accounts out there now, but I'm just not making many money off my bank account, where compounding, especially over time, can have a really large effect on your money over time and we'll see a really good example in just a second. So next, and I kind of already alluded to this, well investing, especially kind of investing for something you really want to think longer term. In the short term anywhere from zero to five years, longer term anything five or more years and I think the biggest thing for a lot of folks out there is that all of us are really familiar with savings. My parents too, they always say save, save, save. So, savings

we're really familiar with and usually savings we usually think of something in the shorter term. Investing, however, investing can be something for the longer term, for some of those things five or more years away. And guess what? You can do both. You can do both. So short and long term and then usually we also think low and high risk. So lower risk is something usually you want to take in short term, like for example an emergency fund or a trip you're going on next month. And typically, people associate cash with that. I think a lot of us are familiar with cash, you can go to an ATM right now and take some out and so cash is a really safe investment. The only risk that does come along with cash, and this is something that I've been educated in over the past few years, is something called inflation. So, what is inflation? Really what inflation means is that things today will not cost the same in the future, just like things today do not cost the same in the past. So, I actually often equate this with my grandmother. So, my grandmother was someone who use to always tell me that how back in her day a loaf of bread was a nickel, and now that it's two dollars it really blew her mind and that's really what inflation is. So, let's say you're saving for that house, that dream house, the one that you need 200,000 dollars for, and you're saving everything in cash. You save, and save, and save. Yes! Okay, 10 years later you have that money, you go buy your house and guess what? Now your house is 500,000 dollars. Your cash could not keep up with the rate of inflation. So that's the only risk that's associated with cash and I do just like to point that out especially for some of those longer-

term purchases. Right in the middle, so those not super low not super high risk is something called a bond or a fixed income. And what a bond or fixed income is, it's essentially a loan. It's like companies or corporations, they're saving for something or a town wants to build a new school and they'll typically ask for a loan and you'll give them their money and then they'll say to you, "Okay, well, as a thank you for giving me the loan, we'll pay you out this fixed income, this fixed amount each and every year and at the end of the loan, we'll give you back all of your money with as well as any accumulating interest over time." So, a bond is a relatively safe investment, you get some fixed income over time and it's an important part of your portfolio. You never want to put all of your eggs in one basket, so that's where these terms come in. And the most important thing is that these protect you from risk. So, the first is asset allocation. Really what this means is you want to have different asset classes in your portfolio. So, you really never want to have a portfolio that's 100 percent in stocks or 100 percent in bonds or 100 percent in cash. Rather, you want to have a portfolio that has a combination of all of those things within in. And typically, when you're younger you'll have a portfolio that's more weighted in stocks and then the closer you go to actually taking out your money your portfolio's going to change. It may be of less stocks, more bonds, and more cash. That's asset allocation. Now diversification is similar in the same way, except it means industries. So, if you have a portfolio like 100 percent in tech or 100 percent in retail or 100 percent in commodities and

no one's going shopping anymore, the tech bubble burst, you're protecting yourself from risk by diversifying that portfolio among the different industries. Now, I think these terms are just as important as any of the ones in terms of stocks, bonds, etc. Because again, especially if you're new and you're just starting out, these are the type of things that can protect yourself from risk. Now the important thing with investing, to everyone listening in, is that you want to really think about what your goals are. What are you investing in? And depending on the timeline of those goals, it could determine whether you just have some money saved aside for that trip next month, or you'd want to actually want to put your money in the stock market and start investing it for that house you want to buy in 10 years. And an important thing with investing, too, is make sure you guys ask questions. Ask questions. Ask questions to people you know at Fidelity or other people in your life who have some experience when it comes to investing. The fifth and final piece is retirement. Now, for anyone listening in, and let's say you have a 401(k) or let's say you have an investment account, I just want to say something. Congratulations, you're an investor. For a lot of people, the first time they actually go to invest, is actually when they start to invest in your retirement, usually again through an employer-sponsored retirement plan. So, retirement is something that even though you're young and it may seem too soon and you're never going to retire, it's something you can tackle even today. So, the first thing when it comes to retirement, and I know I gave you my example a little bit, is that I actually

said no. I didn't end up investing in my 401(k) because no one actually took the time to tell me how important it was and I don't want to be working until I'm 120 years old and I do love my job, but I don't want to be working until I'm old. So, it can be something that you can start even when you're young. So compounding, I know I already gave you guys an example today, so we're actually going to see a little chart that actually shows the effect of compounding. So, in this example right here, I'll use myself. So, Kelly is a 35-year-old, she opens up an individual retirement account. I'm going to put the same amount of money in that account every year, so I'm going to put about 6,000 dollars in that account every year. I'm going to just say that it returns the same amount every year, so put about 6,000 dollars in an account. I'm going to say that it returns about seven percent every year and then at age 70, I want to go kick up my feet and relax on the beaches of Fiji for example. So, I go and do that, and I look at my account and I have almost 900,000 dollars in my account, which is awesome. I took advantage of compounding and started when I was young, I kept putting the same amount of money in, and again, at retirement I have almost 900,000 dollars to go and spend as I see fit. Now, let's pretend we're going to use -- I'll use my husband, Brendan. So, Brendan. Brendan, he's 25, 10 years younger than me, I know guys, so 10 years younger than me and Brendan decides that he wants to start to save for his retirement as well. So, Brendan copies me. He opens up an account, he's going to put about 6,000 dollars in that account, we're again going to assume the same rate of

return. And when Brendan turns 70, he sees me having a blast on the beaches of Fiji and he also wants to retire. But when he looks at his account, he sees almost 1.9 million dollars in his account, because Brendan, even though again, he did the same thing as me, same rate of return year over year, he started 10 years earlier than me. That means he could take advantage of compounding 10 years more than I did. And so, at his retirement at 70, he has almost doubled the amount of money as me. Now for those folks out there who maybe want to get started today or maybe you don't have access to an employer-sponsored retirement, a 401(k) or a 403(b), there are options you can actually do today. These individual retirement accounts, IRAs you might've heard or a Roth IRA. These are examples of accounts that you can actually open on your own. You don't need to do it through your employer. The cool thing about these accounts is that over time, again, you can take advantage of compounding growth as I've already mentioned. There's a variety of investment options. You can get some help, you can do it on your own, you could talk to firms. So that's a really good thing. They're opened as individuals. The main difference between these two accounts really comes down to taxes. So, with the individual IRA, the traditional IRA, any money you're putting into the account you don't have to pay taxes on that. You don't have to pay taxes on that account, it just lowers your taxable income at first. But you don't have to pay any taxes on it and the money goes year over year and again, without -- it goes tax-free year over year and again you get advantage of

that compounding growth. It's only when you actually take that money out that you start to get taxed on that. So that's traditional IRA. A Roth IRA, which may also be a good option, especially for those of you who might be a little bit younger, has a little bit of a different tax structure. So, unlike the traditional IRA, where money's not being taxed when it's coming in, with the Roth IRA, any money that you're putting into that account, you actually go ahead and pay taxes on it. So, you pay the taxes up front. Now, because a lot of younger people maybe are at a lower tax bracket than when they're older and they're going to be like Brendan, that millionaire. You maybe aren't paying as much taxes. So you pay the money on the taxes going in, like the traditional IRA, it goes tax-free year over year, you can take advantage of compounding growth and then when you actually go and take that money out, the good news is because you've already paid taxes on it, you don't have to pay taxes again. And hopefully you're all at a higher tax bracket, millionaires. So again, it could be a good option that benefits you especially if you're younger and you're not paying as much taxes now. So, these are two examples of how you can actually get started today on saving for your retirement. So, giving your future financial self a boost. So, step number one: open an account. Get in the game, get started, and like I've already stressed, it's never, ever too late. Step number two, and you've heard a few examples today, is make it automatic. Make things automatic, we're all very busy people, we have a lot going on. If you make things automatic it could make your life and all of this stuff less

complicated. Number three is meet the match. Never, ever leave free money on the table. So always make sure you're putting enough into those employer-sponsored retirement plans to get that match. That's a way of your employer saying, "Hey, I really like you, Kelly. I want you to be able to retire and here, take this money. It can help you out." And the fourth step is bump up your contributions. Sometimes a good way -- reason to do that is you get a bonus, or you get a raise. These are good opportunities to bump up your contributions because even bumping it up by a percent or two can really allow you to take even more advantage of compounding. So that's really it in terms of our master money content. I know that was a lot, and so I urge every single person today is to focus on one thing. Focus on one thing I talked about, whether that's "Oh man I really need to get my budgeting life in order," or "Oh wow I have an employer-sponsored retirement fund but I don't know if I'm meeting the match," or, "Let me check my credit score, let me see how I'm doing." So just take one thing, two things, three things away from today's session and just take action on them and ask questions. And the good news is there's firms like Fidelity and others that are here to help you. So, here's a great website to take a look at: [Fidelity.com/spire/overview](https://www.fidelity.com/spire/overview). This site has a ton of tricks and tools and articles and videos and more education to help you on your way. And again, we're always here to help and asking questions about your money, talking about your money, that's a very powerful thing. As I've already noticed, money touches every single aspect of your life and our whole goal

here at Fidelity for all of you guys is for you to live the life you want and one way to do that is through education and I just hope you had a good time today. I hope you learned something. I hope you were able to laugh at my money mistakes and more importantly we're here to help. Thank you, guys.

END OF AUDIO FILE

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