

Sun City Summerlin Computer Club

**Introduction to Investing
Using the Internet**

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Agenda

- **Why Invest?**
- **Investing Terminology**
- **Investment Types**
 - *Stocks, Bonds, CDs, Funds, Annuities*
- **Online Stock Brokers**
 - *Charles Schwab, Fidelity, E*TRADE*
- **On-line Research and Tracking Websites**
 - *Yahoo Finance, Google Finance, MSN Money, CNN Business, IBD*
 - *Yahoo Finance Demo: Quotes, Charts, Portfolios, Views*
- **Live Demo – Buying or Selling a Stock**
- **Tax Considerations of Investing**
 - *Interest, Dividends, Capital Gains (short and long term)*
- **Asset Allocation**
 - *Dividing your portfolio by Investment Types*

Where to Find the Materials

- **Sun City Summerlin Computer Club Website Seminars:**
 - <http://www.scsccl.com/smnr>
- **Acrobat file of these slides and Notes:**
 - <http://www.scsccl.com/smnr/BeginnersInternetInvesting-2023-08-30.pdf>

Why Invest?

- **Form of Saving**
 - *Retirement, College, Major Purchases*
- **Opportunity to Increase Assets**
 - *Beyond Earned Wages Saved*
 - *Beyond What Simple Bank Interest Offers*
- **Reduce Dependence on Pensions, Social Security**
 - *SS Trust Fund projected to be exhausted by 2034*
 - *Many corporate & municipal pension funds under-funded*
- **Offset Effects of Inflation on Savings**
 - *CPI about 3.5%; real rate closer to 9% - worse for seniors*
 - *S&P 500 average annual growth is about 15%*
- **Build an Estate to Pass On to Family, Charities**

Investing Terminology (1)

- **Investopedia Glossary**
 - <https://www.investopedia.com/financial-term-dictionary-4769738>
- **Share**
 - *A single unit of a corporation or exchange traded funded. Shares may be “common” (have voting rights) or “preferred” (non-voting, but usually having a higher dividend)*
- **Dividend**
 - *A payment to share-holders, usually from profits. Dividends are taxed at rates as low as 0% to a maximum of 20%.*
- **Interest**
 - *A payment from a borrower or institution to a lender / depositor. Interest is taxed as “ordinary income”.*
- **Capital gains / losses**
 - *The difference between the purchase price and selling price of an asset.*
 - *Short-term gains (assets held less than 1 year) are taxed as “ordinary income”.*
 - *Long term gains (assets held 1 year or more) are taxed 0% to 20%.*

Investing Terminology (2)

- **Earnings per Share (EPS)**
 - *Total earnings for a period divided by the number of outstanding shares. Usually reported quarterly and annually.*
- **Price [to] Earnings (PE) ratio**
 - *Earnings per Share / divided by the current share price. Varies greatly by industry.*
- **Yield**
 - *The dividend or interest per share (stocks) or unit (bonds) divided by the price.*
 - *Bond prices move inversely to yields.*
- **Total Return**
 - *The sum of price appreciation + dividends and/or interest of an asset for a period.*
- **Bid / Ask**
 - *What price buyers are offering (Bid) / What price sellers are offering (Ask). Usually, the difference between Bid and Ask is very small.*

Investment Account Types

- **Article on Investment Account Types:**
 - <https://www.quicken.com/blog/types-of-investment-accounts/>
- **Regular Brokerage Account**
- **Regular, Roth, SEP & Self-Directed IRA Accounts**
- **Employer Accounts (401K, Roth 401K, Pensions)**
- **Educational Savings Accounts**
- **Health Savings Accounts**

Investment Types - Stocks

- **A stock is an ownership share of a business**
 - *Shares usually trade on a stock exchange*
 - *“Common” shares usually have the right to vote on company’s management and policies*
 - *“Common” shares may receive dividends (a distribution of company profits)*
 - *“Preferred” shares receive higher dividends and are paid before “Common” dividends*
 - *“Preferred” shares rarely have voting rights*

Investment Types - Bonds

- **A Bond is a loan to a business or government entity**
 - *Standardized amount (usually \$1000), “face rate”, maturation date e.g. IBM \$1000, 3%, matures 12/31/2029 (6 years, 4 months duration)*
 - *Bonds can be bought or sold at any time.
The price may be above or below the face amount*
 - *Market price of a bond depends on prevailing interest rates, credit rating of the issuer and time remaining to maturity*
 - *Bond prices move inversely to interest rates*
 - *Because bonds are debt, they have a higher claim for payment than stocks (i.e. they’re safer)*

Investment Types - CDs

- A CD (Certificate of Deposit) is a “timed” account with a bank
 - *Minimum amount, interest rate, maturation*
e.g. BofA \$25,000, 5.1%, matures 8/31/2025 (2 years)
 - *CDs earn a higher rate than checking or savings account*
 - *Usually, there’s a significant penalty for early withdrawal*
 - *If balance is below \$250,000, CDs are insured by the FDIC*
 - *You can also buy and sell CDs through most brokerage firms – price varies based on prevailing interest rates, time to maturity*

Investment Types – Mutual & Exchange-Traded Funds

- A fund is a managed account that sells units (shares) via brokerages
 - *Funds are managed by large investment firms*
 - *The fund takes investors' cash and buys stocks, bonds, other funds to meet some stated criteria
(e.g. Vanguard S&P 500 fund tracks the S&P 500 index by buying those 500 stocks)*
 - *Mutual funds trade only at the end of the day*
 - *Exchange-traded funds (ETFs) trade openly like stocks and usually track some index*
 - *Funds offer broad diversification*
 - *Mutual funds charge higher fees than ETFs*

Investment Types - Annuities

- **An Annuity Combines Investing With Life (and sometimes Long-Term Care) Insurance**
 - *Complex market, many variations in products*
 - *Pay in a “principal” amount which is invested by the insurance company.*
 - *Often, bonus interest is offered for 7 to 10 years and the principal is guaranteed to increase by at least 1% per year*
 - *There are large penalties for early withdrawal (before the 7 or 10 year vesting period)*
 - *Usually, you can withdraw up to 10% per year without penalty*
 - *You can opt for a guaranteed life income stream*
 - *Interest and growth in the annuity are tax-deferred*

Online Discount Stock Brokers

- <https://www.nerdwallet.com/best/investing/online-brokers-for-beginners>
- **Charles Schwab:** www.schwab.com
 - *Stocks, Bonds, ETFs, Funds, Options, CDs*
 - *Most trades now free*
 - *Excellent reporting, research and service*
 - *Links to Schwab Bank*
 - *Trade Source or Street Smart trading platforms*
- **E*TRADE:** www.etrade.com
 - *Stocks, Bonds, ETFs, Funds, Options, CDs*
 - *Most trades now free*
 - *Excellent reporting, research and service*
 - *Links to E*TRADE Bank*
 - *Power E*TRADE trading platform*
- **Fidelity:** www.fidelity.com
 - *Stocks, Bonds, ETFs, Funds, Options, CDs*
 - *Most trades now free*
 - *Excellent reporting, research and service*
 - *Links to your bank account*
 - *Power Active Trader Pro trading platform*

Online Financial Resources

- **Research Information:**
 - *Stocks, Bonds, ETFs, Funds, Options*
 - *Quotes, Charts, Analysts, Financials, News*
 - *Historical Information*
 - *Stock / Fund Screener*
 - *Portfolios (Stuff you Own)*
 - *Watch Lists (Stuff you Follow)*
 - *E-mail Newsletters and RSS Feeds*
- **Buying and Selling On-line**
 - *Most brokers now support this.*
 - *Market, limit, stop loss orders*
 - *E-mail confirmations*

Financial Websites Tour

- Yahoo Finance: <https://finance.yahoo.com>
- MSN Money: <https://www.msn.com/en-us/money>
- Your Broker e.g. <https://www.schwab.com>
- CNN Money: <https://money.cnn.com>
- CNBC: <https://www.cnbc.com>
- Morningstar: <https://www.morningstar.com>
- Bloomberg: <https://www.bloomberg.com>
- Google Finance: <https://www.google.com/finance>
- Quantum Online: <https://www.quantumonline.com>
- Investors Bus. Daily: <https://www.investors.com/>
- Wall Street Journal: <https://online.wsj.com>
- Closed-end Fund Association: <https://cefa.com>
- Treasury Direct: <https://www.treasurydirect.gov/>
- Forbes Money: <https://www.forbes.com/money>

Yahoo Finance Website (1)

- News and Articles
- Message Boards
- Investing Information & Ideas
 - *Stocks, Bonds, Funds, ETFs, Commodities*
- On-line Portfolio / Watch List Tracker
 - *Stuff you Own*
 - *Stuff you Follow*
 - *Stock quote details*
 - *Custom Views*
- Stock Screener
 - *Built-in screens*
 - *Custom screens you design*

Yahoo Financial Site (2)

Symbol	Company Name	Last Price	Market Time	Change	Chg %	52-Wk Range	EPS (TTM)	Trailing P/E	Div/Share	Trailing Annual Div Yield	EPS Est Next Year	Forward Annual Div Rate	Forward Annual Div Yield	Shares	Cost / Share	Market Value	Total Chg %
<input type="checkbox"/> ABBV	AbbVie Inc.	146.93	2:40PM EDT	-0.15	-0.10%	130.96 - 168.11	4.85	30.30	5.78	3.98%	11.07	5.92	4.03%	200	91.97	29,386.00	+59.76%
<input type="checkbox"/> CEG	Constellation Energy Corporation	107.44	2:39PM EDT	-1.00	-0.92%	71.18 - 110.25	2.37	45.38	0.85	0.78%	6.16	1.13	1.08%	200	27.03	21,468.00	+297.53%
<input type="checkbox"/> DUK	Duke Energy Corporation	89.91	2:39PM EDT	-0.43	-0.48%	83.74 - 111.26	4.67	19.27	4.02	4.45%	5.98	4.04	4.43%	200	90.79	17,982.00	-0.96%
<input type="checkbox"/> DVN	Devon Energy Corporation	49.13	2:40PM EDT	-0.21	-0.43%	44.83 - 79.82	7.32	6.72	4.51	9.14%	6.34	3.45	6.90%	600	67.60	29,478.00	-27.32%
<input type="checkbox"/> EPO	Enterprise Products Partners L.P.	26.42	2:40PM EDT	-0.05	-0.19%	22.94 - 27.28	2.47	10.70	1.93	7.39%	2.67	2.00	7.58%	600	28.35	15,852.00	-6.81%
<input type="checkbox"/> EXC	Exelon Corporation	40.06	2:39PM EDT	-0.19	-0.47%	35.19 - 46.19	2.14	18.73	1.40	3.45%	2.50	1.44	3.58%	600	23.05	24,036.00	+73.69%
<input type="checkbox"/> GSK	GSK plc	34.53	2:40PM EDT	-0.42	-1.19%	28.47 - 39.74	3.23	10.70	1.17	1.59%	3.99	1.40	4.04%	-	-	0.00	-100.00%
<input type="checkbox"/> HLN	Haleon plc	8.27	2:39PM EDT	-0.05	-0.59%	5.58 - 9.85	0.34	24.34	0.05	0.51%	-	0.05	0.56%	-	-	-	-
<input type="checkbox"/> IBM	International Business Machines Corporation	143.79	2:39PM EDT	+0.38	+0.26%	115.55 - 153.21	2.35	61.21	6.61	4.61%	9.29	6.64	4.69%	400	117.60	57,516.00	+22.27%
<input type="checkbox"/> JNJ	Johnson & Johnson	165.29	2:40PM EDT	+0.76	+0.46%	150.11 - 181.94	4.94	33.47	4.58	2.78%	11.32	4.76	2.89%	600	25.39	99,177.00	+549.75%
<input type="checkbox"/> JPM	JPMorgan Chase & Co.	147.16	2:40PM EDT	-0.21	-0.14%	131.23 - 159.33	15.55	9.48	4.00	2.71%	13.56	4.00	2.71%	100	134.95	14,716.00	+9.05%
<input type="checkbox"/> KHC	The Kraft Heinz Company	33.48	2:40PM EDT	-0.01	-0.03%	32.73 - 42.89	2.56	13.08	1.60	4.78%	2.98	1.60	4.78%	305	40.14	10,211.40	-16.64%

MSN Money Site

- **News and Articles**
 - *Jubak's Picks, Jon Markman*
 - *Contrarian Chronicles*
- **Investing Information & Ideas**
 - *Stocks, Bonds, Funds, ETFs, Commodities*
- **On-line Portfolio Tracker**
 - *Stuff you own*
 - *Stuff you follow*
 - *Stock quote details*
- **Stock Screener**
 - *Built-in screens*
 - *Custom screens you design*

Charles Schwab Brokerage Site

- **Logging In**
- **Account balances, holdings & history**
- **Research**
- **Trading (Demo)**
 - *Market Orders – Buy / Sell at current price*
 - *Limit Orders – Buy / Sell at a set price*
 - *Stop Loss Orders – Sell if price goes below target*
- **Other Transactions**
 - *Transfer funds or securities*

Basic Tax Considerations

- **Interest (Bonds, Bank Accounts, CDs, Brokerage Accounts)**
 - *Taxable as ordinary income*
- **Dividends (Stocks, Funds)**
 - *Qualified Dividends taxable, but at a preferential rate (as low as 0%, max 20%)*
 - *Non-qualified Dividends taxed as ordinary income, like Interest.*
- **Capital Gains / Losses (Profit / Loss from sale of investments)**
 - *Short term (assets held less than 1 year) taxable as ordinary income*
 - *Long term (assets held 1 year or more) taxed at a preferential rate (as low as 0%, max 20%)*
 - *\$3000 of long-term losses in one year can offset other ordinary income (excess is carried over)*
 - *Caution – Mutual Funds often generate surprise capital gains*
- **Qualified Regular IRA and 401K Accounts**
 - *All withdrawals taxable as ordinary income*
 - *If your age is over 72 (going to 75), you must take Required Minimum Distribution each year*

Asset Allocation

- How to allocate your portfolio between stocks, fixed income and annuities
- No “right” allocation – depends on circumstances, your estate plan, risk tolerance, needs, tax situation.
 - *General idea is to minimize risk of a large capital loss while maintaining a sufficient income stream to allow a satisfactory life-style after inflation.*
- Bond and other fixed-income yields are better than they’ve been in years.
 - *Corporate bonds yield more than Treasuries*
 - *May want to buy bond ETFs to diversify, reduce risk*
 - *Money market funds paying over 5%, very low risk*
- Stock dividend yields are fair, but stocks are riskier.
 - *Favor low volatility (low Beta), dividend-paying stocks*
 - *Look at Preferred Stock ETFs*
 - *Look at Utilities, Telecomms*
 - *Still need some growth assets because seniors are living longer*
- Rule of thumb for seniors: 60% Fixed income, 40% stocks

Final Questions and Answers

Introduction to Investing