

How do you learn?



How to Start Building Your Wealth

Investing in the Stock Market



Dr. Andrew Stotz, CFA

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Management

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I created this course for my nieces...



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Let's play a game...

- ★ Take 10 seconds to look at the upcoming stock chart
- ★ Write down whether you would buy or sell

Let's play a game...

- ★ Chart A: Buy or Sell?
- ★ Chart B: Buy or Sell?
- ★ Chart C: Buy or Sell?

Let's play a game...

- ★ Don't think too much, just quickly look and write down your answers
- ★ Last rule: No questions

Chart A – How do you feel? “Buy” or “Sell”?



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Chart B – How do you feel? “Buy” or “Sell”?



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Chart C – How do you feel? “Buy” or “Sell”?



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The answer to the questions about the charts

- ★ Will be addressed at the end of the course

Tools to help you become FI

- ★ Steps from Novice to Confident Investor
- ★ Glossary of terms
- ★ 12 Barriers to Financial Independence
- ★ 12 Steps to Financial Independence

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Search by lesson title

Start investing right 0/7

Welcome to the course

VIDEO • 12 MIN • PREREQUISITE

Step 1: Create a plan and follow it

VIDEO • 12 MIN • PREREQUISITE

Knowledge Check 1

KNOWLEDGE CHECK • 5 QUESTIONS • PREREQUISITE

Step 2: Keep investing simple

VIDEO • 17 MIN • PREREQUISITE

Knowledge Check 2

KNOWLEDGE CHECK • 5 QUESTIONS • PREREQUISITE

Step 3: Start early; time really is money

VIDEO • 15 MIN • PREREQUISITE

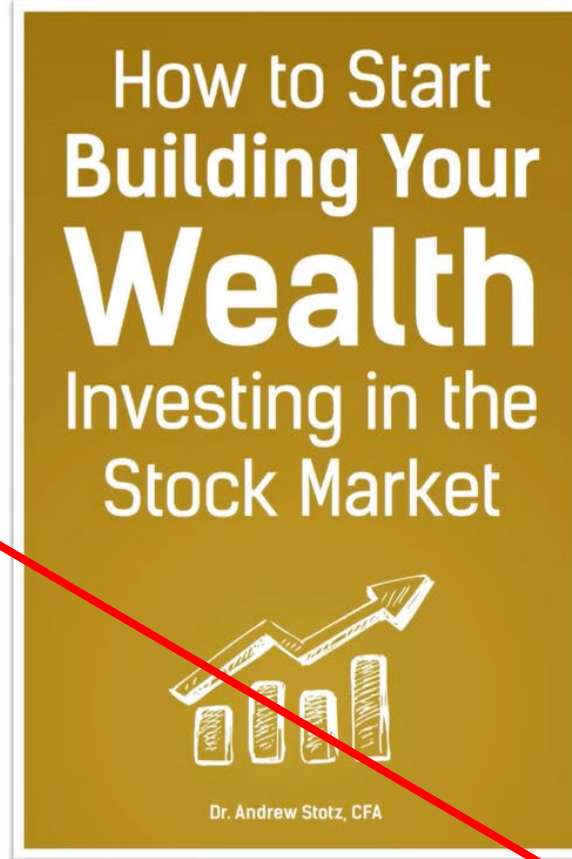
Knowledge Check 3

KNOWLEDGE CHECK • 5 QUESTIONS • PREREQUISITE

Set realistic expectations

0/7

Step 1: Create a plan and follow it



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How to Start Building Your Wealth Investing in the Stock Market

BYW Workbook.pdf
4.51 MB

DOWNLOAD

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★ This is how you download Workbook

Steps from Novice to Confident Investor

How to Start Building Your Wealth Investing in the Stock Market

Steps from Novice to Confident Investor

☒ Check off as you proceed

In the course

- ☐ Complete Module 1: Start investing right
- ☐ Complete Module 2: Set realistic expectations
- ☐ Complete Module 3: Apply investing principles

New terms in Step 1

What you have learned

- ★ Creating a written plan is critical for your financial independence
- ★ Feelings of overwhelm and overconfidence hold people back from making a financial plan
- ★ Most people do not have a plan; you do now
- ★ The five elements of your written plan
- ★ The date when you want to be financial independent
- ★ Your financial independence income
- ★ Your expectation of returns
- ★ Your allocation and rebalancing
- ★ Your monthly contribution

New terms in Step 1: Create a plan and follow it

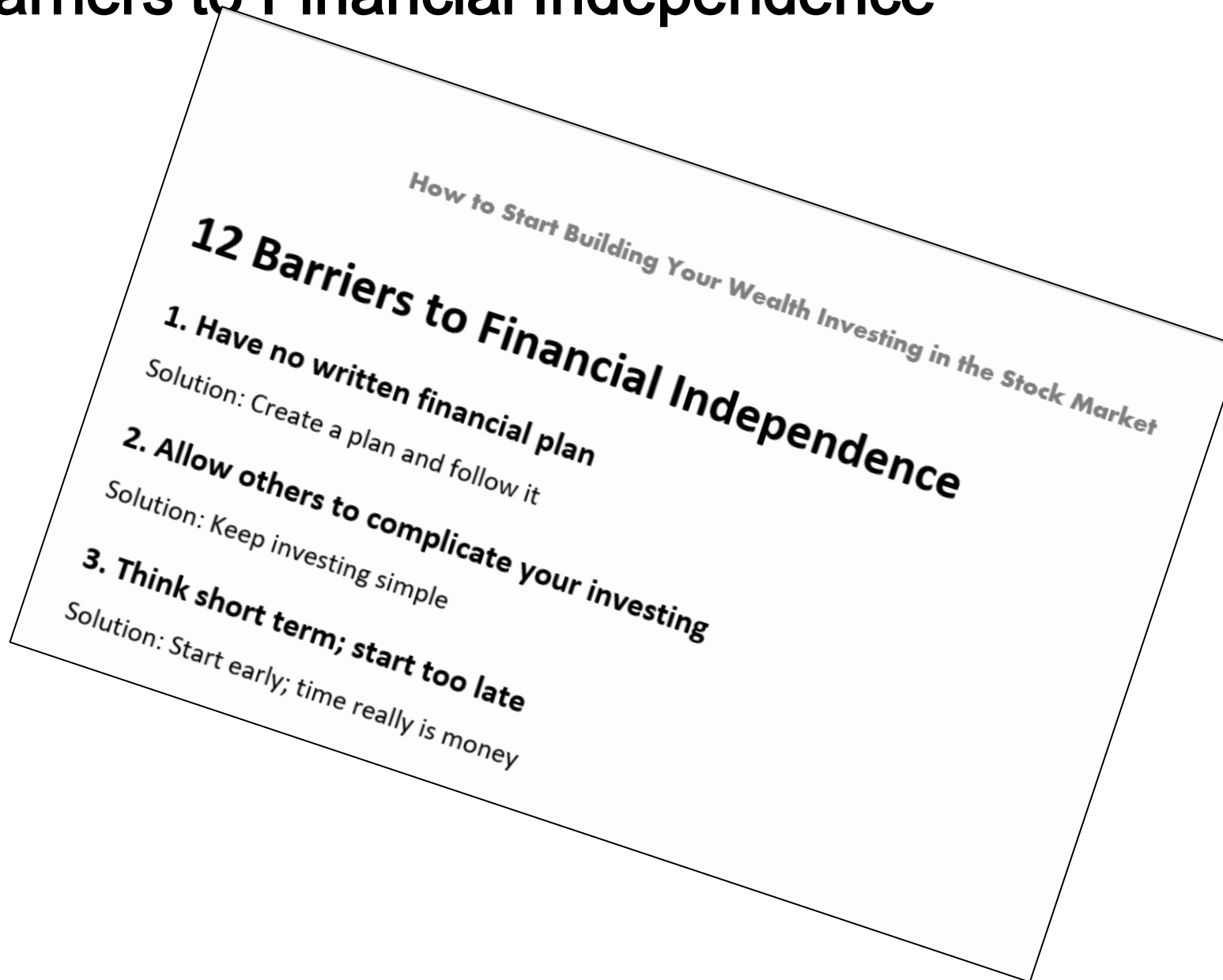
Allocation – The amount you have in various types of assets. For example, when you are in your 20s, the portion of your investment money allocated to stocks should be very large.

Rebalance – To buy or sell a portion of assets that you own to make sure that they remain in the proportion you want for the best results over time.

Return – When you put \$100 in the bank at 3% interest at the end of the year you earn \$3 in

★ This example comes from the end of Step 1, which is on page 14 in the Workbook

12 Barriers to Financial Independence



12 Steps to Financial Independence

How to Start Building Your Wealth Investing in the Stock Market

12 Steps to Financial Independence

1. Create a plan and follow it

Be one of the few who has a financial plan; keep that plan simple.

2. Keep investing simple

Wear your financial “seat belt,” diversify by owning at least 10 stocks.

Steps

1

2

3

4

5

6

7

8

9

10

11

12



Have no written financial plan

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Create a plan and follow it

1

Learning outcomes

- Learn the benefits of having a written plan
- Learn why most people don't have a written plan
- Understand why it is critical to keep your plan simple

Learning outcomes

- Understand the elements of a simple plan
- Answer the first two questions needed to start your plan

Benefits of a written plan

- ★ It allows you to predetermine and visualize the future actions you will take
- ★ It forces you to make decisions that you might never have considered

Benefits of a written plan

- ★ It helps you overcome the tricks that your emotions can play on you
- ★ It helps you overcome “overconfidence” and “overestimation” bias

Benefits of a written plan

- ★ Creating a written plan has many benefits
- ★ So why do so few people have a written plan?

Most people do NOT have a written plan

- ★ One survey of people who had money revealed that only 1 in 4 had a written plan
- ★ From my experience, less than 1% of my audiences have a written plan

Most people do NOT have a written plan

- ★ Congratulations!
- ★ Today you will become part of the 1% who has a written financial plan

Three types of overconfidence bias

★ Overestimation

- When you overestimate your actual performance

★ Overplacement

- When you think your performance is better relative to others

★ Overprecision

- When you think you are more accurate than you are

Evidence of OVERPLACEMENT bias

- ★ 37% of engineers ranked themselves as top 5% performers

Research



Evidence of OVERPLACEMENT bias

- ★ 25% of high-school seniors rated themselves in the top 1% for their ability to get on well with others

Research



Evidence of OVERPLACEMENT bias

- ★ 93% of American and 69% of Swedish drivers rate themselves as “above-average” drivers

Research



Evidence of OVERESTIMATION bias

- ★ Students overestimate their performance on exams

Research



Evidence of OVERESTIMATION bias

- ★ People overestimate how much control they have over things in life

Research



Evidence of OVERESTIMATION bias

- ★ People overestimate how quickly they can get work done

Research



Evidence of OVERESTIMATION bias

- ★ And experts are often the worst!
 - Physicians overestimate the accuracy of their diagnoses

Research



Five core elements of your financial plan

- ★ Your financial independence day
- ★ Your financial independence income
- ★ Your expectation of returns
- ★ Your allocation and rebalancing
- ★ Your monthly contribution



When would you like to be financially independent?



Or how long you will live?

Don't be a burden on your children

- ★ My mother and father had a strong financial plan
 - Therefore, they are not a burden on my sister and me

Don't be a burden on your children

- ★ I challenge you to become financially independent and not be a burden on others when you get older
- ★ You have started today with written plan

Who plans?

- ★ Engineers
- ★ Architects
- ★ Businesspeople

Consider planning in other areas of life

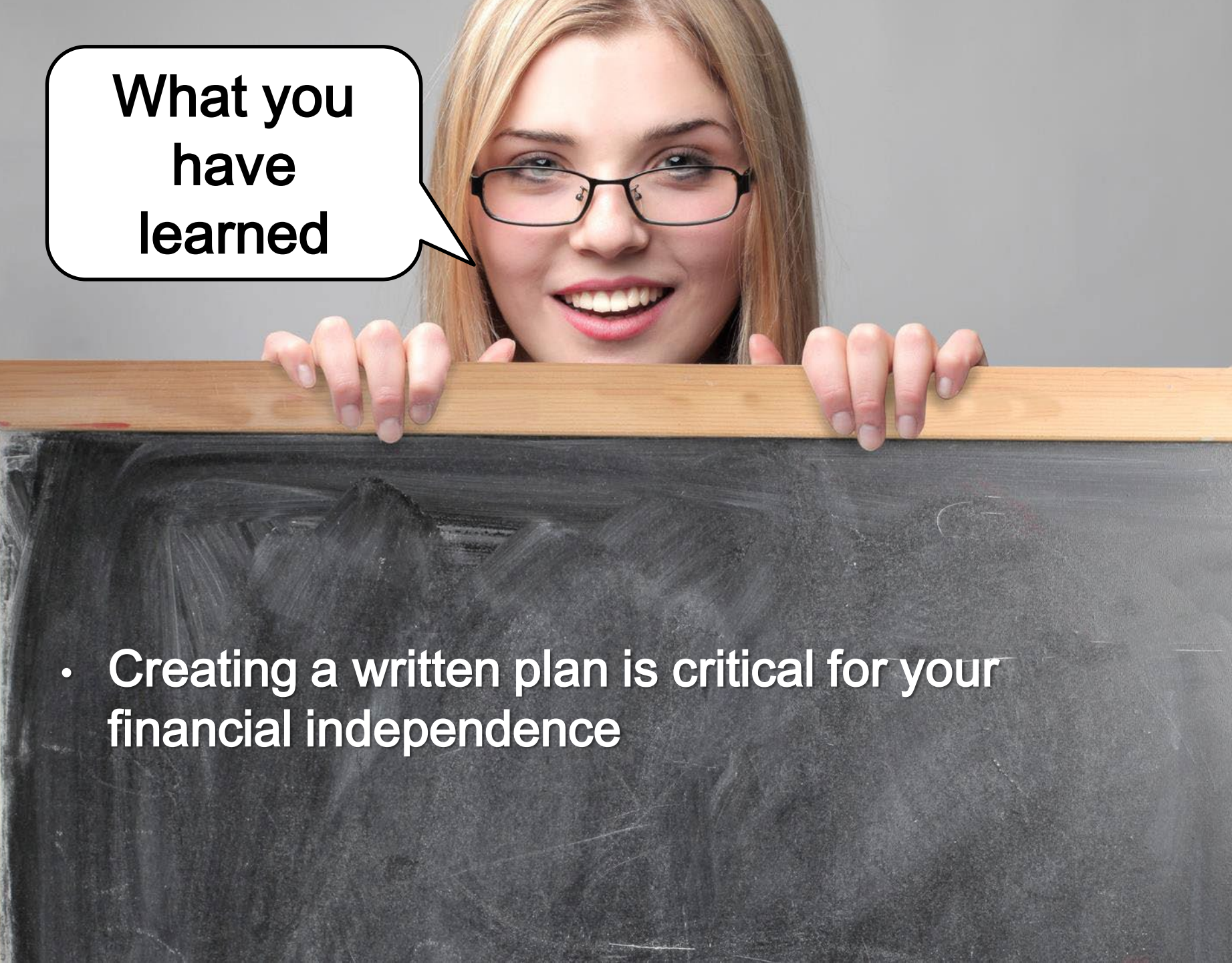
- ★ A builder knows that they can not start without architectural plans

Consider planning in other areas of life

- ★ They must have the blueprint and instructions set before they build anything

Most people don't have a written plan

★ YOU DO

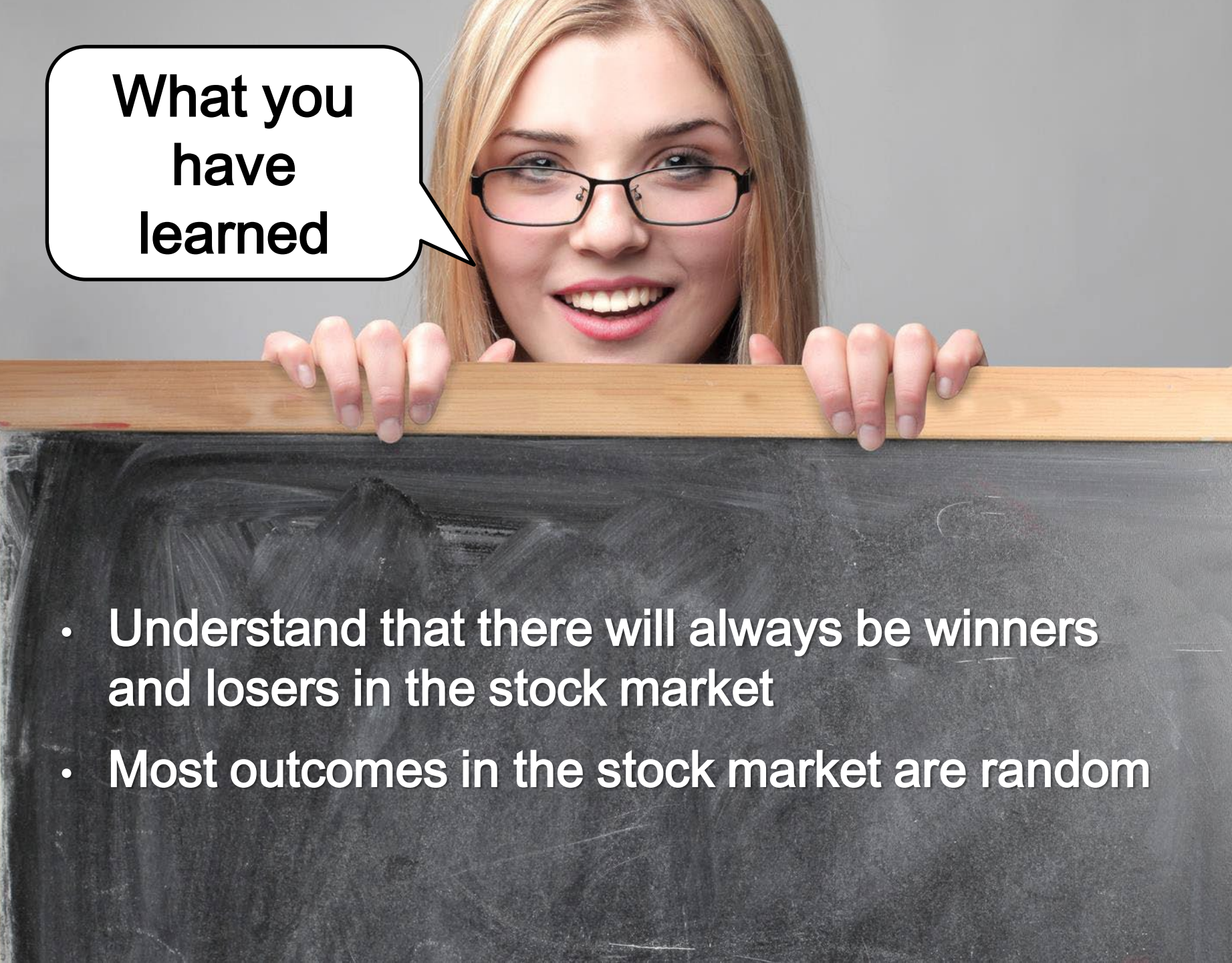


What you
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- The five elements of your written plan
- The date when you want to be financially independent




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- Your financial independence income
- Your expectation of returns



What you
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- Your allocation and rebalancing
- Your monthly contribution



Have no written financial plan

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Create a plan and follow it

