The purpose of The USAA Educational Foundation is to lead and inspire actions that improve financial readiness for the military and local community.

This presentation and additional information can be found on The USAA Educational Foundation’s website: usaaef.org.
IMPORTANT DISCLOSURES

» Does not endorse or promote any commercial supplier, product or service

» This is an educational presentation only

» DOD does not endorse or favor any commercial supplier, product or service

» Examples are for illustrative purposes only

» Information found within this presentation is not to be construed as legal, tax or investment advice.

» It constitutes only a general overview of the subject matter discussed.

» The USAA Educational Foundation, a nonprofit organization, does not provide professional services for financial, accounting or legal matters. You should always consult with your tax and legal advisors regarding the legal consequences of your specific situation.
AGENDA

01 **WHAT** IS INVESTING?

02 **WHY** INVEST?

03 **HOW** TO INVEST?

04 **WHERE** TO INVEST?

05 **THINGS** TO CONSIDER
WHAT IS INVESTING?
WHAT IS INVESTING?

MONEY WORKING FOR YOU

INVOLVES RISK

DIFFERENT THAN SAVING

HYPOTHETICAL ILLUSTRATION.
NO GUARANTEES.
YOU COULD LOSE MONEY INVESTING.
WHAT IS INVESTING?

INVESTMENT SPECTRUM

LOWER RISK  LOWER RETURN  SHORTER TIME FRAME

Cash Examples:  
Certificates of Deposit  
Money Market Account  
Savings Account

Bond Examples:  
U.S. Government  
U.S. Corporate  
Municipal  
Foreign Gov’t/Corp.

Equity Examples:  
Small/Med/Large Co. Stocks  
U.S./Foreign Stocks  
Oil/Gold/Grains  
REITs/Real Property

(Higher Risk Potentially Higher Return Longer Time Frame)

(This is simply an illustration of the general relationship between various asset classes. Some investments will not align with this model.)
WHAT IS INVESTING?

EXAMPLE PORTFOLIO

THE MIX MATTERS
WHY INVEST?
WHY INVEST?

MIGHT OUTPACE INFLATION

MIGHT EARN MORE AND ACCUMULATE MORE

SAVING ALONE MIGHT NOT BE ENOUGH

THE BIGGER YOUR RETURN, THE LESS YOU HAVE TO SET ASIDE
WHY INVEST?

LOOKING BACK

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STOCKS</td>
<td>BONDS</td>
<td>CASH</td>
<td>INFLATION</td>
</tr>
<tr>
<td>10.16%</td>
<td>6.34%</td>
<td>3.09%</td>
<td>2.70%</td>
</tr>
</tbody>
</table>

As Measured by the S&P 500 Index
As Measured by Barclay’s U.S. Aggregate Bond Index
As Measured by the 30 Day Treasury Bill

REMEMBER...
AVERAGES DON’T EQUAL GUARANTEES!

STOCKS LOST OVER 20% IN 2002 AND ALMOST 40% IN 2008.

WHY INVEST?

LOOKING FORWARD (HYPOTHETICALLY)

ASSUMPTIONS

» $250 per month invested
» Average annual return from previous slide
  » Stocks: 10.16%
  » Bonds: 6.34%
  » Cash: 3.09%
» 40 year time frame

Past performance is no guarantee of future results.
HOW TO INVEST?
HOW TO INVEST?

INDIVIDUAL SECURITIES (STOCKS AND BONDS)

RELATIVELY EASY TO DO

CHALLENGING TO DO WELL

» What to Buy?
» What to Pay?
» When to Sell?
» How to Diversify?
HOW TO INVEST?

MUTUAL FUNDS

- Pool investor money
- Stated investment objective
- Own many securities
- Actively or passively managed
- Fees can vary widely
- Relatively easy

EXAMPLE
HOW TO INVEST?

- BUILD YOUR OWN
- SPREAD THE RISK
- USE A FUND

DIVERSIFIED

NOT DIVERSIFIED
WHERE TO INVEST?
WHERE TO INVEST

ACCOUNT TYPES

GENERAL PURPOSE

COLLEGE

RETIREMENT
WHERE TO INVEST

THRIFT SAVINGS PLAN (TSP.GOV)

- MILITARY RETIREMENT PLAN
- EASY TO USE
- LOW FEES
- 10 FUND CHOICES
- ROTH & TRADITIONAL OPTIONS
- AUTOMATIC / MATCHING CONTRIBUTIONS UP TO 5% (BRS)
WHERE TO INVEST

KNOW YOUR PLAN

SOLIDIFY YOUR GOALS

KNOW WHAT’S NEEDED

WEIGH THE ALTERNATIVES

PICK A PATH
THINGS TO CONSIDER
THINGS TO CONSIDER

01 START EARLY
02 AUTOMATE
03 WATCH EXPENSES
04 HANG IN THERE

05 DON’T “SET IT AND FORGET IT”
06 BE CAREFUL WHO YOU FOLLOW
07 DON’T SWING FOR THE FENCE
QUESTIONS?
ADDITIONAL SLIDE INDEX

26
EXTENDED PRESENTATION AGENDA

27-29
“WHEN DOES INVESTING MAKE SENSE?”

30
INVESTMENT QUILT

31
EXCHANGE TRADED FUNDS (ETFS)
AGENDA

01  WHAT IS INVESTING?

02  WHEN DOES INVESTING MAKE SENSE?

03  WHY INVEST?

04  HOW TO INVEST?

06  WHERE TO INVEST?

07  THINGS TO CONSIDER
WHEN DOES INVESTING MAKE SENSE?
WHEN DOES INVESTING MAKE SENSE?

- ADEQUATE EMERGENCY FUNDS
- ADEQUATE INSURANCE
- NO (OR LOW) HIGH-INTEREST DEBT
- RISK / POTENTIAL REWARD TRADEOFF UNDERSTOOD
- LONG ENOUGH TIME FRAME
WHEN DOES INVESTING MAKE SENSE?

IS YOUR TIME FRAME LONG ENOUGH?

LOWER RISK
LOWER RETURN
SHORTER TIME FRAME

HIGHER RISK
POTENTIALLY HIGHER RETURN
LONGER TIME FRAME

Cash:
Typically used for goals less than 3 years away or for those desiring safety.

Bonds:
Typically best if you have at least 3 years, sometimes longer for certain bond types.

Equities:
Typically shouldn’t use unless time frame is at least 5 years, preferably 7 to 10 years or longer.
### WHAT IS INVESTING?

**PERFORMANCE OF STOCKS, BONDS, AND CASH ASSETS**

Listed from highest performance to lowest

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>INVESTMENT GRADE BONDS</td>
<td>EMERGING MARKETS</td>
<td>U.S. SMALL CAP</td>
<td>U.S. LARGE CAP</td>
<td>INVESTMENT GRADE BONDS</td>
<td>U.S. SMALL CAP</td>
<td>EMERGING MARKET STOCKS</td>
</tr>
<tr>
<td>HIGH YIELD BONDS</td>
<td>INTERNATIONAL</td>
<td>U.S. LARGE CAP</td>
<td>INVESTMENT GRADE BONDS</td>
<td>CASH</td>
<td>HIGH YIELD BONDS</td>
<td>U.S. SMALL CAP</td>
</tr>
<tr>
<td>CASH</td>
<td>U.S. SMALL CAP</td>
<td>INTERNATIONAL</td>
<td>U.S. SMALL CAP</td>
<td>INTERNATIONAL</td>
<td>EMERGING MARKETS</td>
<td>U.S. LARGE CAP</td>
</tr>
<tr>
<td>U.S. SMALL CAP</td>
<td>U.S. LARGE CAP</td>
<td>CASH</td>
<td>CASH</td>
<td>U.S. SMALL CAP</td>
<td>INVESTMENT GRADE BONDS</td>
<td>HIGH YIELD BONDS</td>
</tr>
<tr>
<td>INTERNATIONAL</td>
<td>INVESTMENT GRADE BONDS</td>
<td>INVESTMENT GRADE BONDS</td>
<td>EMERGING MARKETS</td>
<td>HIGH YIELD BONDS</td>
<td>INTERNATIONAL</td>
<td>INVESTMENT GRADE BONDS</td>
</tr>
<tr>
<td>EMERGING MARKETS</td>
<td>CASH</td>
<td>EMERGING MARKETS</td>
<td>INTERNATIONAL</td>
<td>EMERGING MARKETS</td>
<td>CASH</td>
<td>CASH</td>
</tr>
</tbody>
</table>
HOW TO INVEST

EXCHANGE TRADED FUNDS (ETFS)

TRADED LIKE STOCKS

MOST ARE PASSIVELY MANAGED

INVESTMENT OBJECTIVE SIMILAR TO MUTUAL FUNDS

TYPICALLY LOWER FEES THAN MUTUAL FUNDS