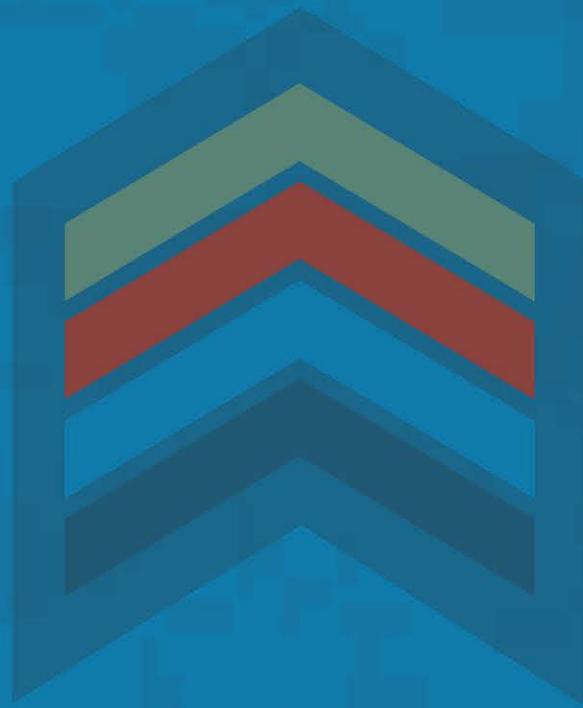


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BASIC INVESTING - PRESENTER NOTES
THE USAA EDUCATIONAL FOUNDATION®

TABLE OF CONTENTS

■ Title Slide.....	03
■ Our Purpose.....	04
■ Important Disclosures.....	05
■ Agenda.....	06
■ What is Investing?.....	07
■ Investing vs. Saving.....	08
■ Investment Spectrum.....	09
■ The Mix Matters.....	11
■ Why Invest?.....	12
■ Potential Reasons to Invest.....	13
■ Looking Back.....	14
■ Looking Forward.....	15
■ How to Invest?.....	16
■ Individual Securities.....	17
■ Mutual Funds.....	18
■ Building a Mutual Fund Portfolio.....	20
■ Where To Invest?.....	21
■ Types of Investment Accounts.....	22
■ Thrift Savings Plan.....	23
■ Know Your Plan.....	24
■ Things To Consider.....	25
■ In Conclusion.....	26
■ Questions?.....	28
■ Thank You.....	29
■ Additional Slide Index.....	30
■ Agenda.....	31
■ When Does Investing Make Sense?.....	32
■ Before You Invest.....	33
■ Time-Frame.....	34
■ The Mix Matters.....	35
■ Investing Quilt.....	36
■ Exchange Traded Funds.....	37

TITLE SLIDE

OBJECTIVE

Establish credibility of the presenter and connect with the audience.

QUICK POINTS

- » Provide appropriate level of presenter's background.
- » Establish approachable and inviting environment.
- » Highlight that you're here as volunteer for The USAA Educational Foundation.
- » Begin to establish for the audience that unlike similar presentations they might have attended which were ultimately a product or company push, this time will be all about educating and helping.

MORE DETAILED EXPLANATION

- » Presenter should purposefully use these couple minutes to connect and engage the audience. Under the heading of "You only get one chance to make a first impression," make this count.
- » When representatives from financial services firms give presentations, there is very often a sales pitch woven into the program.

Despite being there as a representative of the non-profit USAA Educational Foundation, presenters should be aware that many people will incorrectly assume this presentation is just a USAA sales pitch.

The sooner it can be established that this presentation is different than what the audience might be expecting, the sooner the audience will open to learning from the material being presented.

- » **Transition:** "Let's look a little closer at The USAA Educational Foundation, beginning with our purpose."



NOTES:

OUR PURPOSE

OBJECTIVE

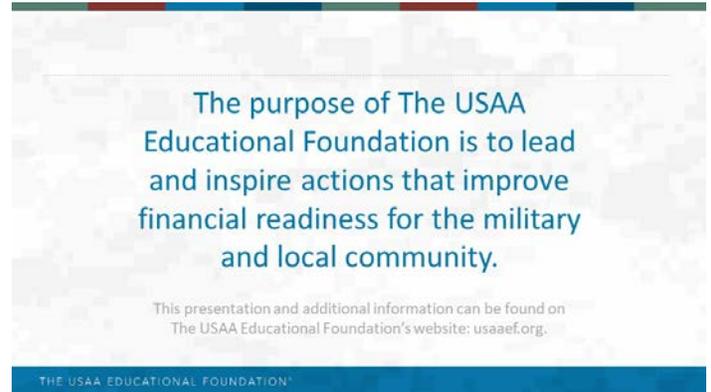
Establish credibility of The USAA Educational Foundation and begin to continue to differentiate from USAA.

QUICK POINTS

- » Read the purpose statement.
- » Point out that The USAA Educational Foundation has additional educational content and its own website, usaaef.org.

MORE DETAILED EXPLANATION

- » Point out the “.org” of the website to highlight the fact that we’re a non-profit.
- » Tie the organization’s purpose to your personal mission today: helping the audience better understand the world of investing.
- » **Transition:** “Let’s quickly review some important disclosures associated with our non-profit status and my being here with you today.”



NOTES:

IMPORTANT DISCLOSURES

OBJECTIVE

Share the required disclosures and reinforce our separate and nonprofit status.

QUICK POINTS

- » The USAA Educational Foundation does not endorse or promote any commercial supplier, product or service.
- » The DoD doesn't either.
- » It's an educational presentation only.
- » Don't interpret this material as legal, tax or investment advice specific to your situation.
- » This is only a general overview.
- » Always consult with your tax and legal advisors regarding the legal consequences for your specific situation.

MORE DETAILED EXPLANATION

- » The USAA Educational Foundation does not endorse or promote any commercial supplier, product, or service. As a non-profit, we're prohibited by IRS regulations from doing that and this is especially true as it relates to USAA since they sponsored us.
- » The DoD does not endorse or favor any commercial supplier, product, or service.
- » This is an educational presentation only and examples are for illustrative purposes only. I'll be trying to help you understand various investing topics better and hopefully spur you to action in some areas but there's no way you could learn everything you need to know about investing in this single presentation.
- » 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. I am not a financial advisor and even if I was, I wouldn't be able to give you tailored financial advice in this type of setting.

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.

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NOTES:

- » Finally, The USAA Educational Foundation, a non-profit organization, does not provide professional services for financial, accounting or legal matters. You should always consult with your tax and legal advisors.
- » **Transition:** "So with the playing field all set, let's dive into our agenda for today."

AGENDA

OBJECTIVE

Provide an overview of the topics that will be covered in the presentation.

QUICK POINTS

- » Explain that you'll present a high-level overview of investing covering these key questions:
 - What is investing?
 - Why invest?
 - How to invest?
 - Where to invest?
- » Assure the audience there will be time for questions.

MORE DETAILED EXPLANATION

- » **What is Investing?** First, we'll cover the differences between saving and investing, types of investments, and the benefits of portfolio diversification.
- » **Why Invest?** We will discuss reasons why investing is important, historical performance, and most importantly, discuss what investing could mean to you.
- » **How to invest?** We'll cover the basic differences between stocks, bonds, and mutual funds.
- » **Where to invest?** Once you know how you can invest, you'll need to know where you can invest. We'll discuss typical places you might choose to invest.
- » **Things to consider.** Finally, we'll recap everything we covered and have time to take audience questions.
- » **Transition:** "Show me the money! Let's start with what it means to invest."

AGENDA

- 01 **WHAT** IS INVESTING?
- 02 **WHY** INVEST?
- 03 **HOW** TO INVEST?
- 04 **WHERE** TO INVEST?
- 05 **THINGS** TO CONSIDER

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NOTES:

WHAT IS INVESTING?

OBJECTIVE

Introduce the “What is Investing?” section.

QUICK POINTS

- » Ask the audience what comes to mind when they think about investing.



NOTES:

MORE DETAILED EXPLANATION

- » Let me start by asking what do you think about when the topic of investing comes up?
 - The stock market?
 - Day trading?
 - Maybe you think it’s something just for rich people?
- » **Transition:** “Today we’re going to learn more about how investing offers a chance for a better financial future. It’s important to understand investing now, even if you don’t think you are wealthy enough to start.”

INVESTING VS. SAVING

OBJECTIVE

Help audience members understand the difference between saving and investing.

QUICK POINTS

- » Try to make money work for you instead of just you working for your money.
- » Investing money is different than saving money.
- » Saving involves setting money aside in safe, relatively low-yielding accounts so it's there when you need it.
- » Investing is about taking calculated risks with money to try to earn more.
- » Both saving and investing are often necessary and should be part of your plan.

MORE DETAILED EXPLANATION

- » Investing offers the chance for higher returns than saving by exposing your money to greater risk. When you take on the risk of loss, and/or give up some or all of your ability to use that money in the short-term, you gain the chance to earn a higher return than you could by holding your money in safer alternatives.
- » While bigger returns may sound good, you have to think about your goals and needs. If you need your money for short-term goals like a down payment on a home or taking a vacation next year, you are likely better off forgoing the risk of loss and sticking with a savings or money market account.
- » **Transition:** "Since investing means taking risks with your money, let's try to get a better handle on risk and how certain investments compare."

WHAT IS INVESTING?

MONEY WORKING FOR YOU

INVOLVES RISK

DIFFERENT THAN SAVING

HYPOTHETICAL ILLUSTRATION. NO GUARANTEES. YOU COULD LOSE MONEY INVESTING.

Hypothetical Investment Performance

Hypothetical Savings Performance

TIME

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NOTES:

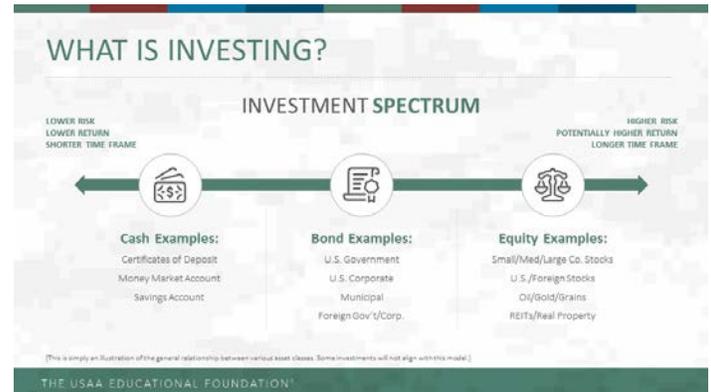
INVESTMENT SPECTRUM

OBJECTIVE

Highlight various investments and the risk/potential return spectrum.

QUICK POINTS

- » This slide categorizes common investments on a spectrum of risk.
- » Lower risk investments tend to produce lower returns.
- » Higher risk investments offer only the potential for higher returns- there's no guarantee.
- » This is one example of how to categorize investments -there are literally thousands of different investments available that could be categorized in dozens of different ways.



NOTES:

MORE DETAILED EXPLANATION

» Cash Category

- In simple terms, cash is your safe money. Think savings accounts, money markets, and CDs. These types of accounts should typically be used for short-term goals, or for saving money that might be needed in the near term. These accounts are generally safe and not subject to swings in market value. Over time, these have been the lowest yielding "investments."

» Bond Category

- Moving to the right on the spectrum, you'll find the first actual investment category: bonds. There are many types of bonds including US Government savings bonds, US Government Treasuries, municipal bonds, US corporate bonds, foreign government bonds, and foreign corporate bonds.
- Think of bonds as a way for the bond issuer to borrow money. When an organization such as a municipality, government, or corporation issues bonds, they are essentially borrowing money from the bond buyers. In exchange for getting to use this borrowed money, the bond issuer promises to pay a specific rate of interest and to repay the borrowed money on or before a certain date.

- Most bonds (excluding US Government Savings Bonds) can be bought and sold through brokerage firms connected to the bond markets. Bonds can occasionally be purchased directly from the borrowing organization when they're first issued, but most bond transactions take place between market participants. Bonds that are traded in the bond market will increase or decrease in value based on numerous bond market forces such as interest rate changes or changes to the bond issuer's credit rating.
- Many bond investors purchase bonds to receive the interest payments they provide. But, this isn't the only way to make money with bonds. You can also sometimes sell a bond for more than it cost you to make even more money. Of course, the opposite is also true; if you sell a bond for a loss, you could reduce or even eliminate any gains you received from interest payments.
- Because many bonds (though not all) are more stable and less risky than stocks, people often invest in them for shorter-term goals, as a way to generate additional income, or as a way to add some balance or stability to a longer-term portfolio that contains stocks.

INVESTMENT SPECTRUM

MORE DETAILED EXPLANATION

» Equity Category

- If bonds can be thought of as lending the issuer money, equities can be thought of as buying ownership. This category includes many different types of investments including stocks of companies of various sizes and national origins, commodities like gold and oil, and real estate, among others. While equity assets can sometimes generate income during the time you own them, they are typically purchased with the hope that they'll increase in value and generate a profit when sold. Buy low, sell high, as the saying goes.
- Because equity asset values can swing both up and down, they typically should only be used for longer-term goals and in situations where the investor is willing to take on even more risk in exchange for even potentially higher returns.

» **Transition:** “Remember back in elementary school you learned 3 primary colors can be used to make millions of others?”

Well, guess what? You can use these 3 primary investment categories to make millions of different investment portfolios.

This is where the concept of diversification becomes important.”

THE MIX MATTERS

OBJECTIVE

Provide a high-level explanation of diversification and why it's important for investing.

QUICK POINTS

- » Don't put all your eggs in one basket.
- » Diversifying your investments is a proven way to manage risk across your investment portfolio.
- » When you diversify, success or failure isn't dependent on the performance of one investment or category.
- » Diversification is a strategy designed to reduce your risk, not necessarily boost your return.

MORE DETAILED EXPLANATION

- » It's often unwise to invest in just a single investment category. Instead, it's typically better to invest in multiple categories at the same time. That's what is meant by creating an investment portfolio.
- » A mix of investment categories provides diversification. By spreading your investment eggs across several investment baskets, your investing success or failure doesn't depend on the performance of just one investment or investment category. Diversification is a proven way to manage risk — and the first step is determining just how much risk you are willing to take.
- » Want a more conservative portfolio or know you're investing for a goal that's shorter-term in nature? Consider allocating more of your money to less risky investment categories. Want something more aggressive or focused on a retirement that's decades away? Consider allocating more to riskier asset categories as long as doing so doesn't exceed your tolerance for risk.
- » No matter how you decide to divide up your allocation, diversification is an extremely important investing concept to understand and embrace.



NOTES:

- » **Transition:** “Now that we know what it means to invest, and that you could potentially lose money, why invest at all?”

WHY INVEST?

OBJECTIVE

Set up the “Why Invest” section.

QUICK POINTS

- » Engage audience by asking “What are some reasons to invest?”

MORE DETAILED EXPLANATION

- » Ask your audience, “What are some reasons you might want to invest?” then listen for answers.
- » The next slide shows several valid reasons to invest. Once the audience has named a few reasons reflected on the slide, proceed to show them how well they did.
- » **Transition:** “Good job everyone, let’s see if we agree with some of the reasons you all have mentioned.”



NOTES:

POTENTIAL REASONS TO INVEST

OBJECTIVE

Share some common reasons to invest.

QUICK POINTS

- » Inflation is simply the rising prices of goods and services that reduces the purchasing power of a dollar over time.
- » Investing gives you the chance to earn higher returns and have more money in the future.
- » Savings alone might not be sufficient. Given the low returns offered by savings vehicles, you might not be able to put enough money away to fully fund your goals.
- » Investing may allow you to earn more than saving, and as a result, could require a smaller commitment to reach your goal.

MORE DETAILED EXPLANATION

- » It's important to understand that even with all of the potential benefits of investing, you could still lose money doing it. Given this, and the fact that you're not guaranteed to make more than if you simply kept your money safe, why invest at all? Why roll the dice?

For most people, it comes down to a handful of simple, related reasons:

1. Goals that are years in the future are impacted by inflation. Why do we care about inflation? Because inflation means that it will take more money to achieve those goals at that point in time than it would take today. Investing offers the potential to keep up with and even outpace inflation.
2. Investing gives you the chance to earn higher returns. The larger your returns, the larger the amount of money you'll have in the future.

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



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NOTES:

3. Saving alone might not allow you to accumulate enough for your goals (if for no other reason than because of inflation). But investing those same dollars may increase your chances of achieving your long-term goals, or may position you to end up with more money in the end.
 4. If you achieve a bigger return by investing, you might not need to set aside as much for your goals, leaving you with more money to use elsewhere.
- » **Transition:** "Investing can potentially make you more than savings. But, the key word is potentially, so let's take a historical look back at how well stocks, bonds, and cash have performed over time."

LOOKING BACK

OBJECTIVE

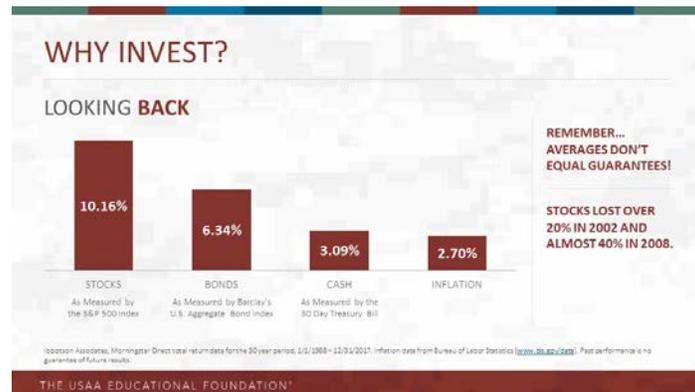
Compare the historical rates of return for stocks, bonds, cash and inflation.

QUICK POINTS

- » Cover the rates of return for stocks, bonds, cash and inflation.
- » Past performance is no guarantee of future performance.
- » Stocks have outperformed bonds, cash, and inflation over the past 30 years.

MORE DETAILED EXPLANATION

- » While past performance is no guarantee of future performance, looking at the big picture of historical investment performance can help us see why it may be beneficial to invest in the appropriate situations.
- » Though there is no guarantee of future results, here are the average annual returns for a few major investment categories over the last 30 years (as well as inflation).
- » You can see that stocks have handily outperformed bonds over the past 30 years. Not to be outdone, bonds have similarly outperformed cash. You can see the returns depicted here. Keep in mind the risk associated with each asset class.
- » Speaking of risks, while stocks have outperformed bonds, they have also experienced large drops in value. Check out 2008, a year when stocks lost over a third of their value, or approximately 38%. My point? Even though stocks may look like a no brainer over 30 years, they could be a big mistake over a shorter time period.



NOTES:

- » **Transition:** “Who here thinks they can save \$250 next month? How about every month? What do you think \$250 invested in stocks for **40 years** would be worth if the next **40 years** looks like the last **30**? How about bonds? And cash?”

LOOKING FORWARD (HYPOTHETICALLY)

OBJECTIVE

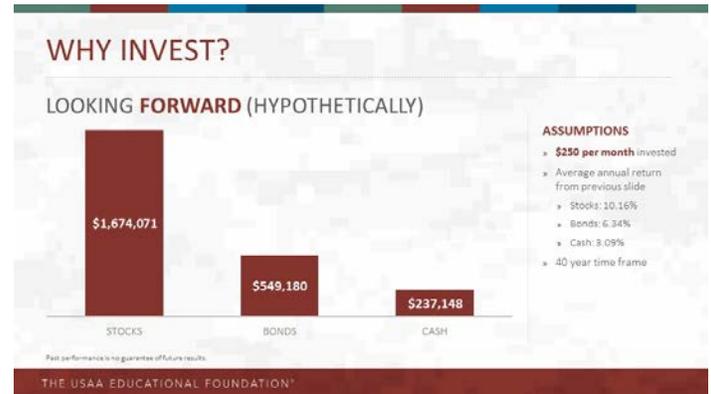
Demonstrate how returns can impact results.

QUICK POINTS

- » Ask someone in the audience to compute \$250 per month times 40 years...the answer will be a total investment of \$120,000.
- » Why did we pick 40 years? How old will you be then?
- » Review the hypothetical ending amount for each asset class.
- » While the rate of return will vary, investing could make a huge difference to what you end up with in the future.

MORE DETAILED EXPLANATION

- » Another way to answer the “Why Invest” question is to take the returns of the last 30 years and project them forward for the next 40 years. This will never happen in the real world, but it works to illustrate the potential dollar differences that could be realized by investing in various major investment categories.
- » As you can see, investing \$250 per month for the next 40 years, using the historical returns from the previous slide would result in more than \$1.6 million in stocks, almost \$550,000 in bonds, and only \$237,000 in cash.
- » In short, if the investment markets cooperate over the long term, investing instead of saving could make a huge difference in terms of what you end up with or how much you need to set aside.
- » **Transition:** “So, now that you have a better understanding about what investing is and why you might want to do it, let’s look at how you can actually go about it.”



NOTES:

HOW TO INVEST?

OBJECTIVE

Set up the “How to Invest” section.

QUICK POINTS

- » Remind audience this section is for educational purposes only...and not for stock tips!

MORE DETAILED EXPLANATION

- » This section of the presentation might spark interest in individual securities trading. Make sure to maintain control of audience questions and comments.
- » **Transition:** “Let’s jump into how to invest.”



NOTES:

INDIVIDUAL SECURITIES

OBJECTIVE

Highlight some advantages and disadvantages of individual securities.

QUICK POINTS

- » Individual securities are typically stocks and bonds.
- » They can be relatively easy to purchase within a brokerage account.
- » They can be held in retirement or non-retirement accounts.
- » Challenges include the time, expertise, and diligence required to know when to buy, hold and sell.
- » It can be difficult to diversify with smaller investment amounts.
- » Without significant experience and resources, investing individual securities can be extremely challenging to do well.

MORE DETAILED EXPLANATION

- » Investing in individual securities generally means investing in stocks or bonds (or both).
- » The recent evolution of the brokerage industry has made it both easy and cost effective for individuals to buy stocks and bonds within brokerage accounts. In many cases it's as easy as opening an account, depositing money, and trading.
- » Still, despite the ease of investing today, several major challenges confront those wishing to invest in individual securities. Some of the most common difficulties are:
 - Determining which securities to buy.
 - Assessing a reasonable price to pay for them.
 - Concluding when to sell them.
 - Understanding how various securities relate to each other.
 - Achieving meaningful diversification or finding a way to avoid putting too many eggs into too few baskets.

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?

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NOTES:

- » Due to these challenges and a handful of others, unless you have significant investing experience and significant financial resources, investing in individual stocks and bonds is typically not a good idea.
- » **Transition:** “If individual stock trading seems like it’s too Wall Street for your taste, no problem. Let’s learn about mutual funds.”

MUTUAL FUNDS

OBJECTIVE

Explain the advantages and disadvantages of mutual funds.

QUICK POINTS

- » Mutual Funds pool money from many individual investors to purchase a diverse mix of stocks and/or bonds and invest according to a stated investment objective.
- » Mutual fund owners share in the fund performance.
- » Mutual funds are professionally managed and typically invest in many individual securities.
- » With literally thousands of mutual funds to choose from, some research is still required to choose which ones fit your goals and objectives.
- » Mutual fund fees and expenses vary greatly.

MORE DETAILED EXPLANATION

- » To overcome some of the challenges of investing in individual stocks and bonds, many investors choose to purchase mutual funds.
- » Mutual funds pool money from individual investors to purchase a diverse mix of stocks and/or bonds in pursuit of the fund's stated investment objective. By owning shares of these funds, investors can get exposure to dozens or even hundreds of securities owned by the fund, and share in their performance.
- » Some funds are actively managed, meaning they employ a fund manager or management team to make investment decisions for the fund. Other funds are passively managed, meaning the initial investment plan is implemented — for example, tracking the performance of a stock market index — and then very few changes are made to fund holdings after that. In either case, the fund investor is typically able to get a much more diversified portfolio with much less money and effort than if they tried to build a portfolio on their own with individual securities.

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

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NOTES:

- » Mutual funds come in many different forms. In addition to active versus passive management, funds also offer dozens upon dozens of different investment objectives and risk levels. For instance, some funds purchase securities covering broad asset classes while others are narrower in scope.
- » Another big difference that can exist between mutual funds are the fees associated with them. Some funds charge sales charges either up-front or when you sell them while others don't have these "loads." It's important to understand how much you're paying for the funds you're using and make sure it's reasonable in light of other alternatives.

Diversification Analogy

- » Let's use a window to look at how mutual funds work at a very high level.
- » Let's assume you have a window like the one pictured here on the screen in your house. The bottom window glass is one big piece of glass. The top window glass is made up of individual panes of glass.

MUTUAL FUNDS

MORE DETAILED EXPLANATION

- » And let's further assume that some neighborhood kid (or perhaps your own!) is outside playing with a new baseball and bat and does what kids with baseballs will often do — hits the ball through the bottom window.
- » What do you have to replace? The whole thing, right?
- » But what if the ball hadn't gone through the large pane of glass, but instead hit one of the individual panes of glass in the top window?
- » What would you have to replace then? Just that one piece, right?
- » So, what does this all have to do with mutual funds?
- » The bottom pane of glass represents a single stock investment. Perhaps General Motors.
- » The top smaller panes represent a mutual fund.
- » If you put all of your money in GM stock and the company goes bankrupt, what happens to your investment? It's gone, right? Your investment would be worthless.
- » However, what if you had instead purchased a mutual fund which owned GM stock?
- » Let's say the same thing happened and GM goes bankrupt.
- » What happens to your mutual fund investment? Only this one piece is lost, right? The good news is there are other investments in the portfolio.
- » The fund might also own Ford, GE, Apple, IBM and Facebook stock, just as an example. These securities might help offset some of the pain of the loss of GM.
- » Now to be clear, this is a very simple example of how mutual funds work but it really highlights the idea of diversification. Mutual funds are an easy way for investors to diversify.
- » **Transition:** "Now that we understand individual securities and mutual funds, let's look at how you might decide which is right for you."

BUILDING A MUTUAL FUND PORTFOLIO

OBJECTIVE

Share the benefits of diversifying with several mutual funds.

QUICK POINTS

- » During any given market environment, some investment categories will perform better than others and some will perform worse.
- » There's no way to know in advance what the market environment will be while you're investing.
- » Spreading your investments across a thoughtfully constructed portfolio of different investment categories can reduce (though not eliminate) risk.
- » Mutual funds can provide valuable diversification but it can also be helpful to diversify across several mutual funds.

MORE DETAILED EXPLANATION

- » So you can see that mutual funds can offer valuable diversification — more diversification than the average investor could achieve on their own by investing in individual securities, and that's great. But, we can diversify even more. In many cases, it also makes sense to own a diversified portfolio of mutual funds with different investment objectives. This can be important for three reasons:
 1. During any given market environment, some investment categories will perform better than others and some will perform worse.
 2. There's no way to know in advance what the market environment will be while you're investing.
 3. Spreading your investments among a thoughtfully constructed portfolio of different investment categories can reduce (but not eliminate) the risk of your portfolio. Diversifying in this manner helps reduce the chance of having too many of your investment eggs in too few baskets.



NOTES:

- » **How to Diversify:** There are two main ways to establish a diversified mutual fund portfolio:
 1. You can create a portfolio on your own by purchasing mutual funds across multiple investment categories, including funds with different investment objectives
 2. You can invest in a category of funds that diversifies your portfolio for you. Asset allocation mutual funds and target-date retirement mutual funds are two popular examples of mutual fund options that can do this. These mutual funds can also serve as a model for those interested in constructing a diversified portfolio themselves.
- » **Transition:** "Now that you know a little about how to invest, where should you invest?"

WHERE TO INVEST?

OBJECTIVE

Set up the “Where to Invest?” section.

QUICK POINTS

- » There are many different types of accounts in which you can own investments and some even offer preferential tax treatment.
- » In this section, we’ll focus on a few of the more popular types of accounts as well as one you all need to know about, the TSP.

MORE DETAILED EXPLANATION

- » This section focuses on types of investment accounts, the Thrift Savings Plan, and how to approach investing from a mindset perspective.
- » **Transition:** “Now that we know about investing, why you should invest, and how to invest, let’s talk about where you should invest.”



NOTES:

TYPES OF INVESTMENT ACCOUNTS

OBJECTIVE

Provide an overview of some of the more common types of investment accounts.

QUICK POINTS

- » There are three basic types of investment accounts: General purpose, retirement, and college savings accounts.
- » General purpose accounts can be used for any purpose and typically don't receive any preferential tax treatment.
- » College savings accounts include 529 and Coverdell Education Savings Accounts. These accounts receive preferential tax treatment if used properly.
- » Retirement accounts include employer-sponsored accounts like the Thrift Savings Plan, 401(k)s, 403(b)s and 457 plans. This category also includes individual retirement accounts like Roth and Traditional IRA's. Like college savings accounts, retirement accounts also enjoy preferential tax treatment if used properly.

MORE DETAILED EXPLANATION

- » Finally under the heading of how to invest, it's important to understand the wide range of possible accounts available.
- » At a high level there are three basic types of investment accounts:
 - **General purpose accounts:** Though not an actual type of investment account, this group includes accounts that can typically be used for any purpose. They generally don't receive any preferential tax treatment and consequently aren't restricted in any way by the IRS. Brokerage accounts — into which you deposit money and then use that money to purchase investments — or mutual fund accounts opened directly with a mutual fund company are the most common of these accounts.
 - **College saving accounts:** These accounts are intended to accumulate money to pay college expenses. The 529 College Savings Plan is the most popular program. The IRS offers preferential tax treatment if the money accumulated in the account is used to pay for qualifying education expenses.



NOTES:

- **Retirement accounts:** This category includes employer-provided plans like civilian 401(k)s as well as the Thrift Savings Plan (TSP) for members of the military. It also includes traditional and Roth IRAs.

All of these retirement accounts receive preferential tax treatment from the IRS, as long as they're only used for retirement saving. The IRS also sets restrictions on how much can be contributed to these accounts and who is eligible to use them.

The type of investments you can purchase inside these accounts depends on the account. For instance, the TSP and most employer-provided retirement plans in the civilian world offer a predetermined list of funds from which participants can select to invest their contributions. IRAs on the other hand, can typically be invested in a much broader array of investment choices.

- **Transition:** "Let's dive a little deeper into a retirement account that is important to you all as service members — the TSP."

THRIFT SAVINGS PLAN

OBJECTIVE

Share the benefits of investing in the TSP.

QUICK POINTS

- » The TSP is a Federal Government retirement plan option that's also available for members of the military.
- » It's easy to use. Money comes out of your check before you ever see it.
- » Very low fees are associated with the investment funds offered in the TSP.
- » There are 10 fund choices available: 5 core funds and 5 Lifecycle funds.
- » It has both traditional and Roth accounts available.
- » Service members covered by the Blended Retirement System may be eligible for automatic government and matching contributions of up to 5%.

MORE DETAILED EXPLANATION

- » The TSP is a Federal Government retirement plan option that's also available for members of the military. It's easy to use, as money comes out of your check before you ever see it.
- » Going back to our previous mutual fund discussion, every fund has fees, including employer-sponsored plans. Good news! The fees associated with the TSP are some of the lowest fee funds in the retirement plan industry.
- » The TSP offers investors a lot of choice. There are 10 fund choices available: 5 core funds labeled G, F, C, S, and I as well as 5 Lifecycle funds. The Lifecycle funds each combine the 5 core funds into a portfolio that starts out more aggressive and gets more conservative as the year of anticipated retirement draws closer. The TSP also has both traditional and Roth options available.

WHERE TO INVEST

THRIFT SAVINGS PLAN (TSP.GOV)

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

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NOTES:

- » Service members covered by the Blended Retirement System may be eligible for automatic government and matching contributions of up to 5% — that's free money you don't want to miss out on. If you're covered by BRS, it makes sense to contribute at least 5% to the TSP. Check out tsp.gov for all the details.
- » **Transition:** "Are there any questions about the Thrift Savings Plan before we move on?"

KNOW YOUR PLAN

OBJECTIVE

Explain the importance of proper goal setting relative to investing.

QUICK POINTS

- » Solidify your goals. Know what you want to do, when you want to do it, and why it's important to you.
- » Know what's needed. Determine what it's going to take financially to accomplish each goal.
- » Weigh the alternatives. You will have choices of account types and the investments they hold. What works best given your goal(s)?
- » Pick a path. Select the approach you think is most likely to help you achieve your goals, giving extra weight to those you're most likely to stick with once the initial excitement wears off.

MORE DETAILED EXPLANATION

- » Making smart moves with investing requires a good understanding of your goals. There are four key points to proper goal setting.
 1. Know what you want to do, when you want to do it, and why it's important to you.
 2. Know what's needed. Determine what it's going to take financially to accomplish each goal.
 3. Weigh the alternatives. Consider the investing alternatives at your disposal. Use whatever resources you have available to learn about each possible approach.
 4. Pick a path. Select the approach you think is most likely to help you achieve your goals, giving extra weight to those you're most likely to stick with once the initial excitement wears off.



NOTES:

- » As you work through these points, don't let perfect be the enemy of good. In other words, while you'll certainly want to analyze, investigate, research and consider, you don't want to over-analyze, over-investigate, over-research and over-consider.

Starting early with investing is one of the best steps you can take to achieving your goals. Don't delay too long trying to find the "perfect" path to take.

- » **Transition:** "So create a plan and stick to it. The market will go up, down, and sideways, but focusing on your long-term goals helps take the sting out of painful years where you experience a loss."

THINGS TO CONSIDER

OBJECTIVE

Set up the “Things to Consider” section.

QUICK POINTS

- » Ask the audience for 1 or 2 key takeaways from the presentation.

MORE DETAILED EXPLANATION

- » This section will provide helpful tips when investing and summarize the presentation.
- » **Transition:** “Let’s take a moment to review what we covered today and leave you with some practical tips you can use when investing.”



NOTES:

IN CONCLUSION

OBJECTIVE

Summarize some key takeaways from the presentation and offer tips for success.

QUICK POINTS

- » Invest early and make it a habit by automating the process with allotments or systematic investing.
- » Watch for expenses and review your investments periodically for performance and alignment with your goals.
- » Investing is a long-term commitment so don't let market volatility or news headlines change your strategy.

MORE DETAILED EXPLANATION

- » We learned a lot about the basics of how to invest, why invest, and where to invest. You'll need to look at your own situation to make investment decisions. But, here are a few overall best practices that may increase your chances of success.
- » **Start early.** The more time you have for your investments to grow — and then for the growth on those investments to grow — the better. This concept, known as compounding, can make a massive difference in how much money you end up with in the end, but it takes a long time to get the biggest impact.
- » **Automate.** If you can make something happen without effort on your part, you're probably more likely to do it. This is especially true with investing. Set up payroll deductions or automatic transfers to keep money flowing into your investments and your future.
- » **Watch expenses.** While all investing involves some level of expense, the less you pay out, the more you get to keep for yourself. So be informed about what you're paying and don't pay more than you need to.

THINGS TO CONSIDER

- | | | | |
|----|----------------|----|------------------------------|
| 01 | START EARLY | 05 | DON'T "SET IT AND FORGET IT" |
| 02 | AUTOMATE | 06 | BE CAREFUL WHO YOU FOLLOW |
| 03 | WATCH EXPENSES | 07 | DON'T SWING FOR THE FENCE |
| 04 | HANG IN THERE | | |

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NOTES:

- » **Stay the course.** Investing should be a long-term proposition. Don't let short-term thinking trip up your long term plans. Trying to time when to get in and out of the market doesn't work. Save yourself the stress and don't even try.
- » **Don't swing for the fence.** Almost nothing gets the average investor more excited than the possibility of hitting an investment home run. Unfortunately though, these pursuits often end up in big losses. That's more like gambling than investing. Just because you feel strongly about how a particular investment will perform, that doesn't mean it will.
- » **Be careful who you follow.** Markets, market headlines, and market investors can be over-reactive — in both positive and negative ways. Don't get caught up in the hype. Instead, stick to your strategy.

IN CONCLUSION

MORE DETAILED EXPLANATION

- » **Don't "Set it and forget it".** Review your portfolio from time-to-time to make sure you are balancing out risk and that your investments are performing up to par relative to their peers. Revisit your investment approach at major life events to check that the risk level of your portfolio still makes sense.
- » **Transition:** "For our last couple of minutes together, does anyone have any questions?"

QUESTIONS?

OBJECTIVE

Allow audience the time to ask questions.

QUICK POINTS

- » Refer to the [USAAEF.org](https://www.usaaef.org) website for more information and educational videos on investing.

MORE DETAILED EXPLANATION

- » The Command Your Cash program contains several educational videos on investing. Visit the USAAEF website for more details.
- » **Transition:** “If we have no further questions, I would like to sincerely thank you for your time today. Have a great day!”



NOTES:

THANK YOU

OBJECTIVE

Thank the audience for their time and attention.

QUICK POINTS

- » Thank the audience.

THANK YOU!

NOTES:

ADDITIONAL SLIDE INDEX

OBJECTIVE

Index of additional and alternative presentation material.

ADDITIONAL SLIDE INDEX			
26	27-29	30	31
EXTENDED PRESENTATION AGENDA	"WHEN DOES INVESTING MAKE SENSE?"	INVESTMENT QUILT	EXCHANGE TRADED FUNDS (ETFS)

NOTES:

MORE DETAILED EXPLANATION

- » This presentation is designed to last 30 minutes and should cover the first 24 slides contained in the PowerPoint. However, if the presenter has additional time to cover more topics, slides 27-29 "When Does Investing Make Sense?" can be presented in an "extended" presentation.
- » Slide 26 is an Agenda slide to use for these extended presentations.
- » Slides 27-29 "When Does Investing Make Sense?" contains information a service member should consider prior to investing.
- » Slides 30 can be added after slide 8, The Mix Matters as an additional way to demonstrate why it's important to diversify.
- » Slide 31 could be used after slide 15, Mutual Funds as an opportunity to discuss Exchange Traded Funds.

AGENDA (EXTENDED PRESENTATION)

OBJECTIVE

Provide an overview of the topics that will be covered in the extended presentation.

QUICK POINTS

- » Explain that the presentation will be a high-level overview of investing.
- » What is investing?
- » When does investing make sense?
- » Why invest?
- » How to invest?
- » Where to invest?
- » Things to consider.
- » View from your perspective and for those who you may eventually be leading.

MORE DETAILED EXPLANATION

- » **What is investing?** We will cover the differences between saving and investing, types of investments, and the benefits of portfolio diversification.
- » **When does investing make sense?** There are certain helpful steps you should take to prepare yourself to invest. We will cover these steps together.
- » **Why invest?** We will discuss reasons why investing is important, historical performance, and most importantly, what investing could mean to you.
- » **How to invest?** It's time to get up close with stocks, bonds, and mutual funds.
- » **Where to invest?** Once you know how to invest it's important to understand where you want to invest. We will discuss some typical places you should consider investing.
- » **Things to consider.** We will recap everything we covered and have time for questions.
- » **Transition:** "Show me the money! Let's start with what it means to invest."

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

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NOTES:

WHEN DOES INVESTING MAKE SENSE?

OBJECTIVE

Set up the “When Does Investing Make Sense?” section.

QUICK POINTS

- » Preparation leads to success. If you can avoid being “forced” to sell investments at an inopportune time due to a cash flow emergency, your chances for long-term investment success are greater.

WHEN DOES
INVESTING
MAKE SENSE?

NOTES:

MORE DETAILED EXPLANATION

- » This section covers healthy personal finance habits that can lead to investing success.
- » **Transition:** “You can lose weight by exercising, but you may be more successful if you watch what you eat. The same can be said for investing. While there are never any guarantees you will make money investing, you can position yourself for greater success by making other smart decisions with your money. Let’s cover a few.”

BEFORE YOU INVEST

OBJECTIVE

Explain healthy personal finance habits that can lead to successful investing.

QUICK POINTS

- » An adequate emergency fund will prevent you from being forced to sell investments on short notice, potentially for a loss.
- » Adequate insurance will protect your property, health, and income. It will also help prevent the need to sell investments on short notice, potentially for a loss.
- » Avoid debt at high interest rates. It's difficult for an investment to outpace the expense of high interest rate debt.
- » Investing takes the right type of mindset. Make sure to understand the risk/potential reward tradeoff associated with any investment.
- » Commit to an appropriate time frame when investing.

MORE DETAILED EXPLANATION

- » How can you know if you're ready to invest? These financial best practices are great indicators.
 - **You have adequate emergency funds.** Before you begin investing, it's important you have adequate emergency funds set aside so you won't be forced to go into debt or sell your investments on short notice to cover unexpected expenses. Ultimately, shoot for an emergency fund equal to 3 to 6 months' worth of your basic monthly living expenses. But, starting with something smaller — like \$1,000 — can be sufficient in many situations, especially for those just starting out or working to take advantage of matching contributions through employer-provided retirement plans.
 - **You have adequate insurance in place.** It is important for you to have appropriate insurance for the things that could happen to your property, your health, or to you. Insurance is foundational. Much like your emergency fund, having insurance will help protect your investments from being tapped if something unexpected occurs.

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**

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NOTES:

- **You don't have a lot of high-interest debt.** While you can sometimes earn higher returns by investing your money, investing when you've got high-interest debt typically doesn't make sense. You need to be fairly confident that the return you'll earn by investing will be greater than the interest rate you're paying on your debt. Otherwise, it's probably better to use extra money to pay off the debt rather than invest it.
 - **You accept the risk/reward potential.** Investing provides the potential to earn superior returns compared to safer alternatives, but it's not guaranteed. In fact, you could even lose money. Before investing, be sure you're comfortable with the risk you'll be taking in exchange for the potential reward you might earn.
 - **Your timeframe is long enough.** Because investments can fluctuate in value, you need to seriously consider your timeframe before investing. The more time you have, the better.
- » **Transition:** "When it comes to investing time matters. Let's look at this more closely on the next slide."

IS YOUR TIME-FRAME LONG ENOUGH?

OBJECTIVE

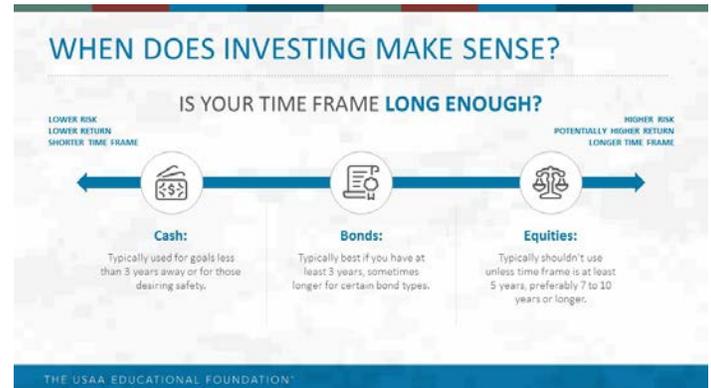
Provide a high-level overview of suitable time frames when investing in stocks, bonds, and cash investments.

QUICK POINTS

- » The cash category would typically be suitable for goals that are less than 3 years away or for those desiring safety with their money.
- » Bonds are typically going to be best if you have at least 3 years or more. However, sometimes longer time frames are better, especially if you're using more risky bond investment.
- » Equities should be viewed as your long-term investing category. Typically you shouldn't use equity investments unless you have at least 5 years before you need the money, and preferably 7 to 10 years or longer.

MORE DETAILED EXPLANATION

- » Let's go back to our investment spectrum and the three very high-level, broad investment categories of cash, bonds, and equities.
- » Essentially, you want to use the categories on the left when your time frame is shorter and the categories on the right when your time frame is longer. Let's look at each category and the time frame you'll typically want if you're going to use them.
 - The cash category would typically be suitable for goals that are less than 3 years away or for investors who want more safety for their money.
 - Bonds are typically going to be best if you have at least 3 years. Sometimes longer time frames are better, especially if you're using more risky bond investments. Remember, some bonds are actually riskier than some equities.



NOTES:

- Finally, equities should be viewed as your long-term investing category. Typically you shouldn't use equity investments — stocks or stock-based mutual funds for most mainstream investors — unless you have at least 5 years before you need the money, and preferably 7 to 10 years or longer.
- » **Transition:** "Having laid out these general timeframes for these high-level investment categories, let's not forget the idea of building a portfolio for diversification."

THE MIX MATTERS

OBJECTIVE

Provide an explanation of how different asset classes impact the overall risk in an investment portfolio.

QUICK POINTS

- » Your mix of investments, or diversification, is one way to moderate or balance the risk across your portfolio.

MORE DETAILED EXPLANATION

- » Look at this sample investment portfolio. As you can see, this investor has a long time horizon, and still can be using what I just discussed as investments typically used for shorter time frames.
- » For instance, the broad allocation of this portfolio on the slide is a 60/40 mix of stocks and bonds. In many cases, this could be an appropriate mix for a moderately aggressive investor with a 10-year time frame, just as an example.
- » The bonds in this case would be used primarily as a tool to dampen the up and down — especially the down — swings in value that are typically expected from stocks.
- » **Transition:** “Now that we know what it means to invest, and that you could potentially lose money, why invest at all?”



NOTES:

INVESTING QUILT (ALTERNATE SLIDE #7)

OBJECTIVE

Provide an explanation of how different asset classes impact the overall risk in an investment portfolio.

QUICK POINTS

- » Don't put all your eggs in one basket.
- » Diversifying your investments is a proven way to manage risk in your investment portfolio.
- » Success or failure isn't dependent on the performance of one investment category.



NOTES:

MORE DETAILED EXPLANATION

- » It's often unwise to invest in just a single investment category. Instead, it's typically better to invest in multiple categories at the same time – creating an investment portfolio – because a mix of investment categories provides diversification. By spreading your investment eggs across several investment baskets your investing success or failure isn't dependent on the performance of just one investment category. Diversification is a proven way to manage risk and the first step is determining just how much risk you are willing to take.
- » Want a more conservative portfolio? Allocate more of your money to less risky investment categories. Want something more aggressive? Allocate more to riskier asset categories. No matter how you decide to divide up your allocation, diversification is an extremely important investing concept to understand and embrace.
- » **Transition:** "Now that we know what it means to invest, and that you could potentially lose money, why invest at all?"

EXCHANGE TRADED FUNDS (ETFs) (ADDITIONAL SLIDE #14)

OBJECTIVE

Provide an explanation of what is an exchange traded fund (ETF).

QUICK POINTS

- » Exchange Traded Funds are similar to mutual funds in that they are made up of a portfolio of securities.
- » ETFs trade like stocks on stock exchanges and can be bought and sold throughout the course of a day.
- » Expense ratios on ETFs are typically much lower than those found in mutual funds.

MORE DETAILED EXPLANATION

- » Exchange Traded Funds, or ETFs, are similar in many ways to mutual funds, most notably in that they too, are made up of a portfolio of securities that are in line with the investment objective of the fund.
- » A key difference of EFTs when compared to mutual funds is that they are traded like stocks on stock exchanges. This means they can be bought and sold throughout the course of a day. Buys and sells of mutual funds, on the other hand, are processed at the end of the day after the markets close.
- » Another key difference is that most ETFs are passively managed and track an index of one form or another. As a result, the expense ratios charged to run ETFs are typically much lower than those of the average mutual fund — especially actively managed funds.
- » With that said, ETFs do come in many shapes and sizes, some of which significantly increase the risk that the investment takes. It is important to review any ETF you consider for the fund's investment plan and their management style.

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

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NOTES:

FOR MORE INFORMATION PLEASE VISIT:
USAAEF.ORG