

# Intro to Investing

**Disclaimer: Not Financial Advice**

# What is Investing?

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In our case, investing is essentially using money to create more money over time.



# Why Invest?

- One benefit of investing is that it can provide more money for yourself. This extra money can provide you with more financial security.
- Another benefit of investing is that it can allow you to outpace inflation. Inflation is essentially when units of a currency decrease in value. Simply saving money is not effective, as inflation decreases the value of that money. However, if one invests smartly, then one's money can grow faster than the rates of inflation.
- Furthermore, investing can allow for you to save up for your retirement, enabling you to even retire early. This is because investing can help someone earn the necessary amount of money they need before retiring.



# Why Invest?(Example)

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Let us demonstrate how investing can be beneficial. Let us say there are two individuals, Individual 1 and Individual 2 who both have \$100,000. Individual 1 decides to create a Savings Account, and Individual 2 decides to purchase stocks. Let us see what they will have in 25 years. As of May 16th, 2022, the deposit rate for Savings Accounts is 0.07%. This means that Individual 1 will have \$101764.78. For the past century, the average annual stock market return is 10%, which was calculated by looking at the top 500 American companies(S&P 500). Although typically the annual stock market return fluctuates from this average, for the sake of simplicity, let us imagine that for all 25 years, Individual 2 has a 10% annual return. In this case, Individual 2 will have \$1083470.59 at the end of the 25 year period. This is more than ten times the return that Individual 1 had.



# Lesson Overview

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