Course 5: How to Get Started with Investing

Bank Savings Accounts

A **savings account** is the simplest, safest place to store your money.

- Low risk, small interest returns.
- Great for emergency funds or short-term goals.
- FDIC, or Federal Deposit Insurance Corporation (a federal government agency), insured up to $250,000, which means your money is protected by the U.S. governement even if the bank fails.

👉 **Quick Example:** If you put $200 into a savings account at 1% interest, you'll only earn $2 in a year. It's not much — but your money is safe and ready when you need it.

Taxable Brokerage Accounts

A **brokerage account** lets you buy and sell investments like stocks, bonds, ETFs, and mutual funds.

- You'll pay taxes on **capital gains** (profits from selling investments) and **dividends** (payments from stocks).
- Flexible: you can withdraw anytime.

👉 **Quick Example:** If you buy $100 of stock and sell it later for $150, the $50 profit is a **capital gain** — and it's taxable.

Tax-Advantaged Accounts

These accounts are designed to encourage long-term saving. Examples include **401(k)s** and **IRAs.**

- Money may grow tax-free until you withdraw it.
- Contributions might be pre-tax, meaning you lower your taxable income now.
- Perfect for long-term goals like retirement.

👉 **Tip:** These accounts give your future-focused savings **staying power** by letting them grow without as many tax hits.

Fees You Should Know About

Investing isn't always free. Common fees include:

- **Trading fees:** Charged when you buy or sell investments.
- **Management fees:** Charged by mutual funds or ETFs for managing your money.
- **Advisory fees:** Paid if you work with a financial advisor.

👉 **Quick Example:** If an investment grows 8% in a year but has a 1% management fee, you only keep 7%. Fees might seem small, but they add up over time...so check fees before investing.

Investing in Action

Story 1: Marcus and His First Savings Account

Marcus, a freshman, gets his first part-time job at a pizza place. His mom takes him to the bank to open a savings account.

At first, Marcus is disappointed. The bank only pays 2% interest. But when his bike breaks, he has cash ready to fix it. Marcus learns a savings account isn't about big growth — it's about quick access to a safety net when life happens.

Story 2: Leila and the Brokerage Account

Leila, a junior, wants to start investing with birthday money and cash from babysitting. She opens an online brokerage account with her older brother's help. She buys shares of a sneaker company she loves and some stock in a video game producer.

A year later, the sneaker stock has doubled, but the game stock dropped. Leila sells one for a profit and sees how capital gains are taxed. It's her first lesson in how brokerage accounts give you financial freedom, but also financial responsibilities.

Story 3: Ethan and the 401(k) Surprise

After graduating high school, Ethan gets a part-time job at a local hardware store. During orientation, his manager explains that employees can contribute to a 401(k). Ethan is shocked; retirement feels a million years away!

But his manager shows him how even small contributions can grow over decades. If Ethan puts in just $20 a week, the company matches $20 (meaning, the company will also add $20/week into

Ethan's retirement plan), and with compounding interest, he could have tens of thousands by middle age. Ethan sees how starting early can make a huge difference.

FAQs: Getting Started with Investing

Q: Why not just keep all my money in a savings account?
It's safe, but you won't see much growth. Investing gives your money a chance to grow faster.

Q: What's the difference between a brokerage account and a 401(k)?
A brokerage account is flexible but taxable. A 401(k) is designed for retirement and has tax benefits, but you can't touch the money without penalties until later in life.

Q: Do I need a lot of money to start investing?
No. Many platforms let you start with as little as $5 or $10.

Q: Are investing fees really a big deal?
Yes — even a small percentage can cost thousands over decades.

Q: What should I invest in first?
Start with something safe and diversified, like an ETF, and grow from there.

Think About It

1. If you earned $100 this week, how much would you save and how much would you invest?
2. Which account would you open first: savings, brokerage, or retirement? Why?
3. How do fees affect your investment choices?
4. Why do you think starting early matters more than the amount you start with?
5. What would motivate you more — safe savings or potential growth?

Terms to Know

- **Savings Account** – A bank account that earns small interest but keeps your money safe and easy to access.
- **FDIC Insurance** – A guarantee from the government that protects bank deposits up to $250,000.
- **Brokerage Account** – An account where you buy and sell investments like stocks and ETFs.
- **Capital Gain** – Profit from selling an investment for more than you paid.
- **Dividend** – A portion of a company's profits paid to shareholders.
- **Tax-Advantaged Account** – An account (like a 401(k) or IRA) that gives tax breaks to encourage saving.
- **Fees** – Charges you pay to trade, manage, or get advice on investments.