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# Basics of Investing

**Financial You: Personal Financial Education from LPL**

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Date: May 29, 2026

# Agenda

1. Are You Ready to Invest?
2. Talking the Talk
3. Four Steps to Becoming an Investor
4. What Kind of Investor Are You?

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# 1. Are you Ready to Invest?

# What's Your Investing Approach?

1. "I prefer to figure it all out myself."
2. "I just need a little guidance and I'm good."
3. "Please, can someone just take care of this for me?"



# Are you Ready to Invest?

- You have a steady income.
- You have money left over after meeting your financial obligations.
- You've considered the effect of upcoming personal changes, such as marriage, children, or divorce, before investing.
- You've built up your savings, including a 3-6 month emergency fund, before establishing an investment account.



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## 2. Talking the Talk

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# Knowledge is Investing Power

- Wall Street Journal app ([www.wsj.com](http://www.wsj.com))
- LPL Research Weekly Insights report



# Talking the Talk

## The Dow

- Oldest and best-known American stock market index
- Began in 1896
- Consists of 30 blue-chip stocks
- Coca-Cola, McDonalds, Johnson & Johnson



All company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services. LPL Financial doesn't provide research on individual equities.

# Talking the Talk

## NASDAQ

- Pronounced “naz-dack”
- First exchange to offer online trading
- Apple, Facebook, Google, Amazon
- Angie’s List, 1-800-FLOWERS, Starbucks



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## 3. Four Steps to Becoming an Investor

# Four Steps to Becoming an Investor

## Step 1

Learn Which Investments are Appropriate for Your Financial Goals



# Four Steps to Becoming an Investor

## Stocks (or Stock Mutual Funds)

- “Shares” or “Equity”
- Ownership in a company
- High risk, high return potential
- Appropriate for long term financial goals, such as retirement
- May not make sense for shorter term financial goals



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# Four Steps To Becoming an Investor

## Bonds (or Bond Mutual Funds)

- Bonds (or Bond Mutual Funds)
- Used by companies, municipalities, and governments to finance projects and operations
- You are loaning them money
- Principal and stated interest rate paid back at a formal maturity date
- Moderate risk, moderate potential returns
- Appropriate for mid-range financial goals, such as college funding
- May make sense for retirement portfolio in later years



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# Four Steps To Becoming an Investor

## Cash Equivalents

- Typically, money market funds
- Lower risk, consistent but lower returns
- Appropriate for shorter term financial goals, such as saving for a down payment on a house
- May be part of retirement portfolio in later years



An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

# Four Steps To Becoming an Investor

## Keeping History in Perspective

Asset Type	Average Annual Return, 1985–2022
Stocks <sup>1</sup>	8.00%
Government Bonds <sup>2</sup>	3.00%
Treasury Bills <sup>3</sup>	0.40%
Inflation <sup>4</sup>	2.74%

Source: Callan, LLC 2023 and U.S. Bureau of Labor Statistics

1 The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

2 Bloomberg US Aggregate Bond Index) includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.

3 90-day T-bill is a short-term debt obligation backed by the Treasury Department of the U.S. government.

4 U.S. Labor Department reports.

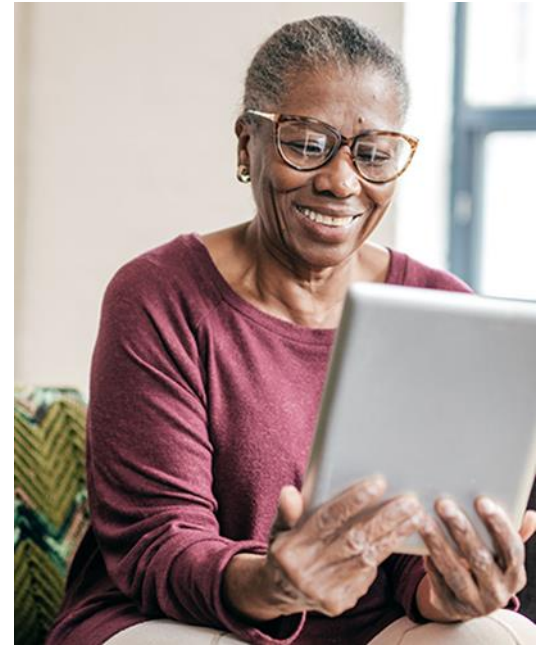
All performance referenced is historical and is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

# Four Steps to Becoming an Investor

## Step 2

### Embrace Diversification

- Balance your portfolio with different investment options from different asset classes
- Don't put all your eggs in one basket
- A lesson from Life Savers candy



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# Four Steps to Becoming an Investor

## The Life Savers Lesson

Spread the risk to help manage your potential rewards



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# Four Steps to Becoming an Investor

## Step 3

Understand How the Economy Affects Your Portfolio



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# Four Steps to Becoming an Investor



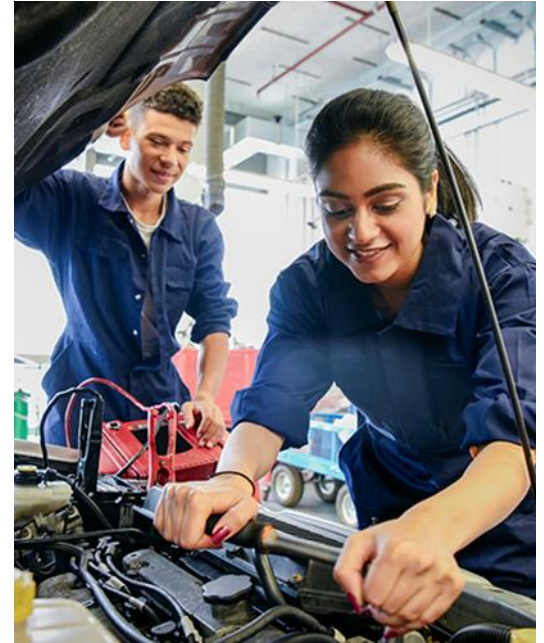
Bulls  
versus  
Bears



# Four Steps to Becoming an Investor

## Inflation

- Historically, the cost of stuff has always gone up
- Low inflation = potentially good
- High inflation = potentially bad



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# Four Steps to Becoming an Investor

## Interest Rates

- Influenced by the Federal Reserve
- When rates go up, stock prices generally go down
- When rates go down, stock prices generally go up



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# Four Steps to Becoming an Investor

## Step 4

Seek Professional Help if You Need It



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# LPL Financial Services Professionals Can:

- Help you understand different types of investments and their place in a balanced investment portfolio.
- Help you determine your financial goals, such as retirement, buying a home, funding a college education, starting your own business or just getting better at budgeting and paying down credit card debt.
- Help you determine an appropriate investment strategy to pursue your financial goals, based on your risk tolerance and timeframe.
- Discuss professionally managed investment strategies that may be of interest to you.
- Meet with you on a regular basis to track progress and adjust as necessary.

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## 4. What Kind of Investor are You?

# What Kind of Investor are You?

Take the Quiz and Score Yourself

## WHAT KIND OF INVESTOR ARE YOU?

Creating an investment mix is how you decide to allocate, or divide, your assets or investment dollars. This guide introduces you to three basic ingredients of any investment mix, helps you understand your feelings about risk, and enables you to review a sample investment mix based on your personal investor profile.

**When making your investment decisions, you should consider the three factors below:**

- **Your risk tolerance** - the amount of risk you can accept in order to obtain the returns you want.
- **Your time horizon** - the amount of time your money remains invested.
- **Your investment goal** - the amount of money you need to save to make your retirement dream a reality.

The risk tolerance quiz that follows helps you gain a general understanding of your feelings about risk. By determining your risk tolerance level, and considering how long you have to invest, you can begin to create your own personal investment mix.

### ANSWER THE FOLLOWING QUESTIONS:

- 1. How many years do you have until retirement?**
- a. Less than five. (1 point)
  - b. Five to ten. (2 points)
  - c. More than ten. (3 points)

- 2. When it comes to making investment decisions, which of the following best describes you?**
- a. Not very knowledgeable. (1 point)
  - b. Very knowledgeable. (3 points)
  - c. Somewhat knowledgeable. (2 points)

- 3. Are you willing to take on more risk in exchange for potentially higher rates of return?**
- a. Yes. (3 points)
  - b. No. (1 point)
  - c. Not sure. (2 points)

- 4. When making investment decisions, which of the following best describes your philosophy?**
- a. I worry about losing my money and lean toward having a more conservative investment mix. (1 point)
  - b. I would not hesitate to take on higher risk because I know it's the only way to achieve potentially higher returns. (3 points)
  - c. I believe in taking my time and investigating all my options before making a decision. (2 points)

5. THE BASICS OF INVESTING

### 5. Which of the following best describes your current attitude toward investing for retirement?

- a. I would like the opportunity for my retirement savings to grow, but am only comfortable with a medium amount of risk. (2 points)
- b. I tend to worry that the value of my retirement savings will go down. (1 point)
- c. I would like the opportunity for my retirement savings to grow as much as possible, and am willing to take on higher risk for potentially higher returns. (3 points)

Total Your Points Here \_\_\_\_\_

### SCORING SYSTEM

**5 - 7: Conservative.** You are an investor who seeks stability and safety for your money. Remember, not having enough money when you retire is a big risk too. Keep in mind your time horizon and the impact inflation can have on your investments.

**8 - 9: Moderate.** You want your money to grow but are more concerned about protecting it. You are cautious but may be willing to diversify to spread out some of your risk, depending on your time horizon.

**10 - 11: Moderate Growth.** You like to balance lower-risk investments with higher-risk investments. Evaluate your situation at least annually to make sure that this balance contains the right mix of lower-risk and higher-risk investments for your situation.

**12 - 13: Growth.** You want to increase your savings and are somewhat comfortable riding the ups and downs of the stock market in exchange for the possibility of higher returns over the long term.

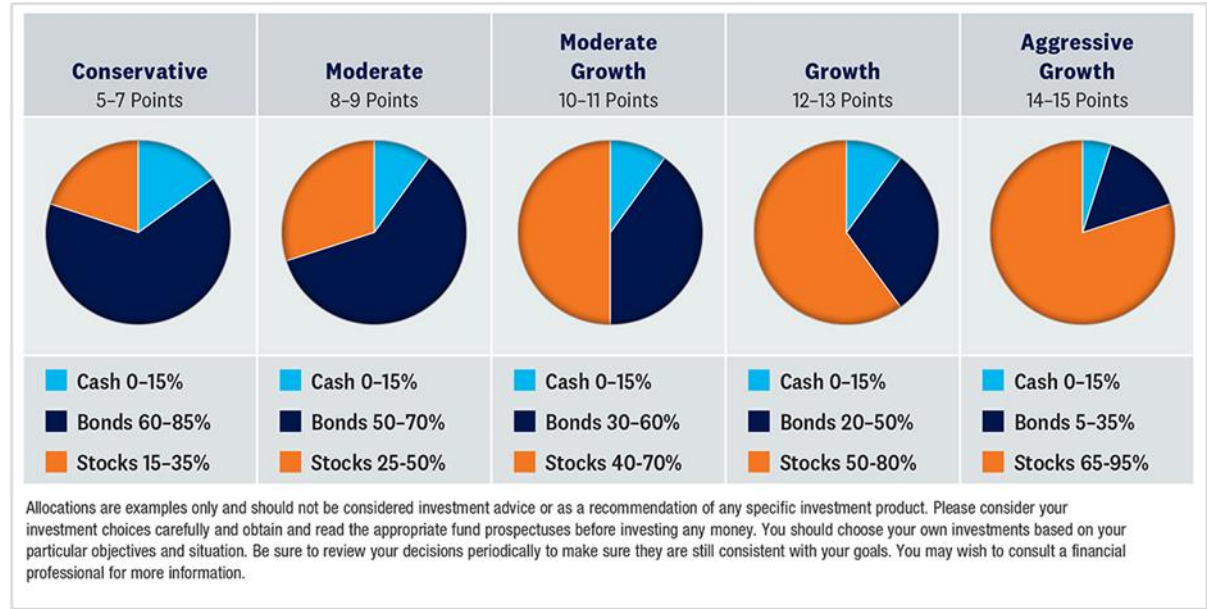
**14 - 15: Aggressive Growth.** You want to maximize the long-term growth of your retirement savings. You are comfortable taking substantial investment risk in exchange for potentially higher returns. Evaluate your situation at least annually, and modify your investment strategy as your situation changes.

Based on your score, you are

a(n) \_\_\_\_\_ investor.

# Find your Investment Mix

- Conservative
- Moderate
- Moderate Growth
- Growth
- Aggressive Growth



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