A Beginner's Guide to Investing

By Chaunie Brusie (https://www.dailyworth.com/posts/author/chauniebrusie) | October 12, 2017

It's not as intimidating as you think.

On any given day, I consider myself to be a pretty financially savvy woman. From when I was in high school and spent an hour on the phone arguing to get a 10-cent charge removed from my cell phone bill to a few years ago when I paid off all of our debt, I've prided myself on running a tight financial ship.

But despite my prowess in saving and paying down debt, I have long overlooked one critical piece of a solid financial foundation: investing.

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The truth is, it doesn't matter how much debt I pay down or how much I save on my cell phone bill if I'm not looking forward to the future — and, most importantly, taking advantage of compound interest that will add up to major gains. I've known for quite some time that I should be investing, but I honestly have no idea where to start. And I'm willing to bet I'm not alone.

So instead of letting myself feel ashamed that I — a strong and independent woman — have no clue about where to begin, I talked to some experts about how to get started. Here's what they said.

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Drop the Shame and Guilt

Every financial expert I spoke to assured me that no woman should never ever feel ashamed about asking for financial guidance or education.

"A lot of women feel embarrassed that they don't know how it works," says financial coach Juliana Valverde, of Fort Myers, Fla. However. She reminds her clients that "we

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aren't taught this in school." And, just like any other skill, learning how to invest is something any woman can learn how to do effectively.

Julie Ford, CFP, CPA, with Ford Financial Solutions (https://www.fordfinancialsolutions.com/) in New York City, echoes this sentiment. She also stresses that fear surrounding investing is not limited to women.

"Generally, the apprehension I run into is a lack of confidence and feeling under-informed about how much to save and where," she adds. "Running out of money later in life is a big fear that crosses gender lines."

Get Clear on Your Financial Goals

Before you invest, it's important to take time to think about exactly what you want to accomplish. Do you want enough to be able to retire at the age of 63? Need to pay for your child's college (https://www.dailyworth.com/posts/no-plans-pay-childrens-college)? What about just earning more interest than you're currently getting from your savings account? Knowing what you want to achieve will help you choose the right kinds of accounts and investments.

"You want to identify what goals you have and when you want to accomplish them," explains Kyle Tank, a financial advisor at Ameriprise Financial (https://www.ameriprise.com/). "This is important to identify because it will help you determine what to do with the money."

Krystal Covington, founder and CEO of Women of Denver (http://www.thewomenofdenver.com/), says that in her work with women business owners, she has noticed that women are often hesitant to put their money in the stock market because they want cash on hand for their families.

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And that's an understandable concern. Investing isn't something that should make you uncomfortable. It can (and should) be something that works for you.

Get Your Other Ducks in a Row

Before taking the investing plunge, be sure to take care of other financial priorities. Ford advises that you first establish an emergency fund (https://www.dailyworth.com/posts/4173-what-should-i-save-for-after-my-emergency-fund), pay down high-interest debt, and try your hand at budgeting. Once you have checked off those items, take a close look at any retirement plan you might have through work. If your employer offers to match any of the funds you put into the plan, make sure you're getting the most out of that match. After all, it's basically free money!

Unsure about the terms of your company's plan? Call your HR benefits coordinator or the financial institution that manages your company's plan. They are usually great resources who can explain the plan to you in plain language.

Finally, be sure to investigate whether you might have investment accounts or securities that you've lost track of. It may sound silly, but people often let little investments trail behind them because the amounts seem too little to be worth the trouble. Whether it's a retirement account from your first job or a Treasury bill your grandmother bought for you, get a handle on your investing past. Then, you can explore whether you want to consolidate or liquidate these assets in your new investing plan.

Learn a Few Key Terms

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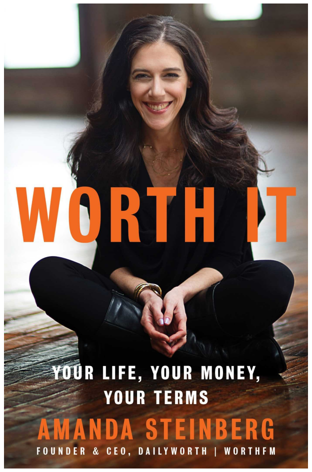

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Sometimes the jargon surrounding investing can sound like a foreign language. But by brushing up on a few key terms, you can avoid feeling like you're already behind before you've even started.

Securities – A financial asset that can be bought or sold. This is the catch-all term for most investments you know, including stocks, bonds, money market instruments, and other assets.

Stock – A small piece of ownership in a corporation's assets and earnings.

Bonds – A debt security. More simply, a bond represents a loan that you (the investor) have granted another entity (usually a corporation or branch of government) for a set period of time. Bonds pay a set interest rate.

Mutual fund – A type of investment in which multiple investors' money is pooled to invest in a collection of stocks, bonds, money market instruments, or other securities. They are typically managed by money managers and are not sold directly on the open market, but instead through the fund manager or an intermediary. They are priced once a day.

Market index – Market indexes are designed to represent the overall performance of the stock market. Think of it as a baseline to how your portfolio should be performing. A common market index is the S&P 500.

Index fund – A mutual fund that's designed to match the components and performance of a market index, like the S&P 500. Index funds typically have broad market exposure, carry less risk, and cost less, compared to more specialized funds. They are often well suited for beginner investors.

Exchange-traded fund (ETF) – Basically, a type of mutual fund that is sold on the direct market. An ETF is priced dynamically, throughout the day, like a stock. It is often managed to an index, so a fund can be both an exchange-traded fund and an index fund.

Portfolio – The collection of all of your investments. Your portfolio can be made up of stocks, bonds, exchange-traded funds, and/or mutual funds.

Consider Index Funds

It is understandable why many people are leery about investing. Having seen her own parents lose everything in the 2008 recession, Valverde was inspired to start her own career as a financial coach to educate others.

She often suggests index funds to her clients who are new to investing. These mutual funds typically have low minimum investment requirements, so you don't need a lot money to get started, and they charge low fees. Vanguard is probably the most well-known index fund provider, but there are many to choose from.

You can invest directly with the fund company, or you can open an account with a popular intermediary, such as Charles Schwab or Fidelity. These firms offer features like automatic paycheck deduction and savings accounts, so even if you don't yet have enough money to invest, you can easily start saving toward your goals. If you have a retirement plan through work, you might also want to consider opening an account with that financial institution, so you can see all of your investing accounts in one place when you log on. Many of these companies offer calculators and analytical tools that will help you choose investment options that are suitable for your age and circumstances.

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Hire a Fee-Only Advisor

If you’re in your 20s or 30s, have no children, and just have a little excess cash you want to invest, you can likely put together a good investing plan on your own, using online calculators and a little research. But, if your financial situation is more complicated or if you just don’t feel comfortable going it alone, you might consider working with a financial advisor.

Some financial advisor firms, like Edward Jones, earn a commission or kickback whenever they sell a new product to investors. This gives these advisors incentive to sell a particular investment, whether or not it’s really the right solution for their clients.

For this reason, you’re better off working with a fee-only advisor. These professionals do not accept commissions on their sales and instead charge a fee directly to their clients. Ford recommends that you search resources like XY Planning Network (https://www.xyplanningnetwork.com/) or NAPFA (https://www.napfa.org/), professional organizations for fee-only advisors, and find a local CFP® — a highly trained and credentialed investment professional. It’s a smart idea to interview several in person and ask for references. After all, you will potentially work with this person for decades — you have the right to make an informed choice!

A good financial advisor will respect your financial goals and help you identify appropriate solutions for your situation. Pay particular attention to how well the advisor listens to you and understands your goals and unique circumstances.

Just Get Started

Yes, investing can be overwhelming, and, yes, there are a lot of factors to consider. But don't let these concerns paralyze you. The most important step you can take right now is to start. Especially if you begin investing early, even a small amount of money can make a huge difference.

Ford sums it up perfectly: "Small efforts matter."

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