



The Basics of Investing

Helping You Paint a Vibrant Future



Avantax[®]





Getting Started is Easier Than You Think

One of the biggest misconceptions about securing your financial future is that you have to be a financial genius. Another is that investing requires you to be a multi-millionaire. In actuality, you just have to educate yourself, craft a plan and stick to it. The purpose of this guide is to give you a general overview of the basics of investing so that you can make informed investment decisions with the help of your Avantax financial professional.

What is Investing?

Investing is the proactive use of your money to make more money, or the act of putting your money to work for you. While it does involve some risk and could lead to loss of principal (the amount you invested), investing offers a range of options that can offer some comfort to even the most conservative investors. It's important to work with your Avantax financial professional to be fully aware of the risk and what steps you can take to mitigate it.

Before investing, you and your Avantax financial professional can:

- List and prioritize your financial goals
- Take inventory of your current financial situation
- Pay off high-interest debt
- Build an emergency fund
- Create a budget
- Make a habit of paying yourself or your family first
- Look for opportunities to cut back on expenses

The 3-Step Process

While no approach can guarantee that you won't see a temporary decline in your investment value if the market declines, adhering to the “**3-Step Process**” can improve your chances of avoiding such an occurrence or lessening the impact of such an occurrence.



ASSET ALLOCATION

Spreading assets among various asset classes in an effort to pursue optimal returns in relation to your risk tolerance



DIVERSIFICATION

Diversifying investment products within each asset class so that the positive performance of some investments will neutralize the negative performance of others



REBALANCING

Periodically buying or selling assets in your portfolio to maintain your original desired level of asset allocation and risk tolerance

The 3-Step Process is discussed in more detail in the brochure entitled “Aim with Precision” – available by request from your Avantax Financial Professional.



BASIC TYPES OF INVESTMENT PRODUCTS

Stocks

A stock is an ownership share in a corporation. Each share denotes a part of ownership for a shareholder of that company. Stocks are traded all over the world on exchanges, such as the New York Stock Exchange (NYSE). Investors can buy a share in a company or a share of a diversified global portfolio of stocks.

Bonds

Although you may be more familiar with stocks, the bond market is actually larger. A bond is a debt that companies and governments offer to investors to raise money. In exchange, investors are promised a return on their investments in the form of interest.

Cash and Cash Alternatives

Cash and cash alternatives are also referred to as money market or cash investments and are considered the least risky of the three basic investment types. They also tend to produce the lowest returns over the long run. These investments may be an option for investors who desire liquidity (the easy buying and selling of investments).

Mutual Funds

Essentially, mutual funds are a grouping of individuals (or institutions) who invest their money with a company that manages that pool of money on their behalf. Mutual funds are appealing because they provide stock market diversity with a modest amount of cash. An investor can send a small amount of money to a fund company and become a stakeholder in a number of companies. Mutual funds have become extremely popular, acting as vehicles for retirement and education planning.

The Benefits of Investing in Mutual Funds

- Daily Liquidity
- Low Barrier Entry
- Immediate Diversification
- Professional Money Management





Avantax is ranked as one of the Top 10 independent Investment Professional Firms.¹



Choosing an Appropriate Investment Mix

Choosing an investment mix is contingent on factors such as your time horizon (the length of time until you need to sell your investments) and risk tolerance, which is determined by varying factors such as age, income and circumstance. Generally, a relatively short time horizon calls for a more conservative approach, while long-term investments allow more aggressive investing to take place. Your Avantax financial professional will work with you to develop the appropriate mix of investment vehicles based on these factors and your overall financial situation.

A DISCIPLINED APPROACH TO LONG-TERM INVESTING

Timing the Market vs. Time in the Market

Timing the market is a strategy where an investor tries to identify the best times to exit and enter the market, usually based on an outlook of market or economic conditions. Your fate depends on your ability to know when to get out of the market and when to get back in. If you time it right, timing the market could result in higher returns than a long-term strategy. If you are wrong, however, it could result in greater losses. Because markets can be difficult to predict, a long-term investment strategy that utilizes asset allocation and diversification is recommended to avoid unnecessary risk. The coupling of time with an impressive long-term investment strategy can put even the most daunting goals like retirement in reach.

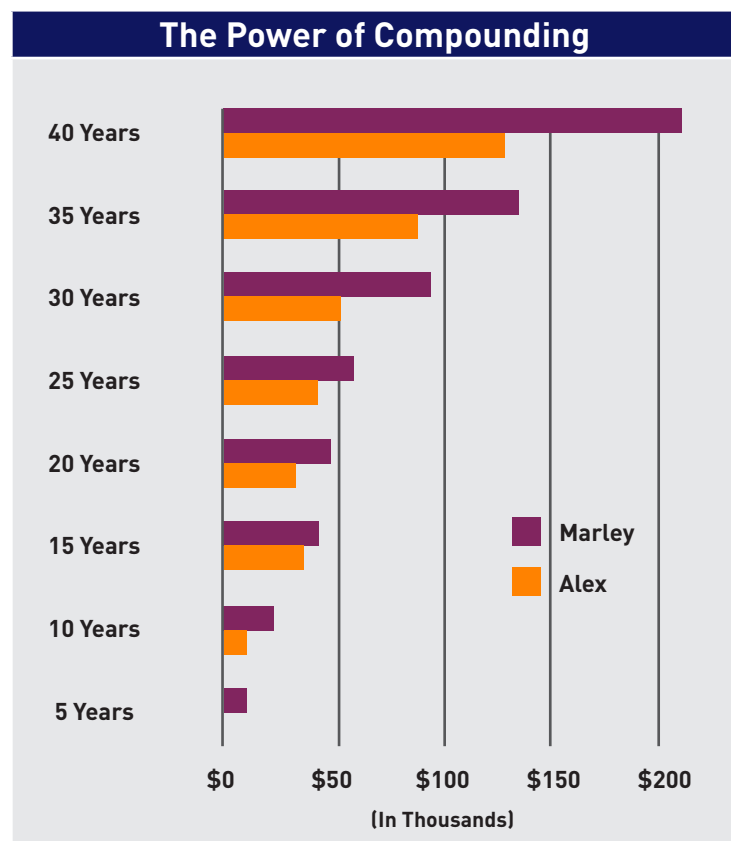
¹Avantax ranks 10th in the IBD category in Cerulli's Top 25 B/D Networks by Assets Under Management, 2020 – as of December 31, 2021

Compounding

Compounding is the practice of generating earnings from previous earnings. In other words, you receive interest not only on your original investments, but also on any interest, dividends and capital gains that accumulate—so your money can grow faster and faster as time passes. This is particularly evident in retirement accounts, where principal is allowed to grow for years tax-deferred or even tax-free.

Consider this scenario: Marley and Alex, both 24 years old, are hired by the same employer on the same day. After a year of working, Marley begins contributing \$1,000 a year to her employer's plan. Alex, on the other hand, starts contributing \$1,000 after 10 years of working. Marley stops contributing after 15 years, while Alex continues to invest until he retires at age 65.

The illustration does not reflect specific investments. The returns are hypothetical and do not reflect past or future performance of any specific investment option. Payment of income taxes is not reflected. Systematic investing does not ensure a profit or guarantee against loss. You should consider your financial ability to continue purchases through periods of low price levels.



They both contributed \$1,000 a year and earned an 8% rate of return on their investment. Marley contributed a total of \$15,000, while Alex contributed a total of \$31,000 — over twice as much as his coworker. However, Marley's returns remarkably surpassed Alex's because of the power of compounding.

The following chart shows the negative impact that waiting just five years can have on your earning potential (depending on your investment decisions and market conditions).

The Effects of Waiting			
Beginning Age	Account Balance at Age 65	Years Lost	Earnings Lost
25	\$702,856	0	\$0
30	\$461,835	5	\$241,021
35	\$300,059	10	\$402,797
40	\$191,473	15	\$511,383
45	\$118,589	20	\$584,267
50	\$69,669	25	\$633,187
55	\$36,833	30	\$666,023
60	\$14,793	35	\$688,063

This illustration assumes a \$200 monthly contribution that earns interest at 8%. It does not reflect the performance of any specific investment. The returns are hypothetical and do not reflect the past or future performance of any specific investment option. Payment of income taxes is not reflected. Systematic investing does not ensure a profit or protect against loss. You should consider your ability to invest consistently in up and down markets.

Dollar-Cost Averaging

A long-term investment approach allows you to participate in dollar-cost averaging, which is buying a fixed dollar amount of a particular investment at a certain time on a consistent basis. Often recommended for new investors who have less to invest, it rests on the notion that more shares are purchased when prices are low, and fewer shares are purchased when prices are high. Dollar-cost averaging is not an appropriate short-term strategy.



Consider Asset Erosion

In order to maximize your returns, you should consider the effect that taxes and inflation can have on what you actually get to take home.

Inflation can potentially erode the real value of your investments if you have a longer investment time frame. However, you and your Avantax financial professional can calculate the rate at which prices are expected to rise, which can inform your investment decisions by telling you what return your investments need to make to maintain your standard of living.

Tax is a fee charged by the government on a product, income or activity. An account is taxable if any income earned in the account is taxable at the time of earning. Investments held in taxable accounts can result in higher tax liability as the income, which comes from interest and dividends, is added to your taxable income for the year. Any sales of assets held in a taxable account that are sold for more than the investment price could also result in increased income tax liability. Your Avantax financial professional can help you implement tax-saving strategies to maximize your take-home pay.

Relying on Your Avantax Financial Professional for Investment Advice

Choosing someone to help you with your investments is one of the most important investment decisions you will ever make. Your Avantax financial professional has a 360-degree view of your financial picture. He or she can assess every aspect of your financial situation and develop a detailed strategy to help you pursue your goals. Before you get started, the two of you can discuss what services he or she will provide you at what cost. You, on the other hand, can remain focused on your career and family.

About Avantax

Since its inception in 1983, Avantax Financial Services® has supported an independent network of tax and non-tax professionals who provide comprehensive financial services including securities, insurance, money management services and banking solutions. We are a pioneer of Tax-Smart InvestingSM and since then, we've been helping clients nationwide achieve better after-tax results.

Notes:

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Asset allocation and diversification do not assure or guarantee better performance and cannot eliminate the risk of investment losses.

Dollar-cost averaging does not assure a profit and does not protect against loss in declining markets. Such a plan involves continuous investment in securities regardless of the fluctuation of price levels of such securities. An investor should consider his or her financial ability to continue his or her purchases through periods of low price levels.

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