LJJ Financial Coaching

A Clearer Path to Financial Peace

Building Wealth & Investing

1. The Goal of Investing

- Investing is how you build long-term wealth and prepare for retirement.
- The focus is not quick wins—it's consistent, long-term growth.

2. When Should You Start Investing?

Follow the Baby Steps:

1. Baby Step 1: $1,000 emergency fund
2. Baby Step 2: Pay off all debt (except the house)
3. Baby Step 3: 3–6 months emergency fund
4. **Baby Step 4: Start investing 15% of your income for retirement**

Key Principle:

Do not invest until you are out of debt and fully funded in your emergency fund.

3. Retirement Investment Hierarchy (Order of Investing)

Invest in this order to maximize benefits:

1. Employer-Sponsored Plan (401(k) or TSP)
   - Contribute up to the company match first (this is free money)
2. Roth IRA
   - Invest next in a Roth IRA
   - Offers tax-free growth and tax-free withdrawals in retirement
3. Back to Employer Plan
   - After maxing Roth IRA, return to your 401(k)/TSP
   - Continue investing until you reach your 15% goal

4. Recommended Investment Breakdown

Diversify across four types of mutual funds:

- 25% Growth Funds (Established U.S. companies)
- 25% Growth & Income Funds (Stable companies that pay dividends)
- 25% Aggressive Growth Funds (Higher risk, higher potential return)
- 25% International Funds (Companies outside the U.S.)

Key Principle:

Diversification reduces risk and increases long-term stability.

5. What to Invest In (and Avoid)

Do Invest In:

- Mutual funds with strong long-term track records
- Tax-advantaged accounts (Roth IRA, 401(k), TSP)
- Investments you understand

Avoid:

- Single stocks (too risky)
- Timing the market
- “Get rich quick” strategies
- Borrowing money to invest

6. Roth vs. Traditional (Simple Explanation)

- Roth Accounts:
  - Pay taxes now → No taxes later (recommended)
- Traditional Accounts:
  - Tax break now → Pay taxes later

Key Principle:

Tax-free growth (Roth) is powerful over time.

7. Key Investing Principles

- Start early – Time is your greatest asset
- Be consistent – Invest every month
- Think long-term – Ignore market ups and downs
- Don’t panic – Stay the course during downturns
- Work with a professional if needed

8. The Power of Time (Why This Matters)

Even small, consistent investments can grow significantly due to compound growth.

The earlier you start, the less you have to invest overall.

9. Quick Action Steps

- Confirm you’re on Baby Step 4
- Enroll in your employer retirement plan
- Open a Roth IRA
- Set up automatic contributions
- Choose diversified mutual funds
- Review your plan annually (not emotionally)

Bottom Line

Wealth building is not about luck—it’s about discipline, consistency, and time.