**Faith & Finance Summary**

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- **Don’t love money.** Don’t put money first. “For the love of money is the root of all kinds of evil.”
- **Pay it forward.** “A good man leaves an inheritance for his children’s children…”
- **Give, Save, and Spend** wisely. In that order. Don’t treat giving and savings money as spendable.
- **Interest**: Sum paid or charged for the use of money. Impacted by impatience, risk, and inflation.
- **Inflation**: Rise in prices from increase in money supply and consequent loss of currency value.
  - Bureau of Labor Statistics CPI primary measure of U.S. inflation
  - CPI later / CPI sooner = inflation over time period
- **Stocks**: share of company ownership; paid dividends, can appreciation in price
- **Bonds**: a limited-time loan providing fixed payments until nominal repayment
- **Real/Nominal Returns**: returns that are/aren’t adjusted for inflation, respectively.
- **Historic Real Returns**: ~6-7% for stocks, ~2% for bonds
- **Rule of 72**: To find expected years to double value, divide real return into 72.
- **Risk and Reward**: Bonds perceived as safer, less volatile. Stock owners “paid” more to face fear.
- **Stocks Safer in Long Run**: For all 10+ year periods, domestic stocks have been safer than bonds.
- **Conformity, Greed, & Fear**: Masses greedily buy high and fearfully sell low. Buy and hold!
- **Risk without Reward**: While stock markets revert to mean, individual companies grow and die.
- **Invest Diversely**:
  - Index Fund: set of investments representing index, no active management, low cost
  - Exchange Traded Fund (ETF): secured, i.e. tradable, form of mutual fund
- **Investment Costs Matter**: Active management results in operating expenses that cut returns.
  - Average funds perform at/below average before/after costs.
  - Passive management (index funds, index fund ETFs) cuts cost & boosts long-term %.
- **Example Starter Retirement Investing**:
  - Open Roth Individual Retirement Account (IRA) at a discount broker (e.g. Scottrade).
  - Buy and hold shares of VT (Vanguard Total World Stock ETF) with 10%-20% of income.
  - Over time, add small proportion of bonds (BND) and other ETFs.
  - Make asset allocation plan and stick to it, rebalancing to target proportions annually.
- **Unconventional Retirement Planning Wisdom**:
  - Upon retirement, let 3% - 3.5% of your savings be your initial retirement “salary”.
  - Keep a high proportion of stocks, as your time horizon is beyond you.
  - Consume what you need, preserve investments, and be generous.
- **Read “The Four Pillars of Investing” by William Bernstein.** This summarizes the best points of many books, e.g. Jeremy Siegel’s “Stocks for the Long Run”, Burton Malkiel’s “A Random Walk Down Wall Street”, and Jack Bogle’s “Common Sense on Mutual Funds”.
- **Resources**: slides, etc. at [http://cs.gettysburg.edu/~tneller/resources/investing/](http://cs.gettysburg.edu/~tneller/resources/investing/)