SkimmU



theSkimm on Investing 101

Worksheets to help you live your smartest financial life





INVESTING 101

How Much Can You Afford to Invest?



What's the point of this exercise?

To help you see where your money's going now. And where you might need to cut back in order to invest more.

Here's how this is gonna go:

Break out your recent financial statements and bills, and start categorizing your typical expenses. A rule of thumb is to spend 50% of your take-home pay on needs (think: housing, basic groceries, insurance, transportation, phone/internet, and minimum debt payments); 20% on goals (aka savings and investments); and 30% on wants (takeout, clothes, and everything else).

If you realize you're spending more than half your take-home pay on needs, you can try cutting certain expenses out of your budget or negotiating some bills. Or "borrow" from the Wants category, which is more flexible. (Meaning spend 60% of your pay on needs and 20% on wants, for example.) Try to keep Goals at 20% – with retirement investments up to about 15%.

My monthly take-home pay =	50% of my take-home pay =	20% of my take-home pay =	30% of my take-home pay =

Needs (50%)

FOR EXAMPLE:
Groceries \$500

TOTAL

Goals (20%)

FOR EXAMPLE:
IRA \$300

FOR EXAMPLE:
Netflix \$14



INVESTING 101

How Comfortable Are You With Risk?



What's the Skimm of this exercise?

To understand how you feel about the idea of losing money. Because all investing involves some risk. Knowing that can help you decide how to invest.

Here's how this is gonna go:

This isn't like a regular quiz where you get results now (it's a cool quiz). Bring your answers to class, where we'll talk about how they should shape your investing strategy.

1. Let's play a word-association game. When you think about risk, which words come to mind?

- A. Danger and loss
- B. Uncertainty and nervousness
- C. Hope and potential
- D. Excitement and reward

2. If your investments dropped 10% in one day, what would you do?

- A. I'd freak out and probably not sleep that night.

 Aaaand I might sell my stocks to avoid losing
 even more money later.
- B. I'd be a little nervous but not enough to do anything about it. I'd assume I'd make the money back before I needed it.
- C. I'd probably invest more while stocks were cheap. The market always rebounds over time.

3. What's the worst one-day decline in your investment balance that you could stomach before never investing again?

- A. 10%-20%
- B. 20%-30%
- C. More than 30%

4. When will you need the money you're investing?

- A. Within the next 1-5 years
- B. Between 5-10 years
- C. Not for 10+ years