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Youth Investment Guide

Chapter 1: Introduction

Hi, I'm Eddie, and I'm a sophomore in high school and I began finding investing interesting around 3 years ago when my dad was telling me about a story happening in the financial world. He was talking about the *GameStop* saga which had made headlines worldwide as a bunch of small-time internet traders that had gone after huge hedge funds¹. It kind of inspired me as it both showed me the possibilities of investing and left me with so many questions about

how it all worked. So, if you're anything like me when I first started, you

"An investment in knowledge pays the best interest."

— Benjamin Franklin

probably heard from a friend or family member that you should invest your money, but you are curious, confused, or even a bit skeptical. The financial space can feel like a huge complex world full of jargon that is reserved only for experts with loads of money. But the truth is, investing *is* for everyone and should be available for anyone. Investing is not just about making money; it is about building options for your future, developing smart money habits, and building financial security.

¹ A hedge fund is a pool of money managed by experts who try to grow it.

With this guide, I hope to provide a blueprint where anyone with a bit of initiative can simply learn the fundamentals of investing. You don't need a degree, tons of money, or years of experience to get started. Everything I mention will be concisely detailed and free of any elaborate financial jargon. The next four chapters will break down everything from what investing is, to the different types of investments, how to manage potential risks, and easy ways to start for yourself. Whether you are saving up for something important, working toward a goal, or trying to make the most out of your money, being financially literate can pay off big time for your future and build confidence in handling your money. Investing doesn't have to be a daunting task. So, let's get started and take the first steps towards exploring the financial world and discovering how investing can help you achieve your financial objectives.

Chapter 2: Understanding Investing

What is investing?

The term investing simply means putting money into assets (a useful or valuable things such as stocks, bonds, or real estate) with the hope or belief that these things will grow in value over time. For some investments, this time could be as little as a few hours/a single day, or all the way up to years or decades. Instead of spending money right away, investing lets you set it aside to hopefully make more money in the future. However, unlike saving, investments involve putting money into things that can go up and down in value but have the chance to grow much more over time.

Why invest?

The purpose of investing is to build wealth over time. People invest to reach their financial goals, like buying a car, going to college, or financing a home. Another common motivation for investing is to avoid inflation, which is when things we buy, like food, gas, or clothes, increase in price over time, causing us to need more money to buy the same things than we did before.

The Power of Compound Interest

Additionally, one of the biggest benefits of investing is something called 'compound interest,' which is when the money that you earned

off investments starts making money too. For example, if you invested \$100 and made 5% (or \$5) in the first year, next year, you will be making 5% on \$105. This effect can snowball over time and make a big difference in how much your money



grows. The image above shows firsthand how **\$500** with **\$20** monthly payments at **10%** growth turning out to be over **\$18,500**. Check out this simulation and other valuable finance information at [Investor.gov](https://investor.gov).

REMINDER: Keep in mind at this stage that investments do not always go up, while we have the hopes that they will and use them to try and grow our money, they always have the chance of decreasing.

Different Types of Investments

When you first start investing, it is important to understand the many different possibilities available to choose from. Here are some of the most common types of investments:

- Stocks: When you buy a stock, you own a small piece of a company called a “share.” If the company you own does well, the share price can go up, and you can make money by selling them at a higher price compared to when you bought them. (I go into more detail below) This is one of the main forms of investment that I will discuss in this guide.
- Bonds: Bonds are loans that you give to a company or government that return the amount you gave plus a set amount of money in interest (typically around 4%) Typically, the borrower will return the money in 5-10 years and are not legally affected by any changes, so they are viewed as steady long term investments.
- Mutual Funds: Mutual Funds are big pools of investor money managed by a group of experts to buy a mix of stocks, bonds, and other assets. They allow you to own a small part of many different investments but have fees and usually must be bought in specialty apps. (See Chapter 3, How to Invest)
- ETFs: Exchange Traded Funds, or ETFs, are similar to mutual funds except they are usually based on a set group of stocks and can focus on specialized industries or markets. They generally have smaller fees than mutual funds and are traded on stock exchanges like individual stocks. They can be great to gain access

to many different stocks with only one purchase easily diversifying your portfolio and reducing risk.

- **Cryptocurrencies:** Cryptocurrencies, like Bitcoin and Ethereum, are digital currencies and act as an alternate form of payment. They are designed to work through a computer network and use encryption algorithms that can make them untraceable. However, they are not backed by any central government or bank to support it which makes them extremely risky and volatile. (Volatile means the price of a stock can change drastically in a brief period)

Stocks

Stocks are known for their potential for high returns over time, making them a popular investment choice for many. Historically, stocks have provided higher returns compared to safer investments like bonds or savings accounts. However, their prices can be unpredictable in the short term as they can fluctuate based on a vast number of factors. Despite short-term shifts in price, investing in stocks is great for long-term goals, like retirement, because you can ride out the ups and downs of the market.

As mentioned above, stocks represent a small slice of ownership in a company called a “share” and the price of these shares can grow

and shrink over time depending on the supply and demand. If more people want the stock, the price increases, and vice versa if demand is lower. Also, how well a company performs can be a key factor in stock price along with the overall economy, and even investor emotions.

One especially important thing to note that many beginners overlook (even myself when I first started) is that buying and selling a stock is similar to an auction in that there is a bid and ask price. The bid price is what people are willing to pay to buy it and the ask is what sellers are asking to sell it. There must be a buyer

KEY FACT: Companies with shares, or public companies, are required to release annual reports that share its financial performance and future plans. They are a very useful tool to learn a company's operations and financial conditions.

and a buying price when you are selling a stock, and the inverse is true for buying. Nowadays, finding a buyer/seller is very fast due to online trading platforms and high volume but you still may encounter issues when working with stocks that are rarer with low volume.

Stock Markets

A stock market is a large organized system where shares of stocks are traded based on supply and demand in a specific region or country. These trades happen on platforms called stock exchanges like the NYSE or NASDAQ and can be accessed online to make trades digitally.

Looking at how a stock market in a country or region is performing can give you a good understanding of how investors feel and the overall market conditions.

KEY FACT: The average stock market return is 10% annually in the U.S.

Stock Indexes

A stock Index is a way to track a group of stocks' performance. Instead of looking at individual stocks, an index shows the overall trends of a collection of stocks, often within the same industry or market. For example, the S&P 500 is one of the most well-known indexes and tracks the 500 largest companies in the U.S. If the S&P 500 goes up, it signals that those 500 stocks, and typically the overall US economy, are doing well. An Index ETF is simply an ETF that tracks the performance of an index allowing you to invest in a whole market with just one purchase.

Dividends: Some stocks give 'dividends' to shareholders every quarter as a reward for owning it. Dividends are typically around 1-2% of the stock price.

Chapter 3: How to Start Investing

So far, investing might still seem a little daunting to you, but in this next chapter, I will break it down into a few manageable things that can hopefully make it easier and more exciting. First, let's go over a few questions you might have and why you should start investing now.

**“TIME IN THE MARKET ALWAYS
BEATS TIMING THE MARKET”**

Why should I start investing?

There are so many different reasons why you should invest your money. It could help you save for a goal, combat inflation, or plan for retirement, but it can simply be to have your money work for you. Especially when you are young, compound interest can help you build up significant wealth which is why you should start investing as early as possible.

How much money do I need to start investing?

The truth is, there is no minimum amount of money you need when it comes to getting started with investing. You can begin your journey with any amount, even as little as \$50, and with the compound interest that we talked about on page two, even the smallest amount can grow greatly if given enough time. However, it is almost always better to have more to start with.

When can I start investing?

In the United States, anyone over 18 years old can open a brokerage account (a financial account people use to buy and sell investments). However, if you are like me and not quite that old yet, your parents can open a youth account for you. A teen brokerage account gives you access to save and invest your own money and make moves whenever you want at an early age while still letting your parents be connected. Depending on the institution, many allow you to open a youth account as early as 13.

How to start investing as a teen

Step 1: Understand Why You Are Investing

When you begin investing, it is important to understand what it is that you want to accomplish or why you are doing this. This can be because of a variety of reasons but can be as simple as wanting to make a little passive income, beating inflation, or planning for a goal. Doing this can help us set our expectations realistically and allow us to prepare for the next few steps, for example, if it is a long-term target that you have, and are worried about losing money, you may want to look into a certificate of deposit (CD). But if you're saving up for something sooner, a regular investment account will be fine. I will get into this later, but for now, doing this helps to mentally set yourself up strong.

Step 2: Build a Savings Foundation

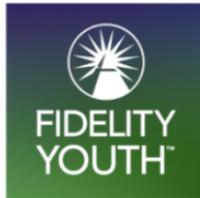
Before you start investing, it is essential to have a safety net of savings. Think of it as your “just-in-case” money, a cushion for unexpected expenses for things like a broken phone, an emergency school trip, or a night out with friends. This money can be what you are planning on investing with, as long as you understand you might not have as much in the event of an unforeseen event. Now, as I said before, you do not need much to start investing, but somewhere between

\$200-\$300 is a good starting point. If right now, you don't have this amount of money, don't worry, you don't need to save hundreds of dollars right away. Start with what you can, even if it's just \$5 or \$10 at a time. Saving is less about the amount and more about the habit.

Example: If you get a \$20 allowance or earn money from a part-time job, set aside \$5 each week for savings. That adds up to \$260 in a year!

Step 3: Choose a Platform

The next thing you will have to do is choose a platform to invest with. Teens often need custodial investment accounts (In the US, you must be between 13-17 to have a custodial account) which are similar to a regular brokerage account except that it allows parents to oversee the activity if they choose so. If you don't know where to start, it is wise to ask your parents which investment platform they use as it is much easier to set up a custodial account if there is a parent or guardian already using that platform. On the next page, I have listed four investment platforms that I recommend for beginners/teens and why:



Fidelity Youth

*Best for Teen
Investment
and Savings*



Acorns Early

*Best All-in-one
Saving and
Investing*

Product(s):	Brokerage account, debit card	Investment account, debit card
Minimum Deposit	\$0	\$0
Fees	\$0	\$0
Age Required	13-17 years old	Under 18 years old



Schwab One

*Best Trading
Platform for
Beginners*



Vanguard

*Best Platform for
ETFs and Mutual
Funds*

Product(s):	Custodial account, debit card	Brokerage account, banking services
Minimum Deposit	\$0	\$0
Fees	\$0	\$0
Age Required	Under 19 years old	Under 18 years old

Step 4: Set up an account

Once you have chosen your investment platform, you will need to gather the required information to set up an account. The basic information typically includes your personal details (name, address, date of birth), your Social Security number, and your parent or guardian's information. If possible, always do this step with your parents or guardian so they can help enter information and so they understand what you are doing. If you are doing the process online, simply follow the instructions on the website and you should be able to complete the process in a shorter time than going in person.

Step 5: Start Small

The next step when you are starting to invest is to deposit money into the account. If you selected one of the options for investment platforms I listed above, there are no minimum deposits meaning you can fund your account with as little as ten, or even one dollar.

Obviously, the more money you begin with the more you will make, however with fractional shares² and ETFs, you can start at any level and build your way up with simple investments. Starting small reduces risk while helping you build confidence and learn how investing works.

² Buying less than one whole share of a company's stock. Fractional shares allow you to invest in stocks based on a dollar amount.

Step 6: Track and Learn

Once you have started, keep an eye on your investments to understand how they perform. You don't need to check them daily, but a weekly review is a good habit to help you begin to grasp the stock market. Use this time to:

- See how your positions are performing.
- Learn from the market's trends and patterns.
- Adjust your investments if your goals or risk tolerance change.

Stay Patient

Always remember to stay patient, investing is a long-term journey, not a quick. The stock market will always fluctuate up and down no matter what the state of the economy is. Avoid the temptation to sell investments when they drop in value, this is known as panic selling and can lead to a price to drop drastically, past its actual worth. The market almost always reverts and comes back up over time.

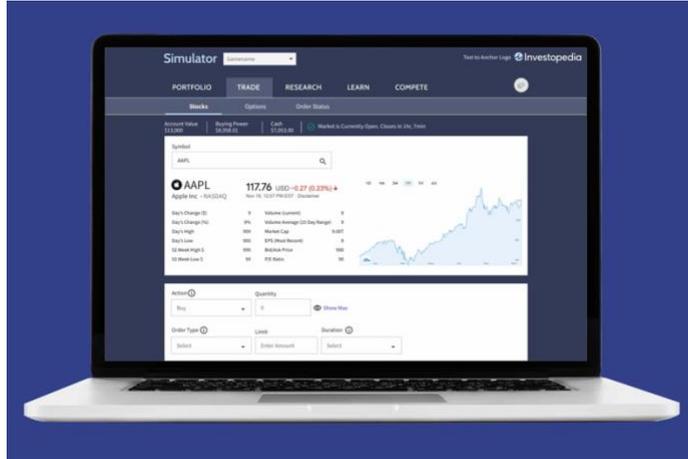
Activities to Try

- ❖ **Mock Portfolio:** I highly recommend trying a simulated account to practice picking stocks and ETFs without using any real money.

[Investopedia Stock](#)

[Simulator](#) is super realistic and will track your positions, cash value, returns, and more!

- ❖ **Investing Challenge:** Challenge a friend or family member to see who can grow their simulated portfolio to the most in a month or until the end of the year. This is a great way to get people you know interested in investing!
- ❖ **Stock Picking:** Find two publicly traded companies that have products you like, this can be clothing, footwear, electronics, etc. Pretend to put \$100 in each, check back in every few weeks to see if the one you selected performed better.



Chapter 4: Investment Strategies

So far, we have discussed what investing is and how to start investing, now we will explore what to invest in and why. This chapter will cover three main investment strategies that are good examples of how you could go about investing your money; they are not intended to be directions of what you should do.

DISCLAIMER: This guide is for informational purposes only and is not intended to be personal financial advice. There is inherent risk in investing in the stock market and you are liable for your own financial decisions.

Strategy 1- Index Fund Investing

How it works: Long term strategy with low maintenance

- This strategy involves investing in low-cost index funds or ETFs that follow the overall market performance.
- Look for options that track the S&P 500, Dow Jones, or NASDAQ, these are the three major indexes that track the US stock market. Vanguard, Fidelity, and SPDR are all secure and low fee.
- Contribute regularly into two or three of these funds and check in from time to time to observe market trends and fluctuations.

Risk factor: Low-Middle

This strategy relies entirely on the market your funds are focused upon, which will always fluctuate up and down. If the market drops (like during a recession), your investment value will temporarily decrease. However, it is key to this strategy to always remain patient and not to panic sell, the market will almost always revert over time.

Why it is great for teens:

- Low-maintenance and does not require constant monitoring.
- Diversification reduces risk by spreading money across many companies.
- Perfect for long-term goals or milestones

Example Stocks: \$SPY | \$VOO**Strategy 2- Buy-and-hold Investing**

How it works: Versatile strategy requiring substantial research

- This strategy focuses on evaluating many stocks to identify the ones you believe to be the best investment. This requires substantial amounts of research and even then, it may not be accurate or work out.

- Look for stocks that are highly rated by many investment experts and learn about their financials through their reports. Many platforms like Yahoo Finance, Morgan Stanley, and others will give “Buy” or “Sell” ratings on their website.
- Like Strategy 1, the idea is to not panic when the market drops in the short term, but to hold onto your investments and stay the course.

Risk factor: Middle-High

Putting a sum of your money into any one stock can be a risk as you are exposed to all movements within that stock. This can also be a major benefit as if you are confident in your picks and they turn out to be accurate, you will receive a major upside to owning the stock.

Why it is great for teens:

- This can be a fantastic way to learn about stock analysis and trends in the market.
- Once you have bought your stock picks, you can sit back and observe its performance, hence the “Hold” in the name.
- It can help you build confidence in making financial decisions.

Example Stocks: \$NFLX | \$AMZN

Strategy 3- 'Socially Responsible' Investing

How it works: Educated Investing Based on Your Values

- Socially responsible investing, or SRI, means investing in financial products with hopes to create positive change in society while also generating positive returns.
- Research ESG (Environmental, Social, Governance) funds or stocks that align with your values (e.g., renewable energy, fair labor practices) and invest accordingly. Make sure you do research on the fund beforehand and only invest in reputable companies.
- Studies show that SRI funds can be as profitable, and in some cases even more profitable, as conventional funds.

Risk factor: Middle

SRI investments typically have a smaller sample size and can be easily swayed by policy changes or new social movements. ESG funds have to have a smaller scope than regular index funds as they don't include many companies that don't align with their beliefs.

Why it is great for teens:

- SRI allows you to support companies that harbor ethical business practices and rejects corporations that go against your moral compass.

- Despite having a smaller scope, many SRI funds perform competitively with traditional ones, offering both impact and returns.
- Like Strategy 1, it is relatively low maintenance aside from shifts in a company's beliefs.

Example Stocks: \$ESGV | \$EGUS

“In conclusion, I hope this investment guide was helpful and perhaps started a journey in your life about learning how to manage your own finances. If you want to return to this guide or recommend it to a friend, you can find the online version at teensinvest.org. Thank you.”

- Edward Funkhouser