October 2022

Altair's personal finance tips for the young investor

MONEY MATTERS

What is inflation?

If you inflate a balloon, it gets bigger. In finance, inflation refers to the rate at which the price of goods and services increases over time. Typically, prices tend to go up by about 2-3% a year. Normal rates of inflation allow businesses to slowly increase the price of their products and services. As they make more money, they can hire and pay more workers who will then have income to spend with other businesses. Steady inflation rates contribute to a healthy economy by helping to maintain the balance of buyers and sellers.

When inflation rises too quickly, this balance can be thrown off. High inflation can lead to a “loss in purchasing power” for consumers meaning that the same amount of money will not buy as many goods or services. For example, if you saved up $20 to buy an art supply kit and inflation shot up by 10%, the exact same kit would cost $22 so now you would need an additional $2 to purchase it.

Why does the same size pizza cost $2 more than it did last year?

Inflation

Inflation can be caused by increasing demand for products and services. It can also be affected by factors like supply chain problems or political instability. If these issues make it hard for sellers to obtain certain products or make it more expensive to produce them, then that drives up the price of those products. When prices rise too quickly, it can lead to people cutting back on spending which is hard on the overall economy.

The Federal Reserve is the primary governmental body that seeks to control inflation. Their goal is to set policies that get the economy back to a stable balance between demand and supply so that prices do not continue to rise at a rapid rate.

TEST YOURSELF

Financial Terminology Knowledge

Match each statement with the right term. Answers on page 5.

interest	stock	bond	credit card
fixed income	debit card	equities	budget

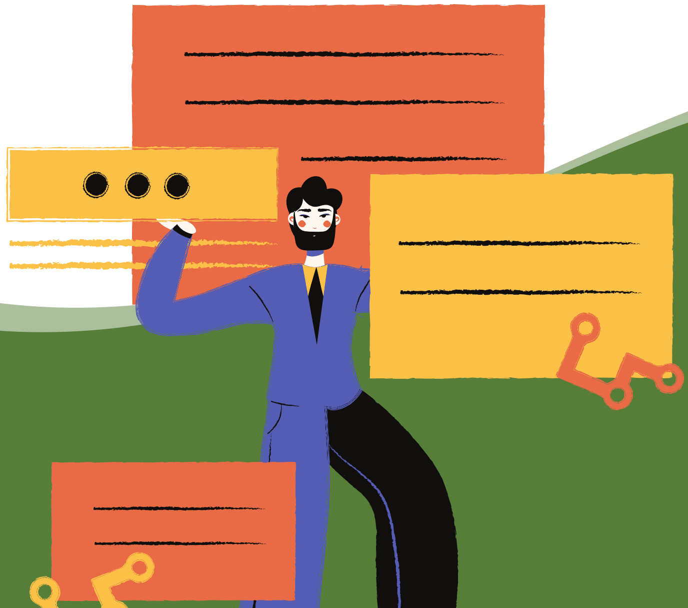
1. A tool that helps you track your income and expenses to ensure that you are living within your means.
2. A card that allows you to make purchases by deducting money immediately and directly from your bank account.
3. The fee you pay to borrow money.
4. An investment that represents a share of ownership in a publicly traded company.
5. An investment that represents a loan by an investor to a borrower.
6. A card that allows you to borrow money from a bank to make purchases and then pay that amount back at a later date plus lending fees.
7. Bonds are also called this term.
8. Stocks are also called this term.

Money Fun Facts

Are $2 Bills Rare?

It's a common misperception that $2 bills are rare and worth great value. In fact, new $2 bills were printed as recently as 2019 and will likely be produced in the future. The U.S. Treasury estimates that there are around a billion $2 bills in circulation. They tend to be hoarded more than other currencies because people believe they are rare and highly valuable.

In reality, you can request $2 bills at most banks. Unless you own a $2 bill that was issued prior to 1928 – and is also in good condition – a $2 bill is worth exactly two dollars.



Want to learn more?

We want to answer your questions! After asking your parents' permission, write to us at **marketing@altairadvisers.com** and tell us the money questions and issues you would like to see covered in the next edition of Money Matters.

Saving Versus Investing

Saving and investing are similar activities but they serve different purposes. You should be doing both if possible. Here is a comparison:

Saving	Investing
This is money you set aside in case of an emergency or to achieve a short-term financial goal (example: a new bike).	Investing is an action you take to make your money grow. This is usually done by purchasing financial products (stocks, bonds, mutual funds) with a goal to make a profit.
The focus for savings is on safety and availability, not making a profit.	The purpose is to achieve long-term financial goals such as paying for college or retirement.
You can save your money in a piggy bank (or jar) or in a bank savings account. It should be a format that doesn't put your money at risk and allows you to access it easily.	Over time, your investment holdings may go up and down in value. There is risk that you could lose money, particularly over short periods but over a span of many years, the odds of overall growth are in your favor.

Saving is important. It ensures you have money available to pay for unanticipated expenses but you can't save your way to financial independence. For your money to achieve meaningful growth you have to take some investment risk.

Cyber Thieves Are Targeting ~~Grandma~~ You

You might think older, less tech-savvy people are the main target for cybercrime but actually it's teenagers and people in their 20s. Cyber thieves often target teenagers and young adults because they spend time on public Wi-Fi and don't want the hassle of secure login processes. A scammer's main goal is to find out personal information like your social security number that can be used to open accounts and make fraudulent purchases in your name. Because teens don't often check their credit scores or review their accounts, it can take a long time before anyone notices something is wrong.

Cyber Thieves continued

Young adults are particularly susceptible to online purchase scams which is when a purchase is made through a fraudulent website and no service or product is delivered. People often access these fake sites through well-known social media platforms like Facebook and Instagram.

The good news is, there are some fairly easy steps you can take towards thwarting the efforts of cyber thieves and protecting your identity. For starters, simply slow down. Make sure the website you are on is legitimate. Go to websites directly and not through a link on an email or social media platform.

Secondly, don't set up accounts with your personal financial information on retail websites and allow them to retain that information for future purchases. While convenient, having your data stored with multiple restaurants and retailers makes you more vulnerable to data breaches. Take the extra few minutes to shop as a guest and reenter your information each time.

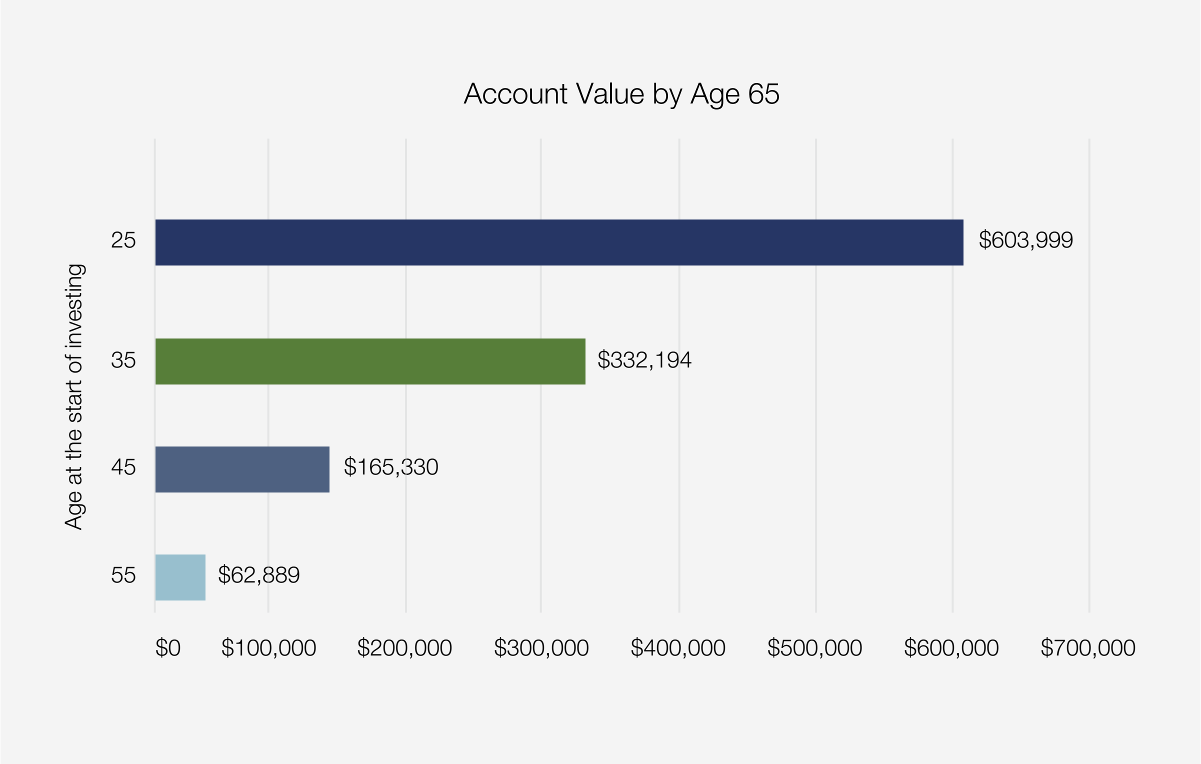
Also, avoid free Wi-Fi and charging stations. Anyone on the same Wi-Fi network as you can gain access to your search history, emails, and passwords or send your computer malware. Free charging stations sometimes automatically download data from your phone. Instead, always bring your own charging cable and be ready to set up a Wi-Fi hotspot.

Finally, protect your information with strong passwords and two-factor authentication. It's a small time commitment that makes you far less vulnerable to cybercrime.

Time Is on Your Side (Yes It Is)

Many teens and young adults want to put off investing until they are further along in their working life and making more money. This is a huge mistake. As a young investor, you have the advantage of a long time horizon. Even small investments can grow to significant sums when there is time to benefit from compound interest.

On the next page, there is an example of how much your investments may be worth by age 65 if you invest $5,000 per year starting at different ages. This model assumes a 5% rate of return (net of taxes and fees).



From the results, you can see how big of a difference it makes to begin investing as early as possible. Even if you can't invest $5,000, do what you can now and try to increase that amount every year.

Answers to financial terminology match on page 2:
1. budget 2. debit card 3. interest 4. stock 5. bond 6. credit card 7. fixed income 8. equities

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Parents: connect with us!