John's Financial Recommendations

John Smigel – Updated 12/20/2025

These recommendations are to help you achieve financial independence by the youngest age possible, within constraints of living a happy life. Financial independence is when you have enough assets invested that you can live on investment income for the rest of your life. This may seem like a long time from now, but it goes by fast and early planning makes it easier.

I will suggest here what should be done at different 'levels' of your financial situation. You want to "level up" as soon as possible (like in a computer game). Here are my levels:

Level 0: You are just starting out. You have very little money and, if any, investments. What to do: Get educated and trained for job that will pay consistent salary. When you do have a job and income, live below your means so you can save as much as possible. Determine the minimum amount of money you need to live on per month and what you need to buy. Only buy things you need, not anything you want. Save what you can until you accumulate 3-6 months expenses in a safe emergency fund (bank account). When you have the 3 to 6-month emergency fund go to level 1.

I recommend reading a good personal finance book, such as, "How to Money."

Level 1: With an emergency fund completed, you can start saving and investing in a "safe" way. You should be able to risk some of the excess income above living expenses in a set of diversified investments. A rule of thumb to allocate your savings between no-risk (bank savings or CD), bonds, and stocks is:

A. Safe% = 15% in savings account/CDs
B. (90-Age) % in Stocks
C. The rest in Bonds = (100-Safe%-(90-Age)) %

You can expect to be at this level for a long time. This is **not** a get-rich-quick scheme. It is important to get to this level as young as possible. Time is the most critical factor that determines when you can become financially independent. There is no low-risk way to do it quickly, or everyone would be doing it. If

everyone was doing it, it would soon no longer work. The sooner you start, the sooner you will be able to be financially independent.

The above split between bonds and stocks is to minimize the risk you are taking for a given achieved average return on investment (return on investment is how much money you make from an investment). The more return you try to get, the higher risk you must take. Stocks and bonds tend to be varied in times when they are doing good vs poor (expensive or not). Having a mix of stocks and bonds gives the lowest overall risk for a given level of return. Stocks are riskier than bonds, but give a higher average return on investment. The amount you should allocate to stocks should decrease as you get older because you have less time to recover from periods when the stock market is down (and you might need the money).

In addition to being diversified between stocks and bonds, you should have a wide mix of types of stocks and bonds you have. Having a wide mix of investments is called being diversified. How you split your money across different investments is called asset allocation. The allocation that gives the least risk for a given return is allocation across all investment options (discussed later). This would not be possible for small investors if it weren't for mutual funds and exchange traded funds (ETFs). These funds pool money from many investors to buy a larger range of different investments. A specific type of mutual fund or ETF is an index fund. Index funds invest in the investments used by a particular performance index. An example performance index is the Standard & Poor (S&P) 500 representing the performance of the 500 largest companies. In addition to diversification, index funds are recommended because they have the lowest fees charged to own them. Due to the availability of index funds, you only need three investment types to have close to the "best" asset allocation:

1. Savings account/CDs
2. Indexed wide type global bond fund
3. Indexed S&P 500, total, or worldwide stock fund

With the above allocation approach, overall risk is adjusted by changing the percent of money in #1, Savings account/CDs. You can make your risk level anywhere from zero risk (least risk) to 100% (most risk). Note that even if you select zero risk with all your money in Savings account/CDs, you can still

effectively lose money due to inflation. If the return you get from savings/CDs is less than the price inflation of what you need to buy, then you are losing money.

Three factors determine how fast you can reach financial independence (higher=faster):

A. Your "safe" asset allocation percent and overall risk tolerance
B. Overall savings rate, the % of income above what you need that you can save each week
C. Job type(s) and hours worked per week (income rate)

You choose all three based on the life you want to lead and how much you value early financial independence. The more risk you take and sacrifice things you want vs. need (including time, possibly job type(s), etc.), the faster you can achieve financial independence. A rule of thumb for minimum amounts for A. and B. above is 15% in each case. **NOTE**: this does not mean you should sacrifice the most important things in life. These things are what the money saved is for. Things such as getting married, having children, and buying a house are the main examples. Often it is better to achieve these things younger and you will know when the time is right.

It is best to invest the same amount regularly, each week or month. This is to avoid only buying investments at bad times. It is very difficult to time when to make investments based on market conditions. If you do, you should try to buy when everyone else is selling and sell when everyone else is buying. This will be counter to what seems smart at the time. When you invest the same amount regularly and often, you automatically buy more when prices are low and less when prices are high. You also can't miss buying during low price periods.

A note on loans and liabilities. You may have and need to take loans (student, car, mortgage) during this period. If allowed, a rule of thumb for how fast to pay off loans is: if the return on any of your investment types is lower than the loan interest rate and you don't need the loaned money soon, you paying off the loan is like getting a higher return than your investments. For example, if you are only getting 5% in a savings account and you have a loan with an 8% interest rate, you are better off paying off the 8% loan rather than keeping or investing more money in the savings account. This does not include the emergency fund or any money you will need soon.

I recommend tracking your investments and performance quarterly in a spreadsheet. I keep a spreadsheet updated quarterly. It lists all current assets and tracks net worth over time. It also calculates average investment performance and includes a budget. The budget is a list of expected living expenses in different categories. You don't necessarily need to try to spend within the budget numbers (as that name budget implies). Producing a budget is useful to get an idea of how much money you typically need in different areas.

If you want more detail about why the above asset allocation approach is good, read an investment book such as: "Investments," by Bodie, Kane, and Marcus (first ~12 chapters).

Level 2: Net Worth >$250K per Household Investor

Congratulations if you accumulated this much in assets! You have enough saved to start taking more risk and be less diversified. Continue paying off any debt with an interest rate higher than your savings are earning. You can expand financial portfolio beyond just an indexed stock and an indexed bond fund. Include some higher risk and return assets, such as indexed blue chip growth fund or other funds that invest in an area you like. Still should stay diversified and keep most assets in the original indexed funds.

Level 3: Financial Independence Reached (Net worth 15 to 20 times your gross annual income)

This assumes your gross annual income is high enough to support your desired retirement lifestyle. At this point the saying "The rich get richer" starts to kick into high gear.

Insurance: My recommendation is to only buy insurance if you know you need it. Do not buy an insurance financial product as an investment. Insurance companies are in the business of making money and they are good at it; for themselves, not you. They make the rules (fine print) and their rules are such that they will make money. If they are making money, then you are losing money. It might be desirable to buy an annuity at some point. Buying an annuity from an insurance company is the same as funding a pension on your own. If you do, make sure you understand what you are buying. It can be challenging to tell a good annuity from a bad one.

Specific Recommendation for an Initial $10,000 medium-risk investment for a young adult (18-21). About 2/3 in stock index funds and 1/3 in a total bond index fund.

Here I'm using a Vanguard brokerage account that has good flexibility in fund choices:

- Vanguard 500 Index (VFIAX) - $4000
- Vanguard Total Stock Market Index (VTSAX) - $3000
- Vanguard Total Bond ETF (BND) - $3000

T. Rowe Price also has some good funds. I'm keeping it simple for you and just using one fund company, Vanguard. I split my investments between Vanguard, T. Rowe Price (TRP), and funds from my previous employers (401K). My favorite TRP fund is the Blue-Chip Growth fund.

Summary of Useful Terms and Concepts

The following paragraphs summarize useful information about investing. Much of this you will already know or will be obvious.

Economics

In our economy, prices are determined by supply and demand. The lower a product or service's supply and the higher the demand, the higher its price will be.

You would like to invest in things that have limited supply and have demand from many people with enough money to buy. Note that this applies to your skills.

Money is also a commodity that people buy. The interest paid on a bank deposit or by a bond is the cost of using that money. A main factor the government can control is the money supply, the effective amount of money in circulation. This is controlled by the price banks pay to borrow from the government. When the government (Fed) changes the prime interest rate (rate banks pay), this increases or decreases the money supply. Changes in the money supply impact the price of investments and the state of the economy.

Types of Investments

There are 2 main categories of investments:

1. Equity – ownership of something that may increase in value
2. Income – ownership of something that pays income/dividends

A stock is part ownership in a company. Some stocks may increase in value and pay income/dividends. Older and larger companies that are no longer fast-growing tend to pay dividends. Stock dividends are payouts to shareholders of company profits. A growing company is more likely to put profits back into the business and pay less dividends. Growing companies typically have stock prices that are increasing. You pay taxes on dividends in the year they are distributed. You don't pay taxes on stock sale profits (capital gains) until you sell the stock and realize a profit (or loss).

Equity investments include any other things you buy that may increase in value: property, collectables, jewelry, etc.

Bank savings accounts and CD's are income investments. They pay interest that is income to you. You must pay taxes on this income. Bonds are income investments like bank CD's. A bond is a promise of someone to pay you back some amount of money a specific time in the future in exchange for borrowing your money now. This is like a fixed-term bank CD. Existing bond values go up when interest rates go down and go down when interest rates go up. This is because they must compete with bank CDs.

Investment Performance Measures

The main performance measures are:

- Return on Investment – how much more money you get back for your investment
- Risk – How likely you are to get the return you expect and not lose money

Return on investment is typically given as expected annual percent increase. Risk is more subjective and is usually just stated as high, medium, or low. Equity investments are higher risk because they can easily lose value instead of gaining value. There is no guarantee about future value of something you buy to own. Income investments usually "guarantee" a specific return, but can also have risk if

the place where the guarantee comes from goes bankrupt/defaults. A quantitative risk metric can be calculated from past investment performance. This metric is how much the return has fluctuated over time.

Specific values for return and risk are always based on past performance and do not necessarily indicate future performance; however, past performance is the easiest to quantify, and usually indicates likely future performance.

Alpha and Beta

Alpha (α) describes an investment's ability to beat its market. Investments are grouped into "markets" with the overall market's performance tracked as a "benchmark." An example market with a benchmark metric is the Standard & Poor (S&P) 500 group of large-company stocks. When the news mentions a significant stock market change or record, they will usually quote the S&P 500 metric. Alpha indicates how much better the investment return has been than the benchmark performance. Higher alpha is good. Beta (β) is an indication of the market volatility, or how much and often it goes up and down. Lower beta is good. Other similar market volatility measures are the return standard deviation and variance (R squared or the square of standard deviation).

Sharpe Ratio

Economist William F. Sharpe proposed the Sharpe ratio in 1966 as an outgrowth of his work on the capital asset pricing model (CAPM), calling it the reward-to-variability ratio. Sharpe won the Nobel Prize in economics for his work on CAPM in 1990.

Because the return (or reward as Sharpe called it) is expected, if not required, by investors to be higher if the investment risk is higher, return needs to go up with risk for investors to not choose a different investment. The Sharpe ratio is the ratio of the excess return to the risk (excess return measure divided by risk measure). Excess return either means return above a risk-free investment (insured bank savings deposit or treasury note) or above a benchmark for the investment's market. The Sharpe ratio is closely related to Alpha divided by Beta. Sharpe ratios in the range of 1 to 2 are considered good. If the Sharpe ratio is too high, it may be too good to be true. An excessively high Sharpe ratio can mean the investment is likely to "crash" soon.

Other Fund and Company Performance Measures

There are many other performance measures that should be looked at if selecting individual stocks or specialized funds for a portfolio. This includes the company's financial statements, what they do, how big they are, etc.

Fund Fees

Last, but not least, fund management companies are not free. You pay a fee for them to manage your funds. The funds are required to list how much they charge as a percentage of how much you invest. Companies, including Vanguard and T Rowe Price, specialize in low-cost (sometimes called no-load) funds. Fidelity also is a popular low-cost fund manager. You can see the most popular and highest-rated fund management companies from the highest rate fund lists (see below).

Summary

If you can understand what I have written in this document, you should be able to be your own financial advisor. No one else will care about your finances as much as you do. Be especially wary of anyone that offers (including banks) to advise you for "free." If you are not paying them to advise you, then someone else is paying them to sell you an investment (often an annuity or bond) that is probably not the best for you. If you don't understand what is being sold, either research more on your own or ask me to clarify anything you don't understand. Also, you should not invest in anything without researching and understanding it first.

Start saving and investing as soon as possible. Pay yourself first and over time your investments will grow faster and faster. The best strategies for investing your money are relatively simple to follow. You should not need help other than what is in this document and the referenced books.

Diversification and Optimal Investment Portfolios

You don't want to put all your investment "eggs" in one basket. A key investment concept is that investments giving a higher return are always higher risk. I recommend you take this as a fact and/or read up on investment theory. The set of investments you have is called your portfolio. A diversified portfolio has multiple different investment types. When you have diverse investments, the overall risk is reduced because not all the investments go up and down at the same time. If you are an investment guru and can predict the future better than everyone else, you can make an argument for investing only in the things you know are going to perform the best in the future. I assume you are not a 'guru' or 'wizard' right now. You should also not try frequent buying and selling to predict which stocks are going to go up and down in the immediate future. This is called "day trading." Studies have shown this is difficult for even the most dedicated professional investors. Timing the market is difficult on purpose because all the past performance information and company data/news relevant to future performance is required by law to be available to everyone at the same time. Otherwise, there can be "insider trading," which is illegal. However, timing buying and selling on a longer time scale can be beneficial. Historically stocks have tended to go down around October-November (stock market crashes being notable), possibly a good time to buy (if and after they go down). Also, stocks tend to go up at the beginning of a new year (optimism – a good time to sell if/after they go up, particularly in an election year). If interest rates are low, it may not be a good time to buy bonds because bond values go down if interest rates go back up. Similarly, if interest rates are high, it may be a good time to buy bonds. A combination of stocks and bonds are desired in a diversified portfolio because the rise and fall of stock and bond prices tend to be uncorrelated (don't always go up and down together). Initially, a good timing strategy is to buy a fixed amount each week or month. That way you don't have to try predicting the best time to buy and won't miss buying during low-price periods.

Sharpe tried to answer the question: "what is the best investment portfolio?" To answer this question, you need to define and quantify (get specific meaningful number measurements) investment performance and risk. To do this, he defined a model for the investment market and how to quantify performance and risk. Using the metrics and model, he was able to figure out an answer to the best

portfolio question. This analysis only requires a few assumptions about the openness of the financial markets. The answer to the question is simple - the best portfolio is one that mirrors how all the investments are currently allocated across the entire market. This is because people with money to invest will naturally invest in things that give the highest return for a given amount of risk. Because an index fund's goal and approach are to mirror a market, an index fund for the entire market should provide the best (optimal) investment performance. Optimal or best here is the highest excess return for a given amount of risk. Excess return is defined as the additional return above the return of a "no-risk" investment, such as a treasury note or bank savings account. A portfolio that achieves this is said to be on the "efficient frontier." Sounds like the wild west. If you use a portfolio analyzer to evaluate your current portfolio, it will probably complain it does not match what it calls "the market." Investing in this optimal way is what is meant when someone talks about investing "the market."

If you want to learn the details about investment theory, I recommend the book "Investments," by Bodie, Kane, and Marcus. I have the 13th edition (that you can borrow). The first 12 chapters discuss the above investment concepts at a college level.

I have an Excel spreadsheet that calculates the optimal portfolio from data about the performance over time of a set of investment options. It calculates the weighting of each investment that should be used to achieve a specific return goal with the minimum amount of risk. This is not necessary to use, but I find it interesting to check what the optimal investments would have been and how closely it matched the theory. You can also use an investment tool, such as Vanguard's portfolio analyzer, to evaluate investment options and how they compare with the theoretical optimal portfolio. Starting with something like the theoretical optimal portfolio is my recommended approach. Fortunately, index funds make it easy to do this.

I have included a few articles and some data I thought were interesting in the file FinancialArticles.docx.

Appendix A. Best Stock and Bond Funds and Example Fund Summary Data

Best Index Funds: U.S. Stocks (Jan 2023)

These mutual funds and ETFs all land in one of the broad U.S. stock Morningstar Categories, earn the top Morningstar Medalist Rating of Gold, and have Analyst Assigned % equaling at least 80% as of Dec. 5, 2023. My note: these are in alphabetical order.

1. DFA US Large Company DFUSX
2. Fidelity 500 Index FXAIX
3. Fidelity Mid Cap Index FSMDX
4. Fidelity Total Market Index FSKAX
5. Fidelity ZERO Large Cap Index FNILX
6. iShares Core S&P 500 ETF IVV
7. iShares Core S&P Total U.S. Stock Market ETF ITOT
8. iShares S&P 500 Index WFSPX
9. Mutual of America Mid-Cap Equity Index MAMEX
10. Schwab US Mid-Cap Index SWMCX
11. Schwab Total Stock Market Index SWTSX
12. Schwab U.S. Broad Market ETF SCHB
13. Schwab U.S. Dividend Equity ETF SCHD
14. Schwab U.S. Large-Cap ETF SCHX
15. Schwab S&P 500 Index SWPPX
16. SPDR Portfolio S&P 1500 Composite Stock Market ETF SPTM

17. SPDR Portfolio S&P 400 Mid Cap ETF SPMD
18. SPDR Portfolio S&P 500 ETF SPLG
19. State Street Equity 500 Index SSSYX
20. T. Rowe Price Equity Index 500 TRHZX
21. TIAA-CREF S&P 500 Index TISWX
22. Vanguard Dividend Appreciation ETF/Index VIG VDADX
23. Vanguard Growth ETF/Index VUG VIGAX
24. Vanguard High Dividend Yield ETF/Index VYM VHYAX
25. Vanguard Large-Cap ETF/Index VV VLCAX
26. Vanguard Mid-Cap ETF/Index VO VIMAX
27. Vanguard Mid-Cap Growth ETF/Index VOT VMGMX
28. Vanguard Mid-Cap Value ETF/Index VOE VMVAX
29. Vanguard Russell 1000 Growth ETF/Index VONG VRGWX
30. Vanguard Russell 1000 Index VRNIX
31. Vanguard Russell 1000 Value Index VRVIX
32. Vanguard S&P 500 ETF/Vanguard 500 Index VOO VFIAX
33. Vanguard S&P 500 Growth ETF/Index VOOG VSPGX
34. Vanguard S&P Mid-Cap 400 ETF/Index IVOO VSPMX
35. Vanguard S&P Mid-Cap 400 Value Index VMFVX
36. Vanguard S&P Small-Cap 600 Value Index VSMVX
37. Vanguard Small-Cap ETF/Index VB VSCIX
38. Vanguard Small-Cap Growth ETF/Index VBK VSGAX
39. Vanguard Small-Cap Value ETF/Index VBR VSIAX

40. Vanguard Total Stock Market ETF/Index VTI VITSX
41. Vanguard Value ETF/Index VTV VVIAX

Although this is a list of the best broad-based low-cost index funds investing in U.S. stocks, there is some variety here. Several funds in the group track the S&P 500 and therefore provide access to large-cap stocks representing about 80% of the U.S. stock market. Other index funds on the list follow much broader market indexes that include more stocks, some of which are smaller-cap names. Meanwhile, other funds on the list are more narrowly focused, tracking indexes based on market capitalization (mid- or small-cap stocks) or investment style (growth stocks or value stocks).

Best Bond Index Funds (Jan 2023)

These mutual funds and ETFs all land in one of the broad bond categories, earn the top Morningstar Medalist Rating of Gold, and have Analyst Assigned % equaling at least 80% as of Dec. 5, 2023. Again in alphabetical order.

1. Fidelity U.S. Bond Index FXNAX
2. iShares Core Total USD Bond Market ETF IUSB
3. iShares Core U.S. Aggregate Bond ETF AGG
4. Schwab Short-Term U.S. Treasury ETF SCHO
5. SPDR Portfolio Short Term Treasury ETF SPTS
6. Vanguard Intermediate-Term Corporate Bond ETF/Index VCIT VICSX
7. Vanguard Long-Term Bond ETF/Index BLV VBLLX
8. Vanguard Long-Term Corporate Bond ETF/Index VCLT VLTCX

9. Vanguard Short-Term Corporate Bond ETF/Index VCSH VSTBX
10. Vanguard Short-Term Treasury ETF/Index VGSH VSBSX
11. Vanguard Tax-Exempt Bond ETF/Index VTEB VTEAX
12. Vanguard Total Bond Market ETF/Index BND VBTIX

Several of the best broad-based index funds on this list land in one of the intermediate-term bond categories. As such, they'd make great choices to anchor the bond portion of an investor's portfolio, assuming the goals for the money are six or more years away. Those saving for a shorter-term goal in the next three to five years might consider short-term bond funds instead. Those investors with longer time horizons might consider a longer-term bond fund—but they should also be prepared for the enhanced volatility that comes with investing in long-term bonds.

Example Vanguard Fund Summary Listing

Symbol	Name	Price	$ Change	% Change	Quantity	Current balance
Mutual funds						
VBTLX	VANGUARD TOTAL BOND MARKET INDEX ADMIRAL CL	$9.61	-$0.06	-0.62%		
VFIAX	VANGUARD 500 INDEX ADMIRAL CL	$439.85	-$1.64	-0.37%		
VHYAX	VANGUARD HIGH DIVIDEND YIELD INDEX ADMIRAL SHS	$33.37	-$0.26	-0.77%		

Symbol	Name	Price	$ Change	% Change	Quantity	Current balance
VMGMX	VANGUARD MID CAP GROWTH INDEX ADMIRAL CL	$92.30	-$0.58	-0.62%		
VSMAX	VANGUARD SMALL CAP INDEX ADMIRAL CL	$98.56	-$0.86	-0.87%		
VTSAX	VANGUARD TOTAL STOCK MARKET INDEX ADMIRAL CL	$114.91	-$0.52	-0.45%		
VWNFX	VANGUARD WINDSOR II INVESTOR CL	$42.40	-$0.31	-0.73%		

Example T Rowe Price Fund Summary Listing

Account	Balance	Daily Change	PRR Since Inception
Blue Chip Growth Fund TRBCX		+$38.43 +0.03%	+9.19% 08/14/1997
Cash Reserves Fund TSCXX		$0.00 0.00%	+0.22% 12/15/2023
Equity Income Fund PRFDX		-$84.07 -0.15%	+7.48% 08/07/1997
Floating Rate Fund PRFRX		+$16.18 +0.11%	+0.76% 12/18/2023
Mid-Cap Growth Fund RPMGX		+$38.24 +0.04%	+11.05% 10/11/1996

Appendix B. Fund Performance Metrics

Alpha (α) is a term used in investing to describe an investment strategy's ability to beat the market, or its "edge." Alpha is thus also often referred to as "excess return" or the "abnormal rate of return" in relation to a benchmark, when adjusted for risk. Alpha is often used in conjunction with beta (the Greek letter β), which measures the broad market's overall volatility or risk, known as systematic market risk.'

Alpha is one of five popular technical investment risk ratios. The others are beta, standard deviation, R-squared, and the Sharpe ratio. These are all statistical measurements used in modern portfolio theory (MPT). All of these indicators are intended to help investors determine the risk-return profile of an investment.

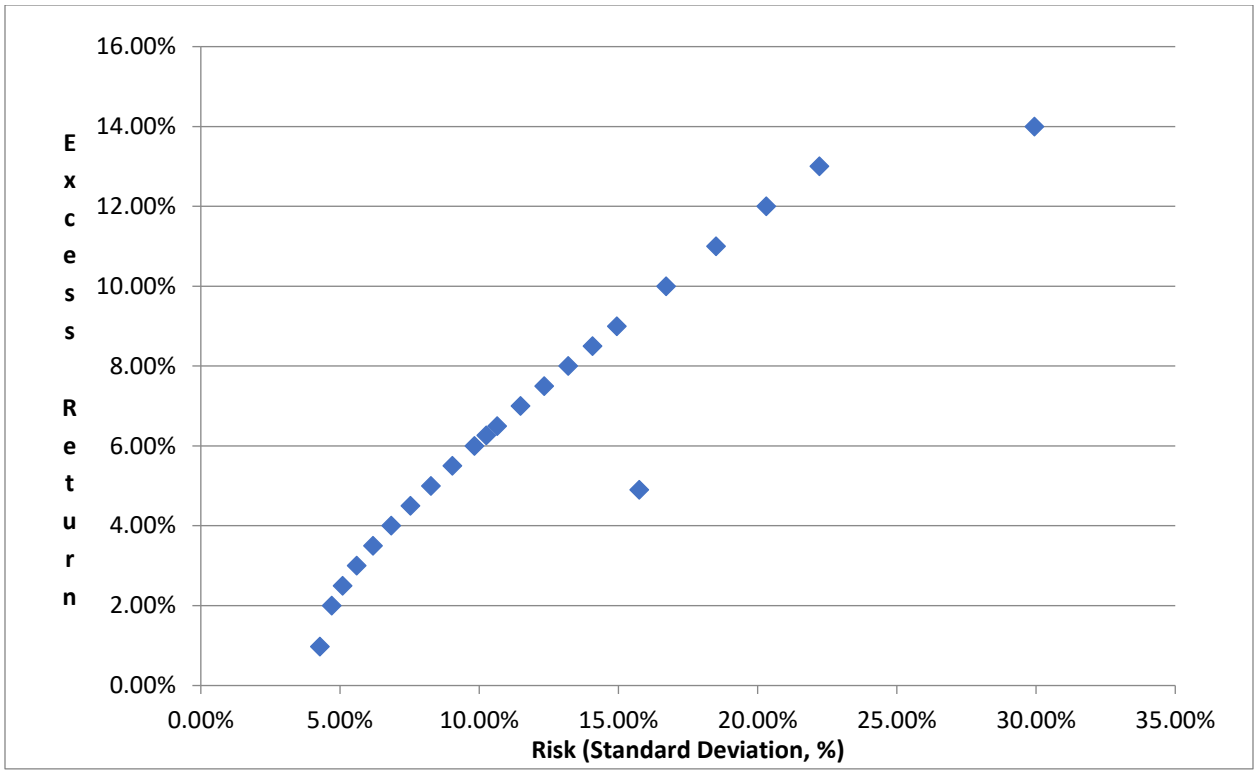
Active portfolio managers seek to generate alpha in diversified portfolios, with diversification intended to eliminate unsystematic risk. Because alpha represents the performance of a portfolio relative to a benchmark, it is often considered to represent the value that a portfolio manager adds to or subtracts from a fund's return.

Appendix C. Investment Data from Excel Efficient Frontier and Asset Prediction Summary Spreadsheets

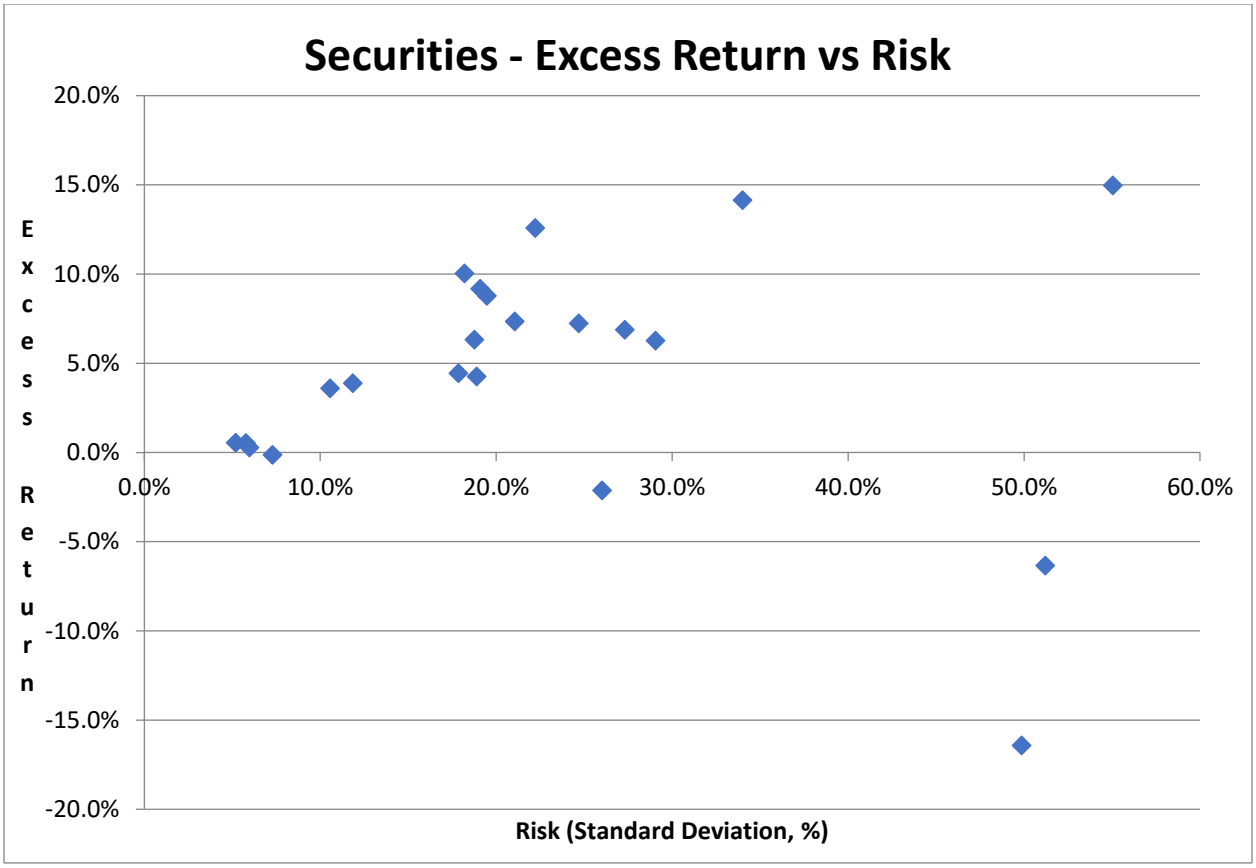
Out of curiosity and to learn, I took all the financial performance data from most of the investments I had from 2015 to 2019 (5 years) and calculated what the best combination of investments would have been to minimize risk and maximize excess return. Determining in hindsight what you should have invested in is easy. Predicting the future, not so much. Here is a list of the 22 investments included in the analysis:

TRP Mid Cap Growth Fund
TRP Blue Chip Growth Fund
TRP Equity Income Fund
GE Stock
GE Income Fund
Elfun Diversified Fund
Elfun Trusts Fund
Elfun Tax Exempt Fund
LMC S&P 500 Index Fund
LMC Stock Fund
LMC Small/Mid Cap Growth Fund
LMC Broad Mkt Bond Fund
LMC Target Date 2025 Fund
LMC MSCI EAFE Fund (Foreign Stock)
LMC Treasury Inflation Protected Securities (TIPS)
Vanguard High Dividend Yield Fund
Vanguard Mid Cap Growth Fund
Vanguard Small Cap Index Fund
Vanguard Total Stock Market Fund
Vanguard Windsor II Fund
Webster Bank Stock
Wabtec Stock

You can have the spreadsheet that does these calculations, but it only works with Excel, not the Apple Numbers spreadsheet.



Range of Excess Returns versus Risk for Optimal Combinations of Investments (Efficient Frontier)



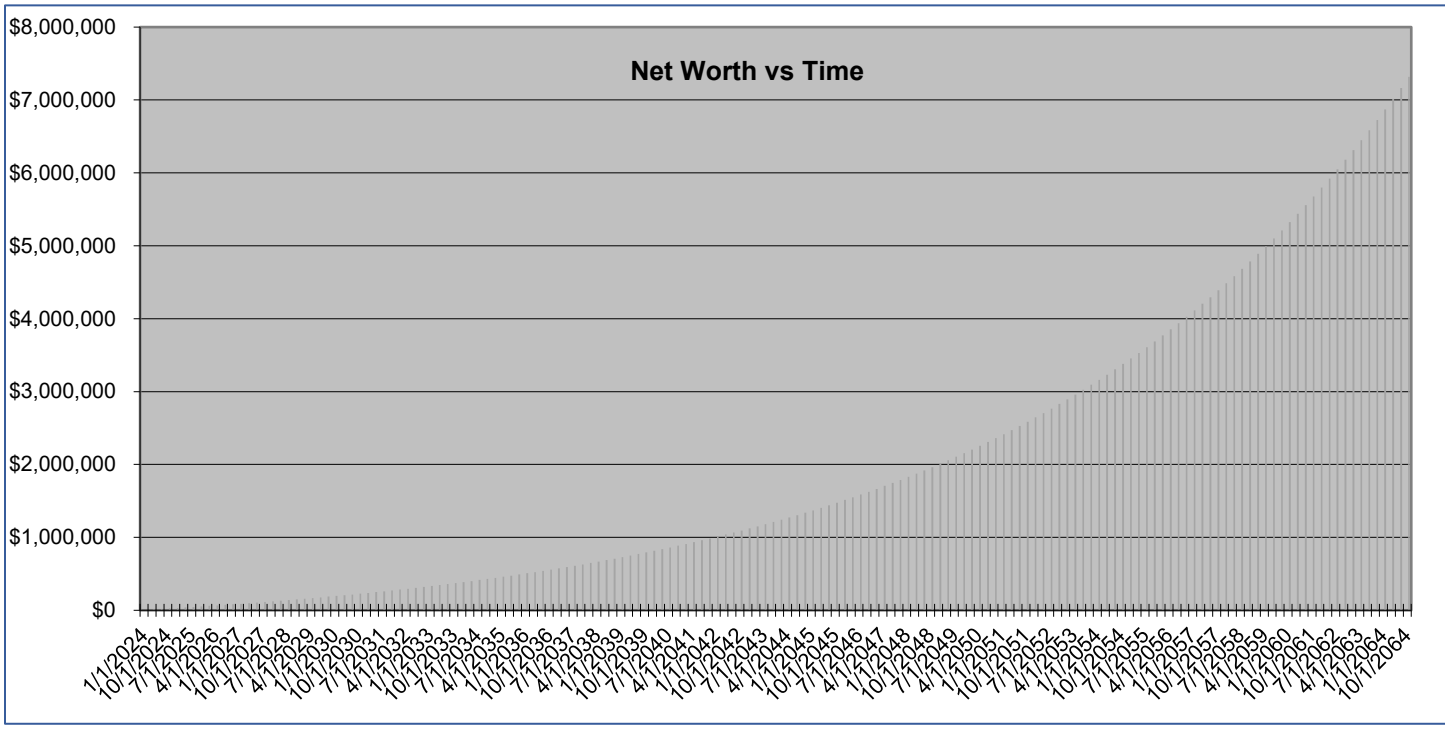
Performance of Individual Investments

The best-performing investments were Lockheed Martin Stock and T Rowe Price Blue Chip Growth fund. The worst was GE stock. My worst financial mistake was keeping a large amount of my assets in GE stock. I felt an emotional attachment to it. I thought it would be disloyal to GE to sell it since most of it was given to me as a reward for good performance or matching 401K money. However, for a long time, GE was performing very well and considered a blue-chip stock. Their spectacular downfall over the last 20 years has been unusual for blue-chip companies.

You might ask: What if the 10 to 15% return with the highest risk portfolio doesn't get me to financial independence soon enough for me? Can I risk even more and try to win even bigger? Taking risks do not always pay off. You can lose money even more quickly than you can gain it. You can take more risk, but it is essentially gambling and dangerous. You could put all your money in a single stock or specialized fund that you think is going to go way up soon. The other way to add risk, and potential higher return, is to buy and sell investments that you don't

currently own. This is called leveraging and can be done with risky investment strategies such as put and call options. You essentially borrow money to invest. As a beginning investor, don't even think about it, is my recommendation.

The chart below shows how much you could accumulate over the next 49 years if you invest regularly. The chart is calculated using the Finances_blank.xlsx Excel spreadsheet. I have assumed that your employer will match your 401K investments taken automatically from your salary at 100% up to 15% of your 401K contributions and that you choose to save 15% of your salary in a 401k. This chart assumes your income is $80,000/year. The median yearly salary for genetic counsellors is $89,990. It assumes you achieve an average total return of 8.1% annually (should be possible – see spreadsheet for estimate). This predicts you would hit $1,000,000 about October 2041. Note that due to the compounding return, the curve increases exponentially (faster and faster with more time). This is why time is critical to achieving financial independence.



Example Net Worth Increase over Time with Compounding Return on Investment