Plain Bagel Notes:
CONVERSATIONS ABOUT MONEY ARE THE ONES YOU MUST HAVE IGNORE EVERYTHING ELSE

***Unable to control their own thoughts* - reasons most subsides are males**
Research or define words that you don't know about this is Key in understanding how money flows in a business

Video #1
Cash flow explained-
Warren Buffett is an idiot
Earnings vs profits - net profits is different than actual profit in a company
Cash is king when it comes to businesses
Example: The plain bagel company
In perfect world cash flow is identical to revenue and expenses
Amazon made - earnings in 2014 but made a massive amount of cash flow
Sales (products, …
Bank loan
CFO's- cash received from sales - cash received from buyer
If CFO does not improve than the business will fail - the better the CFO the more the success in operation
This involves anything that a sale or long term assets such as property land or equipment
Acquiring other companies or investing in securities
Plain Bagel Co. includes the purchase of a delivery van or acquisition of a competitor and the purchase of money market investments
CFF
Cash Flows from investing are TYPICALLY negative
Cash from Financing activities involves stocks bonds and debt (not sure if its good or bad)
Share buybacks, principal payments, and buybacks on their debt loans
+Ve or a positive CFF means that a business is making profit
-Ve or a negative CFF means that a business is investing or losing money in the form of cash from shareholder in the form of buybacks, bonds or dividends or from competitors in principal payments
When u add the aspects of a company together you will end up with net change in cash or net profit which Is different from gross profit
Gross profit- is total amount that company has earned
Net Profit- total amount earned after investments such as bank loans or cash investments ie: delivery van for a bagel company
Free Cash Flow = Operating Cash Flow - Cash Expenditures (Capex) - this a the the amount a company has after it completed its obligations

Money that is free after business is if full operation - This money can be used to pay down debt on a loan or invest in stocks bond or business operating expenditures
When a company has a strong Free Cash Flow theory are usually able to maintain business
When a company has a weak cash flow they are most likely going to barely survive or go out of business
A great example of this can be when considering 2 bagel companies
Assume they have an equivalent balance sheet
Plain bagel co- balance sheet
Sesame sam- balance sheet
For the same year they report the same earnings, they may report the same amount of strength in the business
Is a a stronger financial situation due to the amount the amount of debt that they owe on their business
Plain bagel cash flow statement-
CF0- 12M
CFI- -6M returns money to its shareholders, creditors (bonds)
CFA “CFF” - -5M
Spends more money than they are making in the actual business and they take out debt to finance the spending, this is show in their CFF or the amount finance in their CFF
Sesame Sam’s
CFO- 6M lower CFO and steep CFI
CFI- -20M
CFA- 15M
It is vitally important to understand a company's profitability and their (net income +gross income) as well as their cash flows and even reserves (cash made from the business)
Companies with higher cash flows tend to have more reliable business models and have fewer problems when it comes to funding themselves. This also provides and insight into a businesses earning quality stability of the business
High profits means low cash flow
High cash flow means low profits
This may all vary on the industry that the company is operating in
Factors may include: interest or lease payments
Can learn about a company's financial health base on aggregated cash flows (look up aggregated cash flows)
Take a closer look at a company's cash flow statements to see how each company is financially doing for themselves

Video #2
Capitalization and Depreciation Explained-
1st outcome-

Capitalization- the provision of a capital for a company, or a conversion or the conversion of income or assets into capital
Market Capitalization- a company will spend money and delay the recognition on their expenses.
This is Called Depreciation cost on income statement
This means that the company may spend more money That its profits in a given year
2nd outcome-
Looks better on the income statement meaning non cash
Include cost of investments into a business as an expense and record it on the income statement
Example: Lemonade Stand
Revenue 1000$
Cost of good Sold 100$
Gross Profit 900$
SD&A 10
Operating Profit 890$
Including expense of Lemon Squeezer 5000- 2000$
Net Income -1,110$
This means you have simply made a big investment and now you enough capital to boost your business
You have not lost the asset, you have just placed it another business order to improve up capitalization
What you spend allows you to create a foundation upon capitalization
Capitalization on income statement and balance sheet-
A) the company is saving money on the income statement
B) the company has an increase in cash and machinery on their balance sheet
All machinery or liabilities will lose their values over time. You will have lost at least some kind of money on the purchase
Halfpipe hippies or Robert Myers company (T-shirt, socks, and hats) has an investment of a printer that will last 10 years this is where the concept of deprecation
Depreciation- where an investment will lose its value over time and eventually have to be replaced
Example of Depreciation- Printer from Robert Myers Company cost 2,000
Over the course of 10 years it will become worthless
Straight Line depreciation- 2,000/200 for the printer of Roberts T-Shirt, sock and hat company,
Its is known to lose value over time after 1 year it will lose a value of 200$ and after 2 years it will be worth 1600$
It will become easy to recognize the loss of asset value when a company has been in business for a longer period of time
Downfalls of Depreciation-eats into capitalization, If your investment in the company last longer that you will be able to see the difference in your Depreciation Value on your income statement

If the company has had a bad investment than the CEO may experience a write down - thinking ahead in the deterioration of a company's assets which will lead to a heavy drop in the company stocks price
Research and Development- this can be capitalized ie: in Roberts business he spends 200$ on plain white shirts and he finds a way to improve the quantity vs quality on the t shirt in order to sell the shirts to another company to make back money for more investments
R&D creates intangible items also known as arborization which relies heavily on the assumptions of how the investments will do. R&D will make it more difficult to look at the quality of the companies investments
does not include all expenses but can show the comparison of each year and provide a better idea of the companies underlying profitability Trends
The EBITDA # -
-Earning before
-Interest
-Tax Depreciation
-Amortization
Alternatively we can look at a businesses cash flow statement
The CFO or Cash flow From Operating Activities
This ignores non cash items like depreciation
CFI's or Cash Flow from Investing will show you how much money the business on startup costs, customer loyalty and company infrastructure
Looking into a company's capitalization a appreciation policies
A high rate of canalization with mediocre revenue grown may be a red flag
Sales and time are stagnant (line graph)
Its not smart to take a businesses note income at face value, If you want to look at the full value of a business then you must look at the cash flow and accounting policies

Video #3
The IPO Process
IPO (Initial Public Offering)- the first time a company a form of equity financing publically
Primary Objective: to raise capital (money)
Capital- start up cost for a business
The business Uber is a great example of the IPO process and may be the largest IPO in U.S history
Other Popular IPO Names in the United States
-airbnb
-lyft
-robin hood
-post mates
-Ali Baba this was Bert lol

-Pinterest

If you want to buy in a companies public shares then you must first fully understand the IPO process, it is not ideal to buy a company as soon as it opens to the public

There are many risks involved with the IPO process, individual will pay a premium price for a piece of the “pie” share in the business

The owners of a business sell shares in their company to public investors who can then trade with other investors

IPO is the first time that public investors can purchase shares of a company ie: Apple “stock” shares

NasDaq is the first IPO in human history, and now stand as a legitimate corporation

Steps that must occur in order for a business to be considered a IPO

1. Company must hire a investment banker

Investment Banker- an individual who helps a company raise capital to become stable. They will help with IPO administration and marketing

They also underwrite the shares meaning that they will sell the stock for the company to public investors. Someone and associate or public investor will be a guarantees shareholder

Once they have agreed to the underwriting terms the company will..

1. File a registration Statement

Registration Statement- SEC or security exchange commission (for U.S. Listing only)

SEC includes information about the companies operations (how they run their Business), Finances ie: cash reserves (flow), and lastly their management

The SEC will investigate the disclosures to ensure that they are completely accurate and that the company is competent enough to trade publicly, if everything is in more then the SEC will set a date for the companies IPO

1. Create a Prospectus

meaning that the investment banker will compile info about the company including finance performance and projected future operation. They will then consolidate this information into a Prospectus File

The investment banker and the company will then circulate the document amongst institutions or worthy individuals with money to invest (as much as possible) hoping to generate interest on the IPO

After successfully marketing the business, the company will allow investors to submit indications of interest

Indications of interest- possible shareholders letting the company know how many share they want to buy

Once the company has an idea of what the shareholders are willing to pay they will finalize a companies IPO Allocation which will convey the amount of share that each investor will get-
-Insurance companies
-individual investors
Once in a while a shareholder will be over subscribed- this means that the demand for share os higher than the amount of shares that a company holds ie: 10M shareholder with only 5M shares allowed in the company.
IF this occurs then some shareholder will only Get a fraction of what they asked of while other will be left with no shares in the company
Once the companies subscriptions have been confirmed the company will have a set date for the IPO meaning the company will be allowed to sell their shares. Celebrating with the exchange bell
At this point investors who have now received the shares and can trade them on a stock exchange thereby generating the stocks first market price thus concluding the stocks IPO process (this is how a stock becomes public)

IPO is a bit risky and many investors do not like to enter the market when a company first opens up for business. Numerous companies tend to underperform with the IPO process .
The investment banker and the company are going to try to get the highest price for their shares because the main goal for the IPO is to raise money. The company effectively gives away part, if not all of their ownership to the shareholders
The business naturally wants to sell high in order to make the most profit on shares which contradicts an investors goal of buying a share for the least amount of money as possible
The company actively promoted their shares during the IPO Process. Many companies cary out a road show when circulating their prospectus
If a Road Show is successful than the Business will be able to inflate its share price and their stock will fluctuate in the public market
Road Show-going around looking for potential investors and creating hype around their specific stock convincing that it offers a once in a lifetime opportunity ("marketing" or can also be known as propaganda) the Business will use generous projections to sell its IPO, they may lie (propaganda) about their projections in order to gain more shareholders
Business owners will sell the shares in a favorable Price Environment.
Favorable Price Environment-
The business can delay/cancel its IPO if the markets are not in their favor. If the Business believes that they will be able to have a higher performance share within the upcoming years making it difficult for investors to find a bargain amongst the IPO shares in a company. * the seller or business can wait as long as possible once they have received their Prospectus which allows them to sell shares
Downfalls of the IPO process-

- Large gap of important information between the buyers and the sellers (CEO) of a company
- While the prospectus allows for highlighted details there is a very limited range of historical data available to the investor making it difficult to analyze the company as a whole
- Potential risk with future operations
- Undisclosed issue with the firm's finances
- Individual investors can't get access to the amount of shares that a large institution may get
- The only way for an individual investor to get ahold of a share is through a brokerage that has already obtained one (high rate of competition amongst those who already have a lot of money)
- If an IPO is oversubscribed individual investors may often end up paying a lot more money for each share as the price will become inflated (the United States is currently having a significant issue with inflation)
- The Road show of an IPO may not be enough to sustain a shares price level

Good Example of IPO-
Google and Netflix shareholder made a massive return on their share because they were able to enter as soon as the company went public
Bad Example of IPO-
Snapchat had share price of 17$ in 2017, it increased to 24$ on its first trading day and is now trading below 10$ a share (2019)
As an individual investor you need to be aware of the risk, the smart decision is to reach out to your broker to see if you can submit an indication of interest, read a companies prospectus or ding out what the money from an IPO is going to be used for (specific information is key when investing in a company)
Easier to identify the risks when buying in early and you should weigh these against the potential growth of the company stock
It is easy to fall into the trap of picking a side in the performance of a stock in a company
added risk when enthusiasm during the road show get out of hand
Warrant Buffet "be fearful when others are greedy, and be greedy when other are fearful"

Video #4
The Cost of Share Dilution
When a company's share price increases the share amount in the company gets a lot smaller meaning that the individual investor owns less of the company
Occurs when a company issues shares in a company that is already outstanding
Share Dilution-in some cases it may help the value but it most cases it will destroy the shareholder value in the company even if the company ends up making more money

After a company goes public shareholder become partial owners of the Business, when a company has IPO’s the company loses its value

1. raise extra capital

Reasons as to why a company may introduce extra shares
A company will carry out a Secondary Share issuance if they do not have enough money in hand, this means the company will make new shares and sell them to new or old investors
Convertible security- convert debt into equity if it appears to be a strategic move

1. Merger or Acquisition

Issuing new shares to a another company as a method of payment which increases the number of shares outstanding

1. Employee Compensation

Popular with executives as it aligns their interest with employees to those of the average shareholder (reduces conflicts of interest)
An employee is provided a stock or share in the company that they work for, this is popular among companies like amazon or google
If a company can improve operations than it will almost always hurt the value of their stock
More shares mean more investors laying claim on profits, if profits don't grow to compensate for share then the stock price will fall
ie: you own a share of a company what make 50M/Year
5$ share at x12.5M a share
The following year Earning Per Share (EPS) will go go down to 4$
When a company issues more share they have a share that is lower than the current market price of the the stock - reduces the value of your holding and the market price of your position
Share Dilution may allow your company to materially improve its business and pain caused by dilution may be offset based on the profitability of the firm
Imagine that the company offers and additional and the money that hey raise is used to buy a company with intellectual property that increases the profit margin
earnings are now 87.5M and the Earning per share will increase from 5$ to 7$
Even though the company earnings has gone down, the size of the profit (pie chart) has gone up to compensate for the intellectual property - as result your share (EPS) ends up being worth more
If a company can achieve a high enough return on equity with the money they receive from a share issuance the impact of sharement dilution may be offset
It's important to be skeptical with a company that issues a high amount of shares

While raising capital allows a company to grow, it does not guarantee the success of management or expansion of the business
Process of issuing share can be abused and has been in the past
Even though more money allows for a larger and improved operation, some issue shares just to stay in Business (keep their head above water) or worse: take money from investors
Ie: the company that you are invested in is actually losing money. Their revenue - Expenses = the Net Loss
They have debt and are running low on cash and in order to maintain business so they decide to issue more shares which will keep them afloat for a little longer. The firm has taken money from the shareholders and will likely not benefit a result
What a company does with the money they raise from a share issuance its very important , raising capital through a share issuance is expensive for a company's current investors
*ignoring default risk
It's more expensive for a firm that raising their debt levels, if a company does not have a meaningful strategy , its important to monitor a companies share account over time, it's usually a good sign for a companies share account to go down
Companies look for this because it means that a company is buying back their shares
Share buyback-purchases shares from investors and effectively cancels them. Which increases the worth of your position, they are similar to what a company pays its company dividends Share buyback is almost equal to dividends because both involve the company returning capital to investors
Its hard to see how a company is funding its buy back but generally a buyback adds value to your shares
Share count- strong argument for raising capital, skeptical of a companies forming a turnaround when have impaired business
When looking at a companies Per share metrics such as EPS, make sure to take into account the companies diluted numbers, a company may have other securities such as stock options or convertible security
Diluted Number show you what the pro share metric would be If tall the securities were turned into stock, create was to conservatively analyze a company's operations
Something that an investor needs to scrutinize
If a company wants to raise money last your expense they better have great arguments for it

Video #5
Share/Stock Buybacks

carry many implications for those invested in the company
happened during the covid-19 pandemic due to implications in the job market
The company may decide to take some excess cash to purchase their own shares with the tender offer of a stock

The shares from a buyback area absorbed by a company
The stock offers a Tender offer an and an open market and this should not be confused with the companies management buying the stock
Instead they share purchase form a buyback which are actually absorbed by the company which reduces the total number of standing that investors can now buy or sell
Fractional ownership of the corporations allow the company to increase the state of initial investors
Imagine a urine company has 0.01% of a stock that worth X100 if 500,000 and the share increases to 0.02% it may not sound like a lot but the company shareholder has now increased as a part of the pie
This process is similar to a company paying off its debt while it may not seem like a liability the company in effect is paying off its investors to that they relinquish the debt over the firm
A company will only buy back its shares when it does not have use for the product. if a company has the opportunity to invest in a project that will double operations, it may keep some of the money in order to expand its business. In same way it might be a good idea that they take fairly low interest to loan
If a company is more mature than it becomes easier for them to transfer their buybacks to shareholders rather than blowing the money on some unnecessary venture
Dividend- when a company pays its profits directly to the consumer, in fact share buybacks are equivalent to a dividend
From the companies perspective it does not matter because both involve taking their cash profit giving the money to their investors, it also doesn't really matter from the investors stand point
When you see the dividend and decide to reinvest it To the company, this is the identical outcome of a buyback, in fact when you consider taxes
Dividends after all are taxes on money by the government on a corporate level which is earned by profits and taxed on another level creating share buybacks that do not pass through the investors share
Their benefit does not go back on income tax and many companies like stock buybacks, they also include a firm financial ratio namely earnings per share and incorporate gauge of stocks profitability ie: in plain bagel co. earns 100m a year with a 1M stock
These stock has a share of $200 the company has not earned any more money but fewer will split the profits and the earning per share has now doubles X0.5
This process is fairly similar to a company paying off its debt, while quite is not a liability, the company in effect reduces the equity in the firm which reduces the number of people who are in control off the company
Video #5
Stock Buybacks - The good and bad explained
A company will only buy back its shares when it does not have a better use for the funds

If a company has the opportunity to invest in a project what will become lucrative, but may keep the money to expand its business, in the same way it might be a good idea for the company to take out a fairly low interest loan
While More mature companies do not stand for an effective buyback then they can transfer their profits to their shareholders rather than blowing the money on some unnecessary venture
Dividend- when a company pays some of its profits directly op investors because it does not have a better use for the money
More dividends means the company is increasing the stake for new investors
Ex: you're a company that has 100 shares of plain bagel co.
And the company has an outstanding count of 1 million shares
So you currently own 0,01% of the firm, imagine the company were to buy back half of its shares reducing the share in the company by 500,000, now you own 0.02%, it may not sound like a lot but you have double your ownership of plain bagel co
When fewer shareholders lay claim to the company, your share of the pie has now increased, this process is fairly similar to a company paying of its debt, while equity is not a liability, the company in effect pays of existing investors so that they relinquish their claim over the firm, this reduces the number of people who control the company
Ie :fewer cooks in the kitchen
A company will only buy back its shares when it does not have better use for the finance
If they have an opportunity to invest in a process that will double operations, it may keep the money to expand its business
From the companies pot it does not really matter whether they pay out a dividend or use the same money to buy back their stock because both involve taking their after tax profits ad going the money to their investor
It does not matter from the investors standpoint, if they receive their dividend and invest it back into the company then the result is nearly identical to the outcome of the buyback
When you consider taxes, share buybacks have a beneficial advantage, dividends after al experience double taxation, the money is first taxed at the corporate level when its received through profit and then again at the investor level when its received as income

With a share buyback money is not passing through to the investor so they can experience it. Personal benefits with helping charge persons income tax, this is why many investors love the buyback, share buybacks also improve a firm's financial ratios, mainly their earning per share, this is an important gauge of stock profitability
With plain bagel co imagine that the company is consistently earning 100M a year and this is split across 1M shareholders, the stock has a earnings per share of 100 dollars, after carrying out the buybacks X0.5M this would increase to 200$ per share, the company has not earned any more money, but with fewer people to split the profits across the company has now doubled
There is evidence that share buybacks can boost stocks price *albeit sometimes only in the short term, only as the company is inserting itself into the market as a buyer for its share which supply

and demand dictates which means increased price, buybacks are viewed as a positive signal meaning often interpreted as a positive sign that operations are going well
When management buys back their shares it often means that they have enough cash to spend ad they believe that the stock is a good investment, if a company is willing to invest in their self, why shouldn't other investors
Many investors look screen for companies that have a decreasing share count over time and why warren buffet himself has often praise the buyback and has led many to covet the activity
Sometimes it is not always a good idea, buyback sign of a diligent management team returning capital to its shareholders in a fairly efficient manner, in other circumstance it can actually end top being a waste of money, in some case be used for more devious purposes
Share buybacks are really only beneficial when the stocks price is undervalued, investors area always looking to buy low and sell high, in practice we the companies that we invest in to follow the same mentality
A company should only buy back its stock when they believe it is undervalued, and lower than what it should be
Ie:imagine you had two identical companies each with 100m outstanding
Company 1- recently dropped in price, went from 10$ to 5$
Company 2- had an abnormally strong year, went from 10$ to 15$
If they both want to carry out a buyback of 10M, the impact will cary pretty drastically
Because the stock price is so low in the first company management will only be able to buyback 2M shares reducing their shares outstanding by 2 percentage points, which is a pretty goo result or remaining investors
The beyond company will only be able to buy back 0.7% and the share is outstanding, because the company is paying a premium for its shares, the buyback as a whole is not as effective in reducing its share count , we will often see companies buying back shares even after the stock prove has risen, for some this may reflect upon management's confidence that the business has a lot more room to run
Sometimes companies will carry out share buybacks because investors have come to expect them, if they pull back now they could hurt the shares stocks price by providing a negative signal to investors, with some assuming that management is now less confident than they used to me, management may also be overconfident and that they believe there is nowhere to go but up even I the fundamentals do not really justify that buyback
Management will sometimes carry out buybacks out of self interest
Ie: a management team as its compensation is tied to it earnings per share, at any given year the company sees its net income fall and becomes strapped for cash, it now not well equipped to carry out a share buyback, a buyback could boost eps to raise their growth target and unlocks bonus compensation for its employees , the result means that managers may be tempted to take money from others areas to successfully use a star buyback, this will hurt their operations which is to unlock their special bonuses that they clearly do not deserve
Share buybacks are situational , the one above is less than ideal

-this is part of the reason why we saw the federal reserve ban banks from carrying out buybacks in the United States
-there was concern that the banks would put money towards buybacks that should be going towards other activities such as a building a rainy day fund (emergency funds)
-for blue investors share buybacks are sort of viewed as a positive thing, if you like company and things its undervalued then you would want to see your stake in the company increase
There are other factors that you need to consider, some investment theory even argues that star buybacks are a moot point for investors, while you might like to see companies share declining, make sure that the company is justified in its action, if you want to gauge what a companies share buy back activity is, you must look at their cash flow statement
This is key for share buybacks — Look under "cash
flow from financing"
You will see how much the company has spent or alternatively raised by buying or selling their own shares
We should also view the companies buybacks in conjunction with their balance sheets. Will show the company's strength and their stocks valuations to ensure that it makes sense for the businesses
As with most things in investments, "not all that glitters is gold" and their is no clear cut rule when it comes to star buybacks, they can either help or hurt a company depending on how they are used, while client and share count cant be appealing to the eye of the business, even as a value investor money should go to a company that has been diluting its share ownership for a good reason than a company buying back its shares or a bad reason
Stock buybacks are just an example of a concept that while important to the investor, sit is not that widely understood
If you want to pick and choose your own stocks, you need to understand the intricacies of the investment vehicle, (stocks) the business, and the economy- this is one of the takeaways of the book outsmarting the crowd a book that covers value investing at a very high level
Video #6
The Difference between the stock market and the economy
Economy -over the long term the units state economy and the united States stock market have broadly moves along with one another, recently we saw fundamental divergence between these two entities, despite countries undergoing the worst economic contraction in a decade,
The Stock market- when stocks are up its viewed as a positive signal with many politicians celebrating growth in the market app, can be viewed as evidence they are doing a. Great jobber this may not always be the case, this means that the economy can move forwards,
-grew throughout 2020, at least in the United States
central banks are warning us of further decline, the the s&p 500 (popular us index) surpassed its pre-pandemic level, hitting an all-time new high in September
While they may appear paradoxical the truth is the stock market and the economy doest actually measure the same thing, Both concepts are closely connected, there are fundamental and

substantial difference in what they represent, even though stocks may rise investors should still be warned and it's not a song sign of good times ahead
Questions we should ask ourselves
Questions answered in video
What separates the stock market from the economy ?
How do investors interpret each one?
Stock market in Europe where stocks are bought, sold and traded
Nasdaq
tsx
Lse
The market is considered up when the value of assets being traded on exchanges are training upwards and down when stock prices have moved lower
To track these movements stock market analyst often use indices a mature that peerages the stock prices at a sample of stocks that are deemed representative of a particulate population whether it be a country or a sector, while different stocks may be in different directions, indices give us a gauge as to how the market as a whole is moving any given day
The economy is measure much more broadly, it takes into account the entirety of goods and services that a society or country produces, nit just the market value of public companies, it is often measure through gross domestic product
GDP= to the value of all goods and services consumed + government spending, investments and net exports (often gauge through another o other measures) including but not limited to
-unemployment
-inflation
-housing starts and many other measures
Differences between the stock market and the economy

1. The Scope of the objects

While the market provides and accessible and convenient gauge of the economy, it only provides us information with companies listed on the stock exchanges, the public companies, this natural provides a skewed view of the economy
Twill the bagel shop on the corner of your street might not be included on the calculation on the stock index, its output that people and employees ad the people that it pays all fit into the wire Economy
Bagel shops are important too
33.4% of workers in the United States are employed by companies with fewer than 100 employees
Roughly 2/3 of the united states employment comes from private companies
The economies wider sense means that the companies are more implacable to the general population, while most people are employed, not everyone has money in the stock market, while in economic recession may lead to layoffs and lower disposable income , therefore accelerating

the feeling in the market, a decline in the stock market may not have direct impact on your average Joe
Stocks have an indirect impact on the economy and individual prospects, this is why many still consider it when they try to engage on how the economy is doing
ie: you are employed at a young company that is issuing shares to fund growth projects, after a stock market crash, its stock prices are reduced to pennies, suddenly that company can raise enough money to fund its growth plans the public market, as a result it will likely cancel projects, lay of employees, and in the worst case scenarios, shutter it operations, a decline in the stock market can also impact the economy by hurting the wealth of those who aren't investing in it
Hit to their investment portfolio may lead them to consume less, perhaps putting of that home renovation, or car purchase until later things have recovered, a strong stock market can have the opposite effect on the economy, when stock are up , copies have more confidence to invest and higher employees fighting themselves in order to raise more capital in the pubic markets
comes into play here
"Wealth Effect" - the higher a stock rises, the more those invested in it are likely to spend themselves which in turn can boost the economy- win win
A strong stock market can boost the economy while a weak market can break it, the stock market oil heavily influenced by a wider economy, investors and analysts are constantly making buy an sell decisions based on their observations in the economy, taking into account factors in I interest rates, physical policy, employment, housing services, etc.
This is why you can't see the massive shifts like we saw on October 6th 2020. When the Dallas won 600 points after it was announces that there might be a delay to the stimulus bill related to the novel coronavirus pandemic until after the election
Economic hardships can clearly impact ac companies operations, something that may lower a stock price as investors factor in a higher risk
If these two entities are so interrelated (Why do they diverge so drastically?)
The stock market might not be the best gauge of the economy, but the two should still might move in the same direction
The second difference between these two concepts, the stock market and the economy, focus on different periods of time, the market is a forward looking measure, investors buy and sell stocks based on what they think will happen (educated guess) not what has already occurred in the past, the stock market will tend to rise if there is a strong belief among investors, that tomorrow will better than it was today
The economy tends to look backwards, some of the main indicators that we use to gauge the economy such as
Housing prices , unemployment, spending, inflation usually reported with a leg, when we talk about current levels of unemployment , we are actually talking about how many people are gaining or losing jobs last month, by its very nature it's already out of date

Even ion the economy seems to be on a funk with high unemployment rates due to a recession, the stock market might be on the rise, if investors see an upswing on the horizon(good news)
While stock prices reflect investor expectations, the future may or may not turn out was anticipated, you do not have to look any further than the 2000.com crash for an example of high hope being shot down
The stock market does not have a sine objective measure
s&p 500 used to measure stock performance it applies to one of many approaches to calculating its level

S&P 500 Market Capitalization Weighted Index meaning it gives more with to larger firms in it calculations, while this is a good approach it means that the stellar performance of a few large companies can outshine the underperformance performance of smaller firms even if
the net impact is negative
Even with lagging indicators in the economy what will the investor do?
The answer I usually see is the balanced approach. ,the sock market and the economy are in a constant state of influencing one another, giving dueling interpretations of investor confidence and economic reality
What is important though is to take both measures with a grain of salt. They are both naturally pretty complicated entities, there is not singe measure or figure that sums up how thongs are going
It's important to recognize testate of any figure or stay the you read in the news, especially when justifying and investment decision
Eventually stop prices o adjust to reflect economic information , but the two are far for being anonymous with one another, they are more like distant relatives that see each other once a year on a holiday
With the covid-19 pandemic is will be longer before the two properly reconcile
******Video #7 SPAC'S Explained tmrw (why you might want to avoid them)******
Investors are using space more than ever before bringing number of notable forms to the public market
virgin galactic, draft kings, tesla's challenger Nicola
celebrities are entering the space, jay z partnering with the cannabis pack in California
despite its recent popularity, the space is not without its flaws, while it can benefit those who carry out and organize the offerings, it has a history of disappointing investors
Before you decide what to invest, you should probably know what it is, how it works and now why its starting to take of
When a company with an established business wants to go to the next level, its founders often consider taking it "public"- selling al or a portion of their stake in the company to investors in the open market, doing so can sell share to the wider population
In order to go public a company would need to go through an initial public offering or IPO making sure they meet all regulatory requirements and viewing on an exchange

IPO Is painful for the founder, companies need to file mountains of paperwork with regulatory Bodies, road shows, pay money investment banker to help them through the process
Underwriting fees take 3-7% of raised proceeds, sometimes even more
SPAC- special purpose acquisition company
A manager with expertise in a particular field or industry will set up a shell company “Good investment Corp” with no assets or no
core operations
The manger or sponsor will use a road show to connive public investors to invest in their shell company
The manager promises the company to acquire proceeds raise
SPAC is much cheaper and more straight forward process than IMPOs a proper company
The space offers to buy out to private company, this is also sometimes supplemented with debt, you have now taken private company public without going through the IPO process
Some sponsors have a particular company in mind, it is not often disclosed to investors who plan on purchasing, this would complicate the IPO process
Investors who purchase SPAC share do not know where there money is going to end up
SPAC’s are often referred to as blank check companies, more or less funding an unknown initiative, they put faith begins the skills of the fact sponsor or find an attractive acquisition target on their behalf
Technical side of space is that hey are often issued with a stock as well as a partial warrant to their initial investors
Warrant- right to buy a stock at some point in the future for a predetermined price (11.50$) you need more than one to purchase and additional share through the warrant, this is added as an incentive to initial investors
Most SPAC shares start off at a price of 10$ a share
If the SPACE shoots up in price the initial investors can buy warrants for 11.50$ which is lower than the market price (recently surged in popularity
As of September 2020 41b has been raised by SPACS (more than the last 10 years combined

1. In a year where companies have seen share prices double or triple after going public, spacs offer private companies a better method for obtaining this value (stock rising after its day beu offers a lost opportunity and value for the owners growth represents a higher price the company could have sold their initial share for

With iso it's unclear what the price will be until further down the process, shares are first sold at a discount to the institutional investors thanks to their massive bargaining power
With space private owners of a company are riveted a simple fixed dollar offer that they can either accept turn down or negotiate
They can easily capture the value of their company through the SPAC while skipping the massive underwriting fees which would orally be paying to the investment banker

With the covid-19 pandemic avenging the economy the SPACE was seen as a less risky route for private owners, it's unclear whether there will still be demand for new IPO's 6 months from now (2020)
Many companies may be more comfortable looking for the lower cost SPAC route rather than starting the lengthy or costly IPO process, only to find that interests have dried up once they have finally hit the stock exchange
Some believe the SPAC's are here to replace the old/out of date IPO process, this alternative has some flaws
*****Before you consider buying a SPAC, make sure you consider the following points******
-may save private owners some money/still cost investor a Quite bit of cash
-sponsors that set up the business model often take large chunk of the companies (shares) typically 20% in order to promote for sales
-in other words the sponsor will treat themselves to 1/5 of the company while only paying a nominal amount for the ownership (share)
-on a 100M dollar company, that a 20M dollar compensation package for the sponsorship (ie:marketable resource) which is paid for by other investors
—many SPAC's have a built in mechanism whereby the funds raised must be returned to investors if the sponsor is unable to acquire a company, this is typically done within 2 years
Function
-this is her to protect investors and make sure that they see their money put to use rather than sitting around doing nothing (stagnant)
-this can be an incentive for sponsor to move forward with an unattractive acquisition
-if a sponsor can't find an appropriate audition target, they may go for a less attractive company to make sure they are compensated the right way, even if the company flops (goes bankrupt or out of business) they will get more than they would have receive if there was no real at all
-while investors of do get to vote on these acquisitions, they already put their faith in the sponsor buying the SPAC in the first place
-they are inclined to further judgment of whatever the manager decides
SPAC does not have great historical track record because it bypassed many of the legal or regulatory hurdles that at associate with legal IPOs
SPAC's have attracted many dodgy companies over the years, there have been instances of SPAC's acquiring private firms that have been fabricate aspects of their business, lading to large losses of investors later down the road
The space track record for 2020 has been less than optimal
****According to renaissance capital (IPO Expert) SPAC meters received an average of 13.1% from January-July 2020 (great return but when you exclude popular companies the average falls to 10.5% compared to the IPO average of 6.5%)
Ot a perfect solution as its made out to be by some, nonetheless of something that we may see going forward, as an investor it's important to understand the key features and drawbacks of the vehicle (business model)

There will likely be Both successful and very unfortunate SPAC's in the future, as with any other investment maker sure to do your due diligence and consider all benefits and cost if your are considering buying one
SPAC's not no have a very well respected reputation, be very careful with them
While taking market to the company certainly has its pros for the founders, it can be at the detriment of investors if corners are cut in the process
SPAC Analysis —
Video #8 The truth about FIRE- is early retirement actually possible
-F.I.R.E movement
Financial independence retire early
Saving aggressively through your career, you can reach a point where your investments over your expenditures allowing you to spend the rest of your life in the wake of financial freedom (do to need to work)
Some are skeptical of this idea
Retirement is something that most of expect to achieve in our 60's not a possibility for some
During a federal reserve study it showed that 45% of retirees are in their 60's because they are abiding by the famous 4% rule early retirement is completely possible
Fire Is achievable for the average Joe but there many misconceptions of what retirement actually look like/likewise may risk are to often explained by fire promoters
Retirement early won't be parties on the beach 24/7 as one might expect
The amount ing your bank account is often referred to as your nest egg, it is good to know your desired retirement age,
life expectancy
how much you plan on spending an an annual basis
This allows you to estimate how much you will need in order to retire ad how long it will take you
****Calculation factors*****
If you want to retire at 65 ad live to 95 -
Variables
50,000/yr Is what you will want for living expenses
Retirement return : 4% (after tax &I inflation)
Annual withdrawal at engining of the year
0 balance of 95
Case sensitive -$899,186 - aside over time if you want to maintain your current lifestyle
Variables help judge the amount of money you want to have after you retire spending on assumptions
Pay off a loan that you have accumulated, save money from each paycheck, investing to fuel the growth of your wealth
It is rare for people to retire in their 30's Meaning a lot less time to reach the needed amount and larger nest egg required since you will be living of of it for much longer

True financial dependents means giving off of the income form your investments and not needing to draw on your capital to fund expenditures
Following the 4% spend % of what you make/withdraw 4% annually of your investment portfolio
If you can I've off of 4% of your investment portfolio then you having should be able to fund your retirement for at least a 30 year period/ some may limit their withdrawals to only 3% of their portfolio - the handy thing about this Is that it could retire your retirement forever
This is important if you want to spend most of your life retired/ it's easy to find out how much you want to see who you use this rule
Need a much larger nest egg to avoid drawing on your capital-
Divide your retirement income by 0.03 this is how much you can spend a year
For a retirement capital of 50,000 a year/.03 you will need to save $1,700,000 by your mid 30's
*most do not make enough money to achieve this goal
-retirement Return: 6% (after return tax inflation
59,075/yr or 5k a month
rather than trying to get rich quick and boost things on the income side, many fall behind on assets and buy liabilities
If one lowers how much they expect to spend on their retirement
50k-25k
1.7M-833k
Sending less now will mean more money from each paycheck makes it easier to meet your goal
Many high fire individuals will save aggressively who they are still working - they may put aside 20% away for ones retirement/ fire follower look to vast the majority of their income sometimes as much as 80% of that they bring in
Even with a smaller nest egg you will need to save around $29,537/yr or 2,500 a month using the prior assumptions
This aggressive frugality is what makes the fire movement the community it is. Many of these objective are tuff and people have come together to form forums blogs and websites dedicated to sharing these tips and tricks with fire hopeful there is a bit of culture in the moment
Some have a minimalist approach, they block out debt and consumerism
They spend their money on paid for products and experiences
We can all benefit from raking in more money, there are fire strategies like paying yourself first and eating out less are incredibly powerful taxes for discipline saving that can benefit anyone trying to retire
Some have a misunderstanding of what retirement actually is
Frugality-something that continues all into your retirement, do not lead a brand new car, extravagant vacation plans that other enjoy and flex online
Risks with F.I.R.E that are often overlooked ie: while the 4% rule is helpful in seeing how much you need to retire it does not guarantee a life without passive income
Even a nest egg with the 3% rule is susceptible due to the inflation rate happening in our country

I your portfolio experiences massive early losses the longevity will be greatly impaired
There are also more personal factors that can happen unexpectedly
-fired from job
-disability that prevents you from pursuing your passion meaningful work
-unexpected bill (family member passes away or sickness) that forces you to spend more now than you have initially planned for
Although it may look great on paper, while initiating this skill it may become more difficult to pull off, this is why a lit o many retirees actually continue to work
achieving fire does not involve a complete exit from the workforce , the fire movement is not about a point where you get to sit on the couch all day and do absolutely nothing
Many early retirees still end up working to some capacity after they have left their job, some may take on a part Time casual role or pursue passion project with the potential of making money, they can work whenever they want and make their own hours, this is possible if they of not rely as heavily on their own employment income
Someone who hates their day job may be willing to accept a less frivolous lifestyle if it means that an do something more casual while still paying the bills on time
Early retirement is not as glamorous as it may turn out to be and that is ok, if you believe that you have the capacity to reach a sufficient enough nest egg, it means you have an unstoppable work ethic
Fire is something that comes comes down to a mindset rather than your own circumstance, this is something that is available to everyone , everyone has different circumstance in their life and some may have more opportunity than others
Everyone has the capability to achieve fire if they can shift their mindset the right way (YouTube is great way to help)
Beware of scammers hat are selling product of course with promises and flexing their money,
It is all up to you I you want to pursue fire, fire comes with changing one's lifestyle and spending less than you would be able to, (depends on your retirement age), a alate retirement means more time to save and more time to let your salary grow
There are many risks involved with relying on a pool of investments to fund your lifestyle so you may need to return to work to cover your expenses, there is no guaranteed method to achieving fire, you can only do so much within your circumstance, there are no get rich quick courses that will change this
If someone can not stand their jobs and want to work or themselves and trade off discretionary income they must pursue fire (acronym) - a lot more stressful but a higher return
Frugality Is something that we can all agree is sure to help your retirement, even if you do not plan on retiring early, it can be helpful to present like you are going to, some people compare it to living like a college student (below your means)
Good options- use free resources that help you develop upon yourself
If you are going to play with fire be careful not to get burnt
Video #9 Waiting to Invest is costing you… A Lot

Investing is a mindset game and you can lose a lot of money if you get left behind
There was a survey done by the Ontario Security Commission that serves people between the ages of 18-36 as some may call it the millennial generation
It turns out that millennial generation isa saving a lot of money,
73% put aside money regularly
47% of these kids or 1 in 2 were the ones investing
Even though a lot of them had money aside for themselves it did not translate into investment (stock market
Reasons why millennials are having trouble saving money/investing
68% of them have other priorities
-paying down debt (car, college, house) , saving for retirement
50% of the participants simply did not now enough about investing in order to start the right way
57% said that they were worried about losing money
***Important quote— "Compared to other generations, Canadian millennials are less likely to buy and hold investments for the long term and are less likely to add to their investments as their saving accumulate, rather than when they accumulate savings, they are more likely to set these savings aside and decide later what to do with them"
Out of all the previous generation millennial are putting of investing, this is either because they think the market is about to crash or if they just want that optionality, they are currently not investing
In the world of finance waiting to invest is coming you a lot of money, possible thousands of dollars that you are missing out on
Inflation occurs when the government sometimes prints money which lowers the value of the United States dollar
When we have strong economy, when supply is being provided faster when demand is met
It affects the consumer, Making that money that you have in a bank account is losing its value fast than most people believe
Inflation Stats
-the average 10 yr inflation rate in America is 1.8%
-the average 10 yr inflation rate in Canada is 1.6%
Over 40 years, money loses half of its value at these rates
Even if you put money aside, you will still not be able to catch up to the rising inflation rates, what you thought you need may not be enough when you reach that point
Tools that are similar to investing but offer a lot less risk and a lot less return
-Savings account
-GIC
home prices are excluded from CPI inflation calculations
As of 2019 inflation is getting close to 2%
You are still losing money to inflation even with things like savings accounts
Cost #2- Idea of opportunity cost which is tied to the concept of time value and money

Time value- money today is worth more than money tomorrow or money a year from now, this is in addition to inflation, if inflation id not exist you would still face opportunity cost
Time Value ie:
Me - 1,000 today
Can put into a savings account and earn 2% or
$20 (more money even though we have the same amount), you have the opportunity to grow and return and have more money, this why people value money today than money tomorrow
Opportunity cost is bad here
You - 1,000 year from now
The longer you wait to make the 20$ you are exponentially growing the longer your time frame is, this is due to someone called compounding, the further you put this off the more value you are providing for yourself, you are still facing a struggling cost
Compounding or interest on interest is the idea that if I invest 100$ today and earn 10% a year
Year 1- $10
Year 2- $11
Year 3- $12.10
The dollar each year is increasing, if you graph it the slope is exponential (exponential growth)
When out comes to investing compounding is a great tool to use
-Albert Einstein labeled compounding as the "8th wonder of the world"
If you do not start as early, you cut of the exponential tail of the return (you have lower return) the highest portion of the return is cut massively
Example 1:
You need $800,000 to retire at the age of 65
-put aside $1,667/month if you start age the age of 25
-when you invest you earn and annual return of 6%
-all you need to put aside form the 1667 is $419 a month
The total amount you have to take out of your paychecks and put in this account is $201,293 so that it an grow 6%/year
Investing aliveness the mostly contributions that we have to make and the amount of money is cut into a quarter of what it used to be
Example 2: Start at the age of 45
-put aside $1,764/month more than 4x what your contribution would be if you start at the age of 25
-the total amount you have to take out of your paychecks and put In this account is $423,432 doubles the amount go money if you want to retire at a younger age
Opportunity cost in a nutshell
Example 3: start at the age of 55
-put aside $4,924/month in order to retire in 10 years
-the total contribution that you must put aside out of your paychecks and put into this account is $590,866

Compound interest is crucial in investing and is key the key to becoming rich/wealthy in your life
*the amount of cash that you have to out aside increases exponentially as well the further that you delay investing
Questions to ask yourself when investing-
What will happen if the market decreases in value?
-If you are in investing for the long term the return is not as bad
-s&p500 has always recovered its losses within a decade (10 yr)
*as long as you invest for the long term and use smart diversified approach with diversification then you SHOULD come out on top
A lot of people make excuse when they are faced with this challenge
Even if you invest right now at least part to learn about it!!!!!!! When you get to the point where you have your “rainy day fund” and you debts are covered
you have to know what to do when this occurs so that you can get started right away
Earn
Save
Invest
*Time in > Timing
the early to start the better, it is never too late to start (even if you are near retirement)
It becomes easier once you have developed a habit for yourself so that when you have more money you already know what you are doing
Video #10
What Return Should investors Reasonably Expect
should be aiming for 5% a day minimum returns
don’t be fooled, some people like to suggest that high returns are easy
traders usually pedal for a 1% day return in the market to be on the safe side
the truth about what people think about trading is much lower than what most people think you can achieve
People often exaggerate their own experience and provide only short term snippets of their results, on the other hand as of 2019 the market is exceptionally kind to stocks
*we should not allow ourselves to become distracted by doubling or tripling their money in the past month (flexing)
It can be harmful for us to anticipate remarkable performance, it often works against us, when things fall short you become more motivated to change strategies or pursue higher risk to have great rewards (-%)
Using the 1% a day as a an example, the market usually rises and falls 1%
It does not take mcc to see that predicting the market is unlikely (can omit be predicted to some extent
Ie: Compound Interest
1%/day or daily compounding

You can turn 100 dollar investment into 40 dollars after one year, over 15k after 2 years, and over 691b in 9 years
Just because you have received good returns does not mean you have found they to the stock market, what really matter in trading stocks is consistently
Very few people are able to achieve above 20% regularly over a 10-30 year period
Considering the
Medallion Fund- one of the best performing hedge funds in the world that is known for hiring math magicians, scientist, and physicists to research opportunities that may present themselves in the market
This hedge fund has made 66% + annually from 1988 to 2018 (before fees)The investors received 39% annual return after fees
The average investor can expect in any given year to have higher or lower return 8-12% *before fees!
This range is grounded in the 90 year average return for the s&p 500 which stand at 9.8% (past returns dot guarantee future returns)
Calls-This who have money in riskier assets may see higher rewards
Bonds-low risk, low return
Even with other opportunities your long term is no likely to deviate medium from this range, there are positions that have done better than
We want to gauge our expectations too high or low or else you may be disappointed and fall victim to certain biases
We only care about the long term consistent return that investors are likely to achieve
Even though certain stocks and certain sectors outperform from time to time, their returns don't often stay that way and it has been proven very difficult to time our investments to only take advantage of their upswing cycles
we should not have soil expectations, given how little data actually supports that notion, people who are boarding about high returns tend to have high track records that are no longer than just a few years, it does make sense to treat such a short track record as being representative of our own long term prospects
In the same way that certain people win the lottery and make big bets there are some people that make their way to financial freedom in the stock market
We are trying set our gauge or expectations of what our returns will see, we do not want to put the bar too high, start with low expectations
It has been proven very difficult to time your investments to only take , there are some advantage of their upswing cycles, yes there are some that do achieve stronger results than the index
We should not go into it expecting that we will outperform given how little data actually supports that notion
People who boast about high returns tend to have short track records, it doesn't make sense to treat such a track record as being representative of our own long term prospects, most of us have yet to experience a multi year decline

Strategies like trading call options or taking on leverage are unlikely to boad well should we encounter a longer down turn
High performing people in the industry of the industry often tend to fall short
The s&p 500 has earned a higher than average 16.1% over the past 5 years (Feb 12 2016, Feb 12 2021) hopefully it will gain speed
Recent stock market performance has been driven by a few key factors
Won't be around forever
1-low interest rates -rate charged to anyone borrowing money, the rates are low companies are able to borrow money for less money (more profit
2-Quantitative Easing money supply that tend to boost and flow into the stock market, if it reversed it means less money is in the stock market
3-Expanding Valuations - a mature of this is Shiller Pe ratio = stock price divided by earning per share
The stock market has risen by 198.7% in the past 10 yrs or (11.6% a a year)
Earnings have only have increased 101.4% or 7.3% a year
The internet created a downtrend in the s&p 500 because people were pouring money into it
It make more sense for us anchor our own expectations to the s&p500's long term performance rather than what has one more recently (crypto currency quantitative easing) other trends have led some to believe that things have shifted fundamentally for the everyday investor
"This time is different" is the most famous phrase in the worlds of investing
The market has made it through periods of high inflations (covid-19, the Great Depression) it will likely continue to chug along
If you just start investing be disciplined, look for opportunity but try to keep your head out of the clouds
Video #11 Investing During Recession - How should Investors Prepare?
DO NOT PUT ALL OF YOUR EGGS IN ONE BASKET
Recessions - there is no global agreed upon method globally for determining when a recession has a occurred
Technical definition- two consecutive quarters of negative growth IN real GDP
The United States uses a more opaque method when determining whether or not a recession has occurred
National Bureau of Economic Research -declares recessions officially based on a significant decline in economic activity that is spread across the economy and that lasts more than a few months. (rise in unemployment) - involved. Broad and sustained decline in economic activity
Stores sell fewer goods, jobs are less readily available, the markets become more pessimistic
Recessions are a complex normal part of the business cycle, they can help reduce inflation deflate asset bubbles, and generally reallocate capital towards more efficient an more effective projects, not that good for individual households
www may face a recession in the near future due to the global events that have occurred in the past couple of years

Rising interest rates have become more conserving, given ho high the debt level of the United States has reached over the last 10 years, public debts and GDP alone sitting at 120%, as this debt gets worse households , companies and the government will likely need to de-lever, offloading assets and cutting their spending levels
Studies have shown just how difficult trying to time your trades really is, your odds are compared to winning the lottery (Charles Shwabb)
Gdb figure can take months to be released, by the time that the public hears that they are in a technical recession,
Safe havens- things to invest in during a time of financial decline, gold, fine art, bitcoin (sometimes)
When stocks go down, most other financial assets are pulled down with them, even fine art this Is surpassing because it seems to be removed from the stock market (pairings saw a sizable decline during the 2008 financial crisis)
It's rare for certain safe haven assets have done well when the market is in a down trending pattern, far from the perfect solution that many make them out to be
Sector Rotation- pivoting your money from sectors into more stable businesses during time of uncertainty
The s&p 500 utility is more recession resistant than other types of businesses models like many kinds of technology companies
Tech has seen a drastic decline in 2022 and its. Impossible to know whether the next year (currently 2023) will be a good, bad, or stagnant year for the the technology space
You should not build your investment strategy on whether or not we will have a recession
The United States economy has had a recession on average every 6 years, average length of each recession is 10 months
For the average person this is a pretty tight time Frame to adjust your portfolio, even if you knew that a recession was going to happen, making an investments decision based on the recession would be misguided
the economy and the stock market actually are not all that correlated according got s study post by the journal of portfolio management this year
Using data from 15 emerging and 21 developed equity markets over samples tanging from 32 to 120 years, there is no meaningful link between GDP growth and stock market performance , the main reason for this is because the stock market and the economy measure different things
Stock market - over 4,200 public companies on the United States stock exchange
Economy - 27M private companies that exist within the United States economy (encompasses government activity and foreign trade) the stock market is a tiny subset of the broader economy
recessions and bear markets have typically been seen together in the past, bear makes have a times recessed recession come after the fact or not occurred at all
Periods of contraction have eventually been followed by a stone market rebound given the fact that stimulus measures do not help, but rather hurt the United States economy during a slum (recession), this increases the stakes of trying to call the bottom

2023 seems it has the perfect layup for a stock market recession and a stock market crash, Times are always uncertain and investors should always have their own specific reasons to be cautious when investing
In the 2010's it was the longest bull run in the market in U.S. history
Reviewing Risk tolerance

1. analyze risk tolerance

- Investors often sell at opportune times, before considering where to invest, you should consider where you should be invested and to what extent, emotions should be taken out of the picture when making an investment (are you able to withstand extended periods of market volatility?)

Generally higher risk Tolerance
Review Risk Tolerance
-age young
-saving high
-income high
-jobs security high
-Time horizon :longer you can keep your money invested
Review Task Position
2.*diversify (between assets/sectors)
-company track record
-Debt position
-Cash Flow generation
-Profitability
-Fixed Costs
-The nature of the business/management

1. Take Advantage of market volatility

-dollar-cost ever (invest fixed amount regularly)
-buy positions you want to hold long term
The best time to prepare yourself for a downturn, is before its happens by applying a constant approach where you are investing diligently and manage your risk my owning both stable companies and limiting by how much you speculate, if you were to being diligent before this time period than your approach may need some changes, ie: there are a lot of cryptos that will Never recover to their pre pandemic highs
If you have been following a good investment strategy you probably do not need to change all that much because a recession (temporary recurring part of the market) Is around the corner, the market will recover and of well over the long term

Having confidence in your positions makes going through uncertain times a lot easier, proper risk management makes it a lot easier to ignore the noise of others

Video #12 Stock Indices and Index Funds

Indices are among some to the most popular investment strategies to date

When we talk about the markets being up, down, bearish, or bullish, these are are known as indices

Analysts use metrics that summarize the performance of a sample of stocks

As of of 2016 it is estimated that the us Market consists of 4,333 stocks (*shit ton if companies which may be buying back equity, carrying out stock splits or even a reverse splits)

Its is only natural that trying to undated is going to be a bit of a headache

Robert h down with the help of his associates Edward Jones, Dow top 12 popular stocks from the market of which were industrial companies and published the average of their prices

The idea was that readers could use the rise in average as change in the overall market to get a better grasp on whether the markets were up or down

This as the birth of the dow jones industrial average, it is still in use today ad many indices joined its ranks

Indices take a sample of stock deemed to be represented of a country sector or other area and somehow average their prices to come to the indexes level, by following the indices of change overtime, investors can approximate the moment of the underlying market

It has become a popular practice to invest in the indices themselves to achieve market returns, indices are important in the trading game

The s&p500 is another widely watch index that is seen as the best representation of us companies this follows the performance of 500 of the largest (not THE 500 largest) us companies based on market capitalization

NASDAQ composite index which is unique in measuring the price of stocks on its own market also Called the NASDAQ

-the DOW, S&P500, NASDAQ all track the us stock market

Canadian stocks (s&p/tsx composite), global. MSCI world index

These broad market indices track the performance or a large group socks in a country

If you want to follow U.S. technology you can take a look a ay of these indices to look at how the market is doing

Indices can be used as investment vehicles other than stocks, the s&p 500 bond index is the vexed income counterpart to the s&p 500

As you can see there are plenty of ideas to look at when trying to compare the performance of your stock to the overall market but their utility has surpassed a mere point of reference, the most recent claim to fame is the use of investment vehicles themselves

Since indices like s&p500 are meant to represent the market as a whole, because there are diversified by nature, investors use index funds to gain investment exposure keeping costs low

Index fund- mutual fund or more broadly ad ETF, it mimics an index by wither either holding all of its constituents or holding a representative sample, because index funds simply copy and index, they can operate at a lower cost and often charge fees below half a percentage point, this makes them a popular option for passive investors who believe mimicking the market is better than trying to beat it, active investors have also adopted index funds as a way to expand and limit their exposure to certain industries and countries

The 10 year average total return s&p 500 9.6% a year as of June 1st, there are important considerations before committing to an index strategy *an index funds will always lay Behind the indices it follows assuming there is no errors*

Your after cost return will always be that of the index, additionally certain indices may not be as diversified as you expect, NASDAQ for example has a 42.5% information to technology (1/11) sectors, even the s&p 500 with its large stock base providing little exposure to smaller cap firms sometimes different indices can provide totally different returns even if they track the exact same market segment

Indices may have different sample sizes and criteria

-Dow Jones has a much smaller amount of stock than the s&p 500

Use 1 of 4 different weighting methods

Price Weighted -give more weight into stocks with higher prices

Market Cap Weighted - give more weight to firms with larger cumulative share values under the belief that these companies are more representative of the underlying market

Equally Weighted - each share regardless of size has a similar impact o the index Fundamentally - weighted on some accounting metrics such as their annual sales

Index A - 1000

Index B -1000

Index C -1000

Index Db -1000

100 50 10

Before you buy an index fund to research both into the index itself and the fund that you are buying, there are a lot of decisions that you have to make as an investor.

Video #13 How Much do you need to Retire

81 percent of Americans do to low how they are going to retire

Starting early is most effective strategies to prepare for retirement (financial objectives)

How much you want to retire depend on your personal needs/goals and circumstances as well as where you live and work

There is no simple or perfect equation that estimates your retirement needs

professional approach requires using software, there are man personal variables when retiring, it is easier to start with a rough estimate, (better than nothing)

There are 3 important variables when forming the basis of a retirement calculations

-age to retire (S.S. at 67 in the us)

-our life expectancy

-retirement annual income (traveling, medical expense)
70-80
4% rule
pre retirement income times 12
Pre retirement income $60,000
12x rule nest egg 720,000
4% rule nest egg 1,125,000
Post retirement return- the older you get ad the more you rely on, the less risk you can afford to take on, les in the stock market and more in fixed income assets
Inflation rate: 2% you can adjust this I you are a bit more optimistic
Post retirement return: 4.5%
Real return = (1 +nominal return)/(1 inflation rate) -1
2.45%

1. Terminal value needed (calculator.net)
2.

Ie: current age 30
Retirement age 65
Retirement end 90
> 25 year retirement (300 months)
-current income 60k a year
-inflation 2%
Preretiremttincome = current salary * (1+growth)yrs = 60,000 * (1+2%)35
Roughly 120,000
pre-Retire inc: 120k
Retire inc :90k
>7,500 month- remember this is after inflation
-retire return: 2.45%
-end value:150k
Pension-designed to help cover a sizable part of your retirement income, reduce income needed in assumption and income saving needed *(6,500)
1,000/mo
Casual employment- job that is reliable as support your lifestyle a retirement
Government programs- depends on your income and covers 40% of average earnings of those in middle class
It is hard to gauge the math for your retirement, work with a software program
Video # 14 Why Markets Stumble
What is a correction- when markets fall by 10% over a short period of time
Its typical for the market to follow a period of enthusiasm and strong growth, during times like this people often tend to be enthusiastic about their investment, with people making money off of

their stock posts and investors get to become more increasingly enthusiastic about their investment with people making money off their stock positions, as a result more money ends up entering the markets

This causes a stock that is worth 20$ to sell for 30$ 40$ or 50$, if this inflated valuation reaches and unsustainable level, as demand for stock goes up, valuations are pulled higher

Like the elastic band, the higher the level goes, the more attention there is trying to pull the lever back down to its long term state, if valuations are pulled to high, they can snap back to a low level very abruptly

With stock valuations active investors may start to sell their stock holdings at an expense price (buy low sell high) the downwards pressure to stock valuations, if the wave of selling is big enough, we can end up with a correction

There are more than 177M investors in the united states alone

25.6% active funds & institutional investors

57% by governments, pensions, and corporations

It only takes a few large players to make a sell decision for the market to see the downward pressure, seeing to large players can lead to herding and influence the decisions of others, the decision of even one large com investors decide to copy the firm's activity

Many believe that long term growth expectations are too high with some believing that radar tensions with china ad rising reserve federal interest rates are going to slow down the market moving forward

Wants in the investors mind is the bull market has been going for a record breaking 9 years

It's important not to confuse what we have seen this year with a bear market

-can last for many years

-accompany by downturn

Correction is very short in duration

-short duration

(Often <2 months)

Some may feel a gut instinct to see when things are falling, especially right after a correction

Video #15 Why is investing important

Investments come in different forms securities

Your return is represented as an annual percentage, for example if I invest 50$ with a 10% annual return at the end of the year I will have 55$, if the company does well you can make a profit but if the company takes a loss you will lose money

Stock A

-imagine you have 2 investments and one is earning your 5% return and one a 50% chance of earning you nothing

Stock B

-earns a 15% return while the other half earns a -10% return

Investors is a technique that is use by investors to spread out investment over a number of different holdings

Two paramount investing conferences
Diversification- spreading out your investment create a lower risk for you to lose all your eggs, they are uncorrelated moving that thy move independently of one another
If you have your money invested in two car manufacturers and if companies don't do well in any given year, your portfolio will see a drop a portfolio n a pharmaceutical company on the other ha will be more diversified and will be the downfall of one of the businesses
Financial goals-
-buying a house
-Taking a vaccine
-funding your retirement
When you retire you stop earning an income, you need to make sure that money is coming whomever to pay the expenses and bills
Employers
-pension plan
Canada
-cpp
-oas
Let's say you ascertain at the age of 25 that you need 600k by the age of 65
Inflation -
House and inflation 1.43%
This is why investing is important, nothing makes saving for your financial objectives easier than starting earlier this is because of another subject Calle computing
**
Let say you were about to annually command your money 6% (you earn 6% of what you invite once a year)
****If you started saving at the age, you need to ave 3,877/yr
——> to reach 600,00 by the age of 65
323/mo
We are now saving over 927$/mo
Assuming we start investing at the age of 25
*assuming amounts invested at your year end****
You probably need to double your savings
Let's assume you start at the age of 45 - 65
$16,310 or over 1,359/mo
Compounding (noun): the process by which the returns of an asset are reinvested meaning that
Invested 100$ in an asset that returns 10% a year
-after the first year you will get 10$
-during the second year you will get $11
-during this year you will get $12.10
-$13.31

$-14.63
The longer you have your money invested the much higher your pay off is, this makes investing a lot more easier, learning about investments is important because it an be very costly to put up , (stocks, bonds, mutual, funds) and unfortunately Canadians are finding this out too late
In 2016 the broadband institute
Roughly half the age of Canadians between the age of 55-64 had saving represent less that 1 year of retirement