

PERSONAL FINANCIAL LITERACY WORKSHOP

Session 2

Building Wealth Over Time

Center for Free Enterprise · Woody L. Hunt College of Business · The University of Texas at El Paso

For learning only; not financial advice.



Tools and readings

Eight ideas for building wealth

01

Saving vs. investing

Why inflation matters

02

Key concepts

Risk, time, liquidity, compounding

03

Student loans and mortgages

Two big decisions

04

Investment options

Stocks, bonds, funds, ETFs

05

Diversification

Many baskets, steady habits

06

Retirement accounts

401(k), IRA, Roth, the match

07

Common mistakes

Timing, panic, fees, taxes

08

Your net worth

One number to track

Saving protects your money. Investing grows it.

Saving: safe, easy to reach, for short-term goals and emergencies. Investing: can go up and down, but has grown much faster over long periods; for long-term goals like retirement.

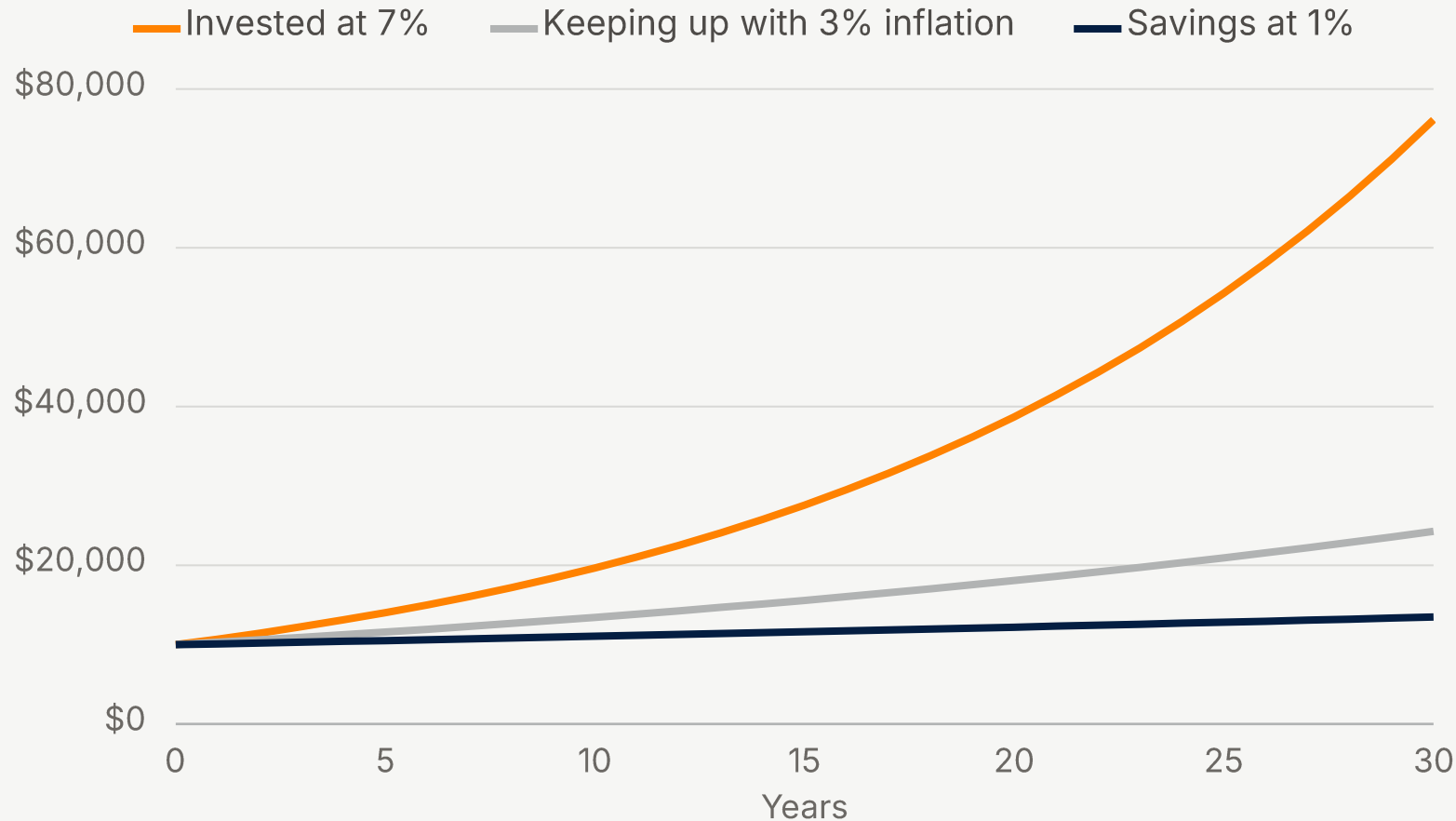
10–12×

your salary: roughly what you need saved to retire comfortably

\$600,000

or more, for someone earning \$60,000 a year

The hidden cost of keeping everything in savings



\$76,123

invested at an average 7% a year

\$24,273

needed just to keep up with 3% inflation

\$13,478

in savings at 1%: it fell behind

Risk is the price of higher returns

The goal is not zero risk. It is the right amount of risk for how long you can wait and how calmly you can watch your balance move.

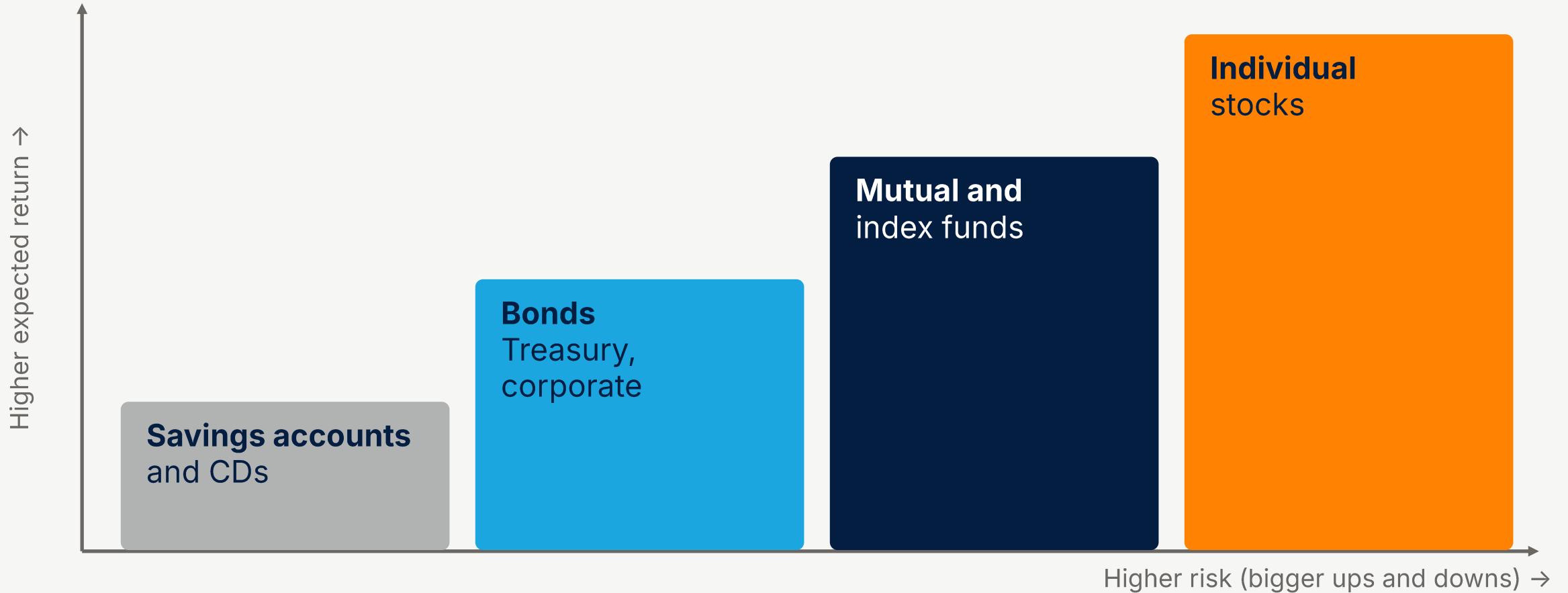
≈40%

drop in the U.S. stock market
during the 2008 crisis

+23%

for stocks the very next year

The risk-return spectrum



Three questions before you invest

TIME HORIZON

When will I need it?

Money for a car in two years: keep it safe. Money for retirement in 40 years: it can ride out bad years.

RISK TOLERANCE

Can I stay calm in a drop?

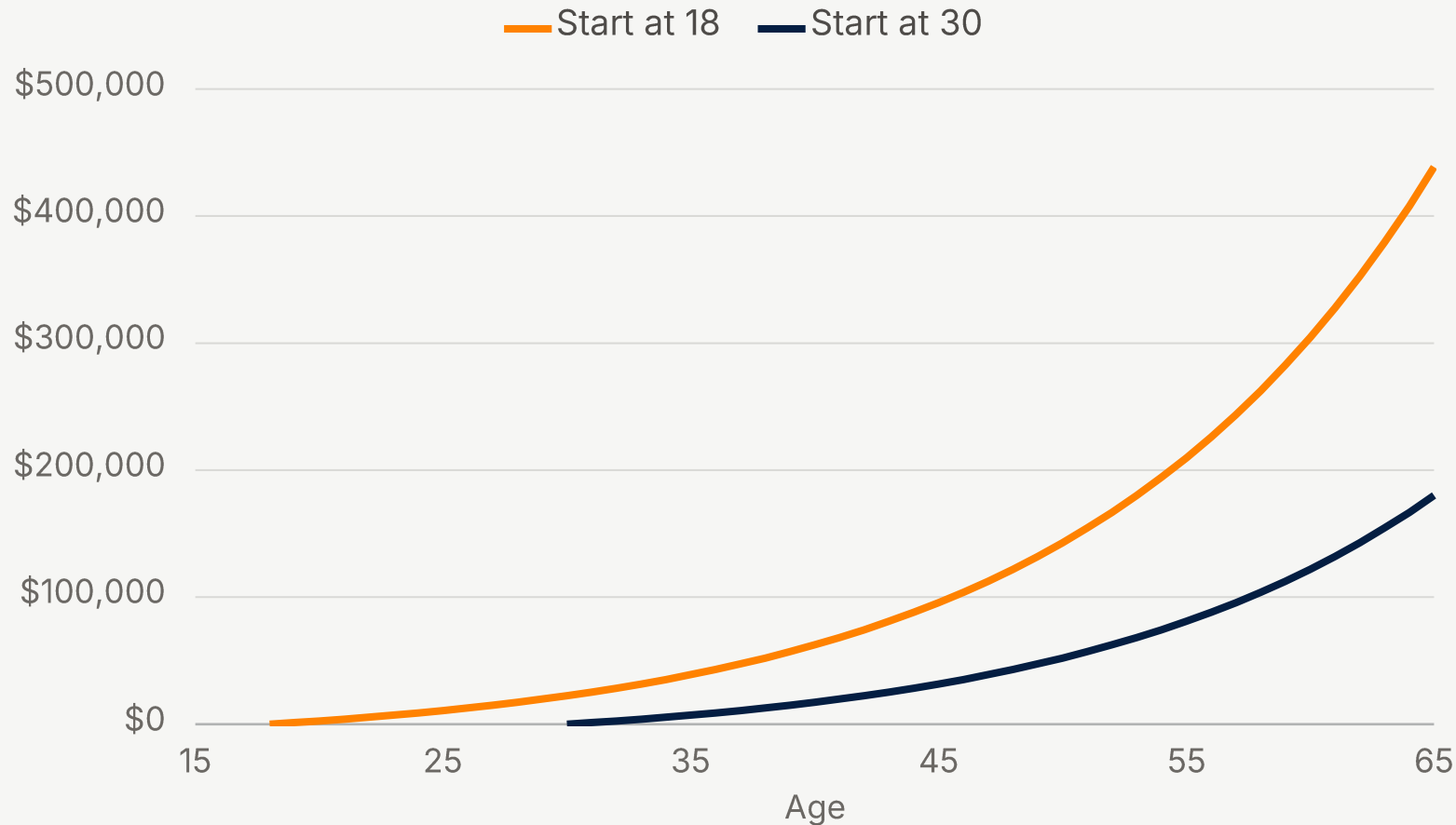
Watching a balance fall 30% is hard. Pick a plan you can stick with in a bad year.

LIQUIDITY

How fast can I get to it?

Emergency money must be easy to reach. Long-term money can be locked up for better returns.

Compounding: \$100 a month, started at 18 or at 30



\$56,400

of your own money ($\$100 \times 12 \times 47$ years)

\$439,000

at 65 if you start at 18

\$180,000

at 65 if you start at 30

Try it: Investing and Compound Growth

TRY IT

See time, fees, and market swings at work

- 1 Start with \$100 a month from age 18 to 65.
- 2 Change the starting age to 30. How much less do you end with?
- 3 Move the stock/bond mix. Watch the range of outcomes widen.
- 4 Raise the yearly fee from 0.10% to 1%.

Notice: Starting early matters more than how much you put in.



Scan to open the tool

center-for-free-
enterprise.github.io/PFL/invest.html

Check your understanding

You'll need \$8,000 for a car in two years. Where does that money belong?

A All in one company's stock

B A high-yield savings account or a CD

C Cryptocurrency, for faster growth

D A retirement account

Two big decisions: college and a home

Both mean borrowing large amounts for a long time. Small differences in how much you borrow and at what rate add up to thousands of dollars.

\$325

a month to repay \$30,000 at 5.5% over 10 years

\$60,000

extra interest: \$250,000
mortgage at 7.5% vs. 6.5%

Student loans: federal first, and borrow only the gap

START HERE

Federal loans

- ◆ Fixed rates set by federal law
- ◆ Payments can adjust to your income
- ◆ No credit history or co-signer needed

ONLY AFTER THAT

Private loans

- ◆ Often variable rates
- ◆ May need a co-signer
- ◆ Fewer protections, no forgiveness

INTEREST WHILE YOU'RE IN SCHOOL

Borrow \$20,000 unsubsidized at 5.5% and take four years to finish: about \$4,400 of interest builds up. You graduate owing about \$24,400.

\$20,000 → \$24,400

Does the degree pay for the debt?

RULE OF THUMB

Total student debt at graduation should not exceed your expected first-year salary.

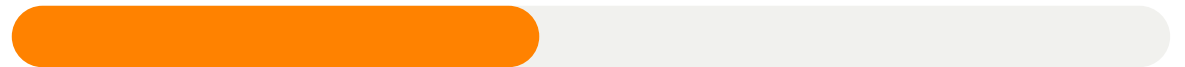
Starting salaries average \$45,000 in your field? Keep total borrowing under \$45,000.

\$30,000 at 5.5% over 10 years $\approx$ \$325 a month. How much of your take-home pay is that?

\$40,000 salary

about \$2,860 a month take-home

11%



\$65,000 salary

about \$4,534 a month take-home

7%



Repaying federal loans: the rules changed in 2026

FIXED PAYMENTS

Standard Plan

- ◆ **Term by balance:** 10 years under \$25,000, then 15, 20, or 25 years
- ◆ **Longer term:** smaller payment, more interest
- ◆ **Pay faster:** any time, no penalty

PAYMENT TIED TO INCOME

Repayment Assistance Plan

- ◆ **1% to 10%** of your income, \$10 minimum
- ◆ **Unpaid interest** is waived when you pay on time
- ◆ **After 30 years**, any balance left is forgiven

PUBLIC-SECTOR JOBS

Public Service Loan Forgiveness

- ◆ **After 10 years** of qualifying payments, the rest is canceled
- ◆ **RAP payments** count toward it

NEW RULES

For federal loans made on or after July 1, 2026. Rules change with new laws, so confirm the details at [StudentAid.gov](https://studentaid.gov) before you borrow.

Try it: Loan Calculator: Student Loans

TRY IT

Watch interest build while you're in school

- 1 Start with \$30,000 unsubsidized at 5.5%, four years of school.
- 2 Read what you owe at graduation.
- 3 Compare 10, 15, 20, and 25-year terms.
- 4 Add \$50 a month in extra payments.

Notice: Paying the interest while in school keeps the balance from growing.



Scan to open the tool

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enterprise.github.io/PFL/loans.html#st
udent

Mortgages: rent or buy?

FLEXIBILITY

Renting

- ◆ Move when your life changes
- ◆ No repairs or maintenance bills
- ◆ No large down payment

Trade-offs: Rent can rise over time. Builds no ownership.

BUILDING EQUITY

Buying

- ◆ Builds equity as you pay down the loan
- ◆ A fixed rate locks in your payment
- ◆ The home may rise in value

Trade-offs: Down payment and closing costs. Taxes, insurance, and repairs are on you.

Down payment, PMI, and the rate you're offered

20%

down avoids PMI and lowers the payment

0.5–1%

of the loan a year: typical PMI below 20% down

3.5%

minimum down on FHA loans: easier to start, costs more over time

SAME \$250,000 HOUSE, 30-YEAR MORTGAGE

6.5% rate

\$1,580/mo

7.5% rate

\$1,748/mo

+\$60,000

extra interest over 30 years, from one percentage point

Your credit score is the biggest thing you control in the rate you're offered.

Try it: Loan Calculator: Mortgages

TRY IT

What a home really costs each month

- 1 Start with a \$250,000 home, 10% down, 6.5%, 30 years.
- 2 Find the PMI line. Raise the down payment to 20%.
- 3 Change the rate to 7.5%. Compare the payment.
- 4 Compare 15- and 30-year terms.

Notice: The monthly payment includes taxes, insurance, and PMI, not just the loan.



Scan to open the tool

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ortgage

Check your understanding

Starting salaries in your field average \$45,000. By the rule of thumb, what is the most you should borrow in total?

A \$90,000: two years of salary

B \$45,000: one year of starting salary

C Whatever the school offers you

D No limit, if the loans are federal

Own the market, not one company

Stocks, bonds, and funds are the building blocks. For most beginners, a low-cost index fund or ETF is the simplest, most effective choice.

0.03%

yearly fee on some broad index funds

\$0

minimum to open many brokerage accounts

The building blocks

Stocks

Own a small piece of one company

Highest long-run returns, biggest swings

Bonds

Lend to a government or company

Steadier, lower returns

Mutual funds

Many investments in one purchase

Managers pick; you pay for it in fees

Index funds and ETFs

Track a whole market, like the S&P 500

Very low fees; the beginner's best friend

Getting started is easier than you think

1

Open a brokerage account

Online, often with no minimum. Link your bank and transfer money in.

2

Or let a robo-advisor do it

Answer a few questions; it builds and rebalances an index-fund portfolio for about 0.25% a year.

3

Under 18 with a job?

Ask a parent about a custodial Roth IRA. Summer-job money can grow for 50 years.

Don't put all your eggs in one basket

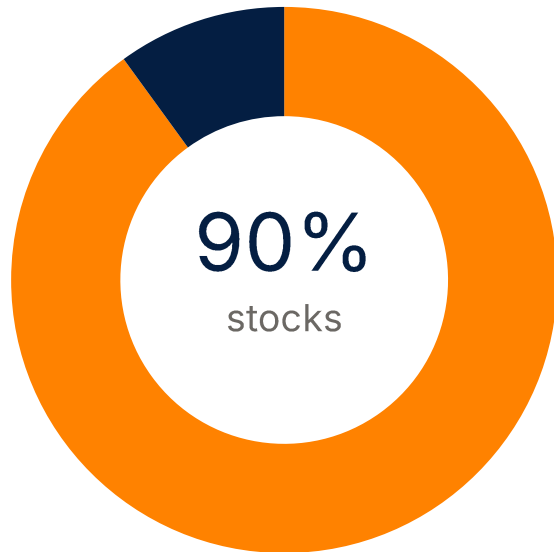
Spread your money across many investments, and across kinds of investments, so no single failure can sink you.



Diversify within and across asset classes

Younger investor

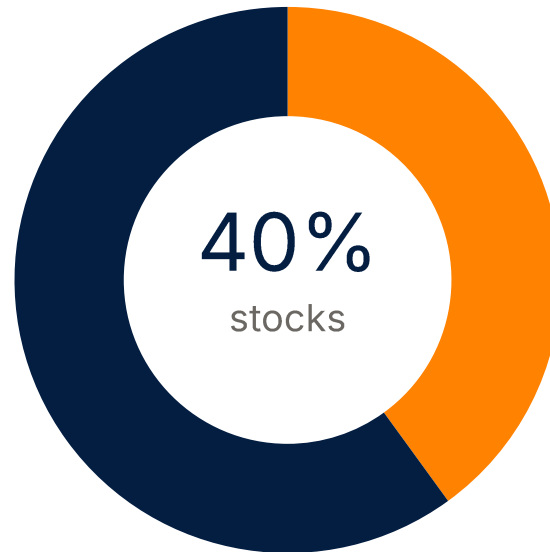
decades to retirement



90% stocks · 10% bonds

Near retirement

protecting built wealth



40% stocks · 60% bonds

Within an asset class

Hundreds of companies instead of one or two. An index fund does this for you.

Across asset classes

Stocks and bonds react differently. When stocks fall, bonds often hold their value.

Dollar-cost averaging: same amount, every month

MONTH	PRICE PER SHARE	YOU INVEST	SHARES BOUGHT
Month 1	\$10.00	\$100	10.0
Month 2	\$8.00	\$100	12.5
Month 3	\$5.00	\$100	20.0
Month 4	\$10.00	\$100	10.0
Total		\$400	52.5

\$7.62

your average cost per share

\$8.25

the average price over the four months

Retirement accounts come with tax breaks

They hold your investments. Inside, growth isn't taxed every year, so more of it keeps compounding.

\$24,500

2026 limit for your own 401(k) contributions

\$7,500

2026 limit for an IRA

The 401(k) match: the closest thing to free money

\$50,000 salary, employer matches 100% up to 3%

\$1,500

you contribute (3%)

+\$1,500

your employer adds

\$3,000 a year going to your retirement for \$1,500 of your own money. Skip the match and you turn down part of your pay.

401(k)

Through your employer, taken from each paycheck. \$24,500 limit in 2026.

IRA

Opened on your own at a bank or brokerage. More choices, \$7,500 limit in 2026.

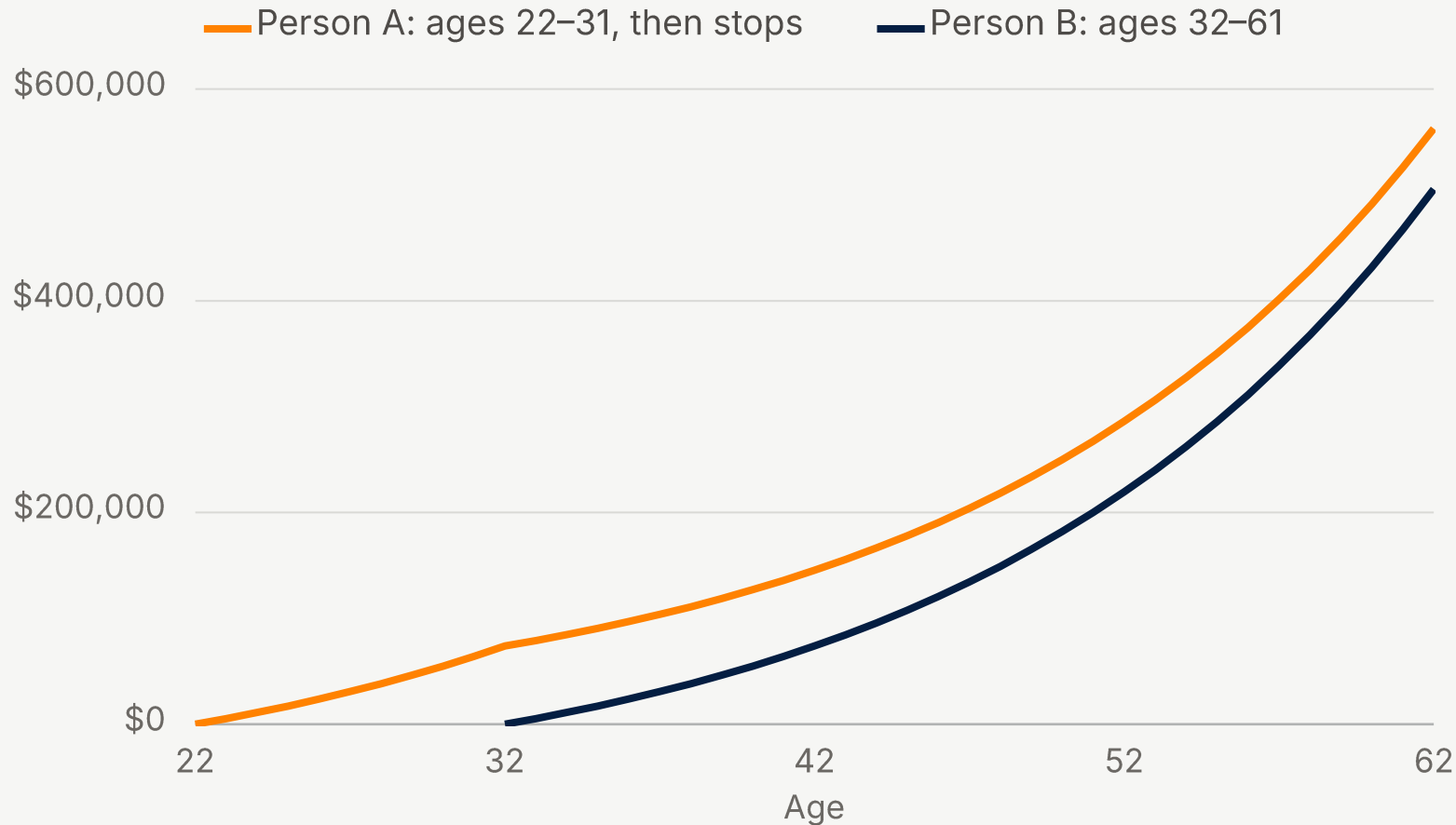
Traditional or Roth: when do you pay the tax?

	MONEY GOES IN	GROWS FOR DECADES	YOU TAKE IT OUT
Traditional 401(k) or IRA	Not taxed	Not taxed	Taxed here
Roth 401(k) or IRA	Taxed here	Not taxed	Not taxed

ROTH USUALLY WINS EARLY

Early in your career you're likely in a low tax bracket. Paying the tax now and withdrawing decades of growth tax-free is why a Roth usually fits students and new workers best.

Ten years early beats thirty years late



\$563,000

Person A at 62: put in
\$50,000 over 10 years

\$505,000

Person B at 62: put in
\$150,000 over 30 years

Try it: Paycheck and Employer Match

TRY IT

What the match adds to your pay

- 1 Start with a \$50,000 salary and a 100% match up to 3%.
- 2 Contribute 3%. How much does your paycheck actually drop?
- 3 Contribute 1%. How much match do you leave on the table?
- 4 Switch between Traditional and Roth.

Notice: A Traditional contribution costs your paycheck less than it puts in, because it lowers your taxes now.



Scan to open the tool

center-for-free-
enterprise.github.io/PFL/match.html

Check your understanding

You're 19, working part-time, and in a low tax bracket. Which account usually makes the most sense for retirement savings?

A A Traditional IRA

B A Roth IRA

C A regular savings account

D Nothing until you earn more

The costliest mistakes are about behavior, not math

Waiting, panicking, trading too often, paying high fees, betting on one thing, and chasing hype.

\$166,000

what a 1% fee can cost on
\$100,000 over 30 years

**15% vs.
24%+**

tax on a \$200 gain held more
than a year vs. a year or less

Six mistakes, six fixes

1

Timing the market

Fix: Start once your emergency fund is in place.

2

Panic selling in a drop

Fix: Do nothing. Volatility is the price of returns.

3

Ignoring fees

Fix: Check the expense ratio; aim under 0.1%.

4

Betting on one company

Fix: Own the whole market through index funds.

5

Chasing hype

Fix: Only money you can afford to lose entirely.

6

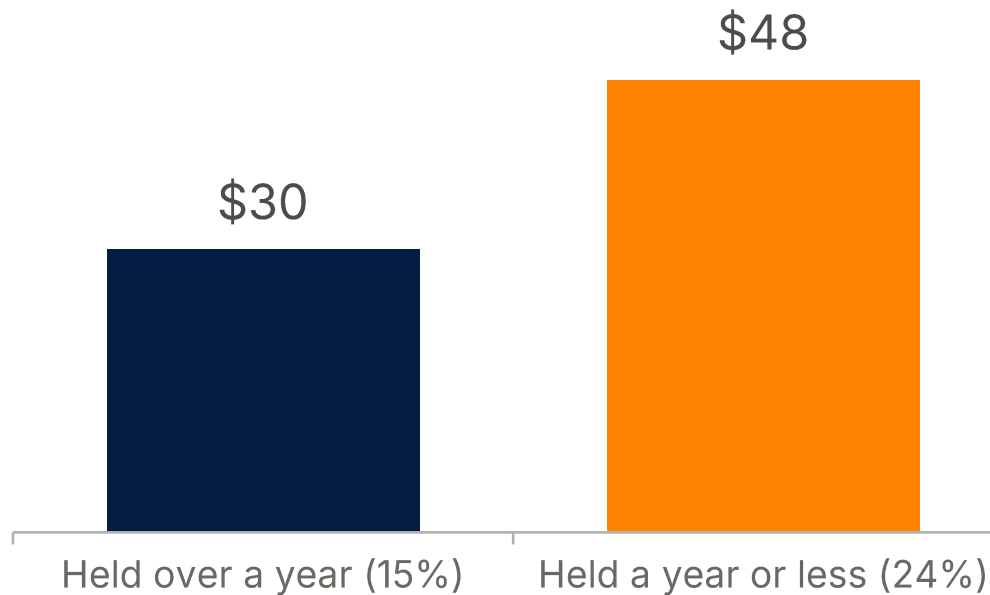
Starting late

Fix: Even \$25–\$50 a month builds the habit.

Patience pays twice: lower taxes, lower fees

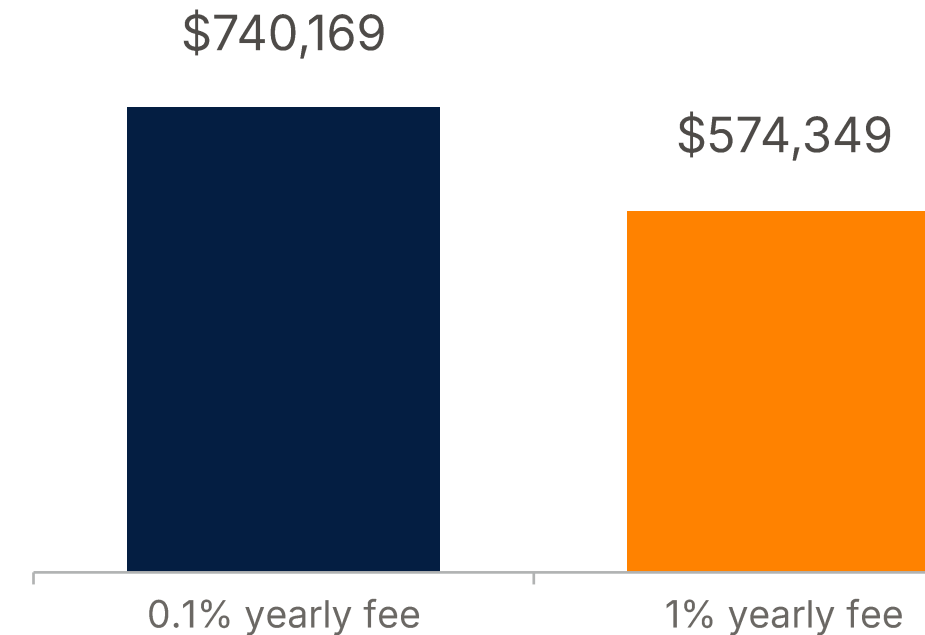
A \$200 gain on a stock

Bought at \$1,000, sold at \$1,200



\$100,000 for 30 years

7% a year before fees



Check your understanding

You invest in a diversified index fund for 40 years. The market drops 30% this year. What's usually the best response?

A Sell everything before it falls further

B Stay the course and keep investing

C Move it all into cryptocurrency

D Stop contributions until prices recover

Your net worth: one number that sums it all up

Assets

what you own

Savings
\$3,000

Roth IRA
\$2,000

Car
\$8,000

Liabilities

what you owe

Card
\$1,500

Car loan
\$5,000

Net worth
\$6,500

\$13,000 assets – \$6,500 liabilities = **\$6,500 net worth**

WATCH THE TREND

Net worth can be negative early in life, especially with student loans. That's normal. Track it once or twice a year and watch the trend, not the number.

What to take away from Session 2

01

Start now

Time is the one thing you can't recover.

02

Invest for the long term

Savings for short-term goals; investing for retirement.

03

Borrow wisely

Federal loans first; debt under your first-year salary.

04

Keep costs low

Broad index funds or ETFs with low fees.

05

Take the match

Free money now; a Roth adds tax-free growth.

06

Stay the course

Don't time the market or panic sell.

THANK YOU

Patient habits build wealth

Spend less than you earn, save consistently, borrow only when it makes sense, and invest patiently over a long time.

Questions? c4fe@utep.edu



All tools and the full reading

For learning only; not financial advice. Rates, limits, and rules change: check official sources before real decisions.