



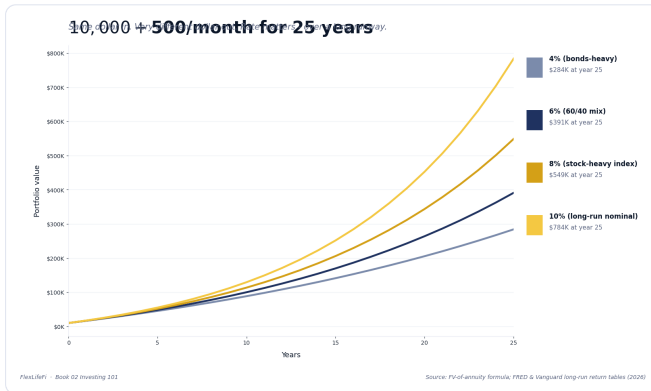
Investing 101

*Own it. Diversify it. Rebalance it.
The three-step plan that beats the pros.*

THE BIG PICTURE

Time is the multiplier. Pick your phase.

A small dollar invested early beats a big dollar invested late. That is the whole game. Two things tell you what to do next: the long-run market average, and the phase your portfolio is in today.



\$10K + \$500/mo, 25 years. The 10% line ends near 4x the 4% line. Same money in. Time + rate do the work.³

Three numbers worth memorizing

~7%

S&P LONG-RUN REAL RETURN

Inflation-adjusted long-run return of the U.S. stock market, ~100 years.¹

0.04%

VANGUARD TOTAL-STOCK ER

Expense ratio of VTSAX. A 1% fund is 25x more expensive every year, forever.⁵

60/40

STARTER STOCK/BOND MIX

The classic balanced portfolio - 60% stocks, 40% bonds, used in the original Trinity Study.¹⁹

THE PHASE RIBBON

Where you are now

OWN - you have nothing invested, or only company stock / a savings account. Goal: open the account, buy the haystack.

DIVERSIFY - you own one fund or one big slug of one stock. Goal: spread across US, international, and bonds in a target mix.

REBALANCE - the mix has drifted. Goal: a 15-minute reset every January, plus tax-loss harvesting in down years.

"My first index fund purchase was \$200 in VTSAX. I almost did not click the button. I am very glad I did. That \$200, plus every \$200 after it, is why we own our boutique hotel today."

SUSANNE WILDY · KS · FLEXLIFEFI
PORTFOLIO ANCHOR

PHASE ONE · OWN

OWN · buy the haystack, not the needle.

*An **index fund** is a basket that holds every public company on a list, in proportion. Buy one share of a total-stock index fund and you own a sliver of about 3,700 U.S. companies in a single line item.⁵ You stop picking. You own the haystack.*

SOURCE-DIRECT

What the broker pages actually say

Vanguard: VTSAX holds the entire U.S. stock market in one fund, ER 0.04%, 3,700+ holdings.⁵

Fidelity: FZROX is zero-fee, zero-minimum, total U.S. market index fund.⁸

Schwab: SWTSX (mutual) and SCHB (ETF) track the Dow Jones U.S. Broad Stock Market Index.¹⁰

SEC Investor.gov: "Index funds typically have lower costs and turnover than actively managed funds."²

1 | Index funds beat individual stocks for ~95%+ of investors.

S&P SPIVA reports show roughly 85% of large-cap U.S. active funds underperform the S&P 500 over 15 years.¹³ Pros lose. You will too. Own the index.

2 | ETF vs. mutual fund - mostly the same thing.

Same holdings, different wrapper. ETFs trade all day; mutual funds price once. ETFs are usually slightly more tax-efficient. Either is fine for a Roth IRA.⁵

3 | The three-fund portfolio is the simplest serious plan.

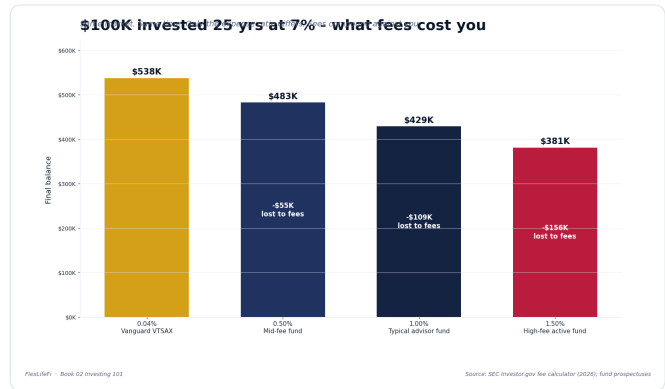
U.S. total stock + International total stock + U.S. total bond. Popularized by Taylor Larimore on the Bogleheads forum. Build it at any major broker.⁷

4 | Dollar-cost averaging - automate it and stop guessing.

Vanguard's 2012/2023 study found lump sum beats DCA ~68% of the time. But for paychecks, DCA is automatic. Set \$200/month and walk away.¹²

5 | Capture the full 401(k) employer match - first.

A 50% match on the first 6% of pay is an instant 50% return. Vanguard's How America Saves 2025 reports the median match formula is 50% to 100% on the first 3-6% of pay.¹⁵



The quiet wealth thief. Same \$100K, same 25 years, only the fee differs. A 1% fund leaks ~\$160K vs. VTSAX. Verified on the SEC fee calculator.²

Quick Check 1 - Own

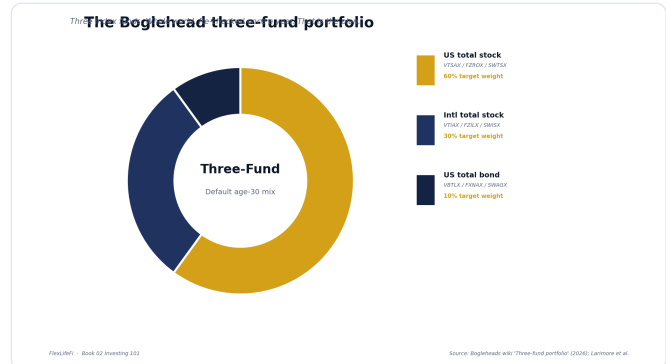
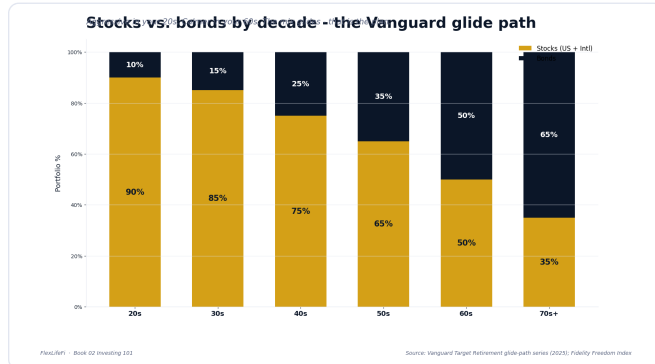
1. Your 401(k) matches 100% of the first 4%. You contribute 2%. How much "free money" are you leaving on the table this year on a \$60K salary?
2. You see two total-market funds: one at 0.04% ER, one at 0.85% ER. Same market, same holdings list. Which do you pick? Why?
3. True or false: "I'll get back in when things calm down" is a valid investing strategy.

Answers in the footer of page 4 →

PHASE TWO · DIVERSIFY

DIVERSIFY · spread across what, where, and when.

Diversification means owning many different things so one bad outcome cannot break you. Vanguard publishes its Target Retirement glide path; Fidelity Freedom Index funds publish theirs.^{6,9} Match your age to the mix - then automate it.



Vanguard glide path by decade. 90/10 in your 20s, 35/65 in your 70s. The mix glides - you do not.⁶

Susanne at 38 uses 55/28/17 - between the 30 and 45 templates. Auto-buy on the 1st.⁷

1 | U.S. + International - own the whole world.

The U.S. is ~60% of global stock market cap. A 70/30 US/Intl split mirrors most major glide paths.^{6,11}

2 | Stocks for growth, bonds for the seatbelt.

Bonds drop less when stocks crash. In 2020 the S&P fell 34% in 5 weeks; total bond funds drifted up.²¹

3 | Age-based glide path.

"Age in bonds minus 10": at 30, hold 20% bonds. Vanguard 2060 funds run 90/10; 2030 funds run ~50/50.⁶

4 | REITs - real estate inside a fund.

Vanguard VNQ holds shopping centers, hospitals, apartments at 0.13% ER. Cap REIT exposure at 5-10%.⁵

5 | Asset allocation by age - templates.

Age 30: 60/30/10. Age 45: 50/25/25. Age 60: 40/20/40. Mirrors Vanguard's glide path.⁶

THE TRAP

"Home-country bias."

Most U.S. investors hold 100% U.S. because it's familiar. The U.S. had a negative real decade 1999-2009. International is the seatbelt.^{6,11}

Quick Check 2 - Diversify

1. You are 42 and own only VTSAX. Using the templates, what two slices are missing?
2. If U.S. equities have a flat decade, what part of the three-fund still has a job?
3. Why is "age in bonds minus 10" only a starting point?

Page 3 answers: 1) ~\$1,200; 2) 0.04% - fee compounds; 3) False - missing 10 best days cuts S&P returns ~in half.^{2,15,23}

PHASE THREE · REBALANCE

REBALANCE · sell-high, buy-low - on autopilot.

Rebalancing is the one chore in indexing. Vanguard Research found a simple annual rebalance plus tax-loss harvesting can add roughly 0.35% per year of after-tax return - real money over a 25-year window.²⁵

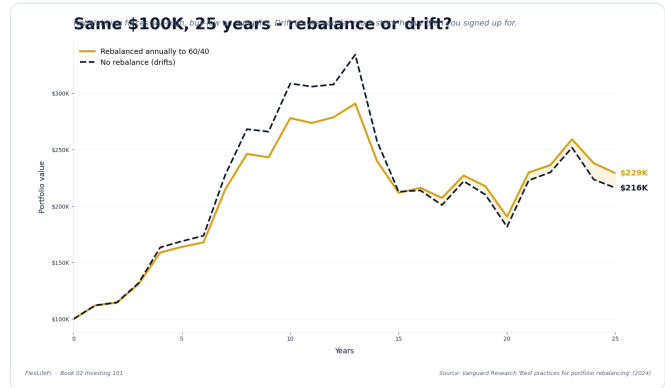
SOURCE-DIRECT

What Vanguard's research actually says

Vanguard: "Best practices for portfolio rebalancing" (2024) - rebalance annually OR when allocation drifts more than 5 percentage points.²⁵

IRS: Tax-loss harvesting limit is \$3,000 of ordinary income offset per year; carry forward unlimited (Pub 550).²⁶

Bogleheads wiki: Threshold band of +/-5% of target weight is the most common rule.⁷



Same \$100K, 25 simulated years, same returns. Rebalanced annually vs. let-it-drift. The drift line ends ~85% stock - well past the 60/40 risk you signed up for.²⁵

1 | Annual rebalance - 15 minutes, in January.

Open your portfolio. If a slice is over its target weight, sell down. If under, buy up. Inside a Roth IRA there is zero tax. Done in 15 minutes, in pajamas.²⁵

2 | Tax-loss harvesting - in taxable accounts only.

If a fund is below your purchase price, sell it, buy a similar (not identical) fund, lock in a tax loss up to \$3,000 against ordinary income. Avoid the 30-day wash-sale rule.²⁶

3 | Threshold rebalance - the +/-5% band.

Skip the calendar. Rebalance whenever any slice drifts more than 5 percentage points from target. Less frequent in calm years, more frequent in 2020-style ones.²⁵

4 | Glide-path adjustment - shift bonds up every decade.

If you hold individual funds (not a target-date fund), increase bond allocation ~10 percentage points each decade. A target-date fund does this for you.⁶

THE TRAP

Rebalancing in a taxable account during a bull year.

Selling appreciated stock funds creates capital gains. Whenever possible, rebalance using new contributions or inside tax-advantaged accounts (Roth IRA, 401(k), Solo 401(k)) instead.²⁶

"I rebalance every January 15th, the day after my 1099 envelope arrives. It takes me one cup of coffee. Last year that 15-minute reset moved roughly \$42K from stocks back to bonds and shaved years of risk off the runway to retirement."

SUSANNE WILDY · FLEXLIFEFI
PORTFOLIO · KS · 2026

COMPANIES & REFERENCE

Eight phone numbers worth saving today.

Every URL and phone in this table verified by web search on 2026-04-25. These are the consumer-facing main lines. No call-center traps. No upsell.

Company / Agency	Website	Phone	What to ask for
Vanguard	vanguard.com	800-523-1036 ⁵	Open a Roth IRA. Fund VTSAX or Target Retirement.
Fidelity Investments	fidelity.com	800-343-3548 ⁸	Open a Roth IRA with FZROX + FZILX.
Charles Schwab	schwab.com	800-435-4000 ¹⁰	Open a Roth IRA with SWTSX / SWAGX.
M1 Finance	m1.com	312-600-2883 ²⁷	Auto-rebalanced "pie" Roth IRA.
Wealthfront	wealthfront.com	877-910-4232 ²⁸	Robo-advisor with auto tax-loss harvest.
Betterment	betterment.com	718-400-6898 ²⁹	Robo-advisor 0.25% mgmt + auto-rebalance.
SEC Investor Hotline	investor.gov	800-732-0330 ²	Verify a broker, use the fee calculator.
FINRA BrokerCheck	brokercheck.finra.org	800-289-9999 ³⁰	Look up any broker or advisor.
Bogleheads forum	bogleheads.org	(web only)	Search "three-fund portfolio."
Morningstar	morningstar.com	312-696-6000 ³¹	Fund expense ratios, holdings, ratings.

HOW TO USE THIS PAGE

Pick one. Open the account. Buy the haystack.

Step 1. Pick Vanguard, Fidelity, or Schwab. Any of the three is fine. Fidelity has \$0 minimums + zero-ER funds, so it's the easiest first stop. **Step 2.** Open a Roth IRA online (15 minutes). **Step 3.** Buy a target-date fund matching your retirement year, or a three-fund split. **Step 4.** Set a \$50-\$500/month auto-deposit. Done.^{5,8,10}

**CAPTAIN COMPOUND**

"If a 'broker' calls you out of the blue and pressures you to act today, hang up. Verify on FINRA BrokerCheck. A real fiduciary will wait."

THE TRAP

"Free" advisors who earn commissions.

Look only for fee-only fiduciaries (search at napfa.org). Anyone earning a commission on what they sell you has a conflict the SEC has documented for decades.^{2,30}

ACTION PLAN · 30 DAYS

Six dated steps. One month. First share owned.

Tear this page out. Tape it to the fridge. Check the boxes as you go. The first auto-deposit hitting your Roth IRA is where most readers feel the switch flip from "saver" to "investor."

- DAY 1** **Pick a broker. Open a Roth IRA online.**
 Fidelity (zero minimum, FZROX zero-ER), Vanguard, or Schwab. 15 minutes. SSN + bank account. The hardest part is starting.^{5,8,10}
- DAY 3** **Link your bank. Verify micro-deposits.**
 Two-day micro-deposit verification is normal. Do not panic. While you wait, write down your retirement year - that's the target-date fund you'll buy.
- DAY 7** **Buy your first fund.**
 Easiest path: a target-date fund matching the year you turn 65. More advanced: three-fund split (page 4). Even \$50 starts the clock. Break the seal.^{6,7}
- DAY 14** **Capture the full 401(k) match.**
 Log in to your workplace plan. Adjust contribution % to at least the full match. If 1099, schedule a Solo 401(k) call - see Book 09.¹⁵
- DAY 21** **Set up auto-invest, every payday.**
 Recurring contribution, \$50-\$500/month, dated 1-2 days after your usual paycheck. Automating the deposit beats remembering it.¹²
- DAY 30** **Calendar your January rebalance.**
 Add a 15-minute calendar event for January 15th, every year. Sell what's over its target weight, buy what's under. Done in pajamas.²⁵



*Captain
Compound*

POINTS THE WAY

CAPTAIN COMPOUND SAYS

"Day 31 is when you wake up an investor."

Most of investing is the decision to start. The math is forgiving. The clock is not. Every year you delay costs you ~7% of the final balance, compounded.^{1,3}

\$0

STARTING COST

Fidelity Roth IRA + FZROX = \$0 minimum, \$0 expense ratio. Postage not even required.

GLOSSARY

Twelve terms - in plain English.

Every word a beginner stumbles on, defined in one sentence. If you only read one section before opening your first account, read this one.

Stock

A tiny ownership slice of one public company. Two return paths: price up, plus dividends.

Bond

A loan you give to a government or company that pays you interest on a schedule, then returns your loan at maturity.

Index fund

A fund that holds every company on a published list (like the S&P 500) in proportion. You stop picking stocks; you own the haystack.^{5,7}

ETF

Exchange-traded fund. Almost identical to an index fund but trades like a stock all day. Usually slightly more tax-efficient.⁵

Expense ratio (ER)

The annual fee a fund charges, taken automatically out of your balance. 0.04% is great. 1% is a wealth thief.^{2,5}

Three-fund portfolio

The famous lazy portfolio: U.S. total stock + international total stock + U.S. total bond, in age-appropriate weights.⁷

Asset allocation

The percentage split between stocks, bonds, and any other slice. The single biggest driver of long-term return and risk.⁶

Glide path

How your stock/bond mix slowly changes - usually getting more conservative - as you near retirement. Target-date funds do it for you.^{6,9}

Rebalance

The annual chore of selling slices that grew over their target weight and buying slices that shrank under. 15 minutes a year.²⁵

Tax-loss harvesting

Selling a fund at a loss in a taxable account to offset taxes, then buying a similar (not identical) fund the same day. Up to \$3,000/yr ordinary-income offset.²⁶

Dollar-cost averaging (DCA)

Investing a fixed amount on a fixed schedule, no matter the price. Your paycheck deposits already do this for you.¹²

Roth IRA

An after-tax retirement account. Money goes in taxed, grows tax-free, and comes out tax-free in retirement. 2026 limit: \$7,500 (under 50).¹⁶

Compound interest

Interest that earns interest, then earns interest on that interest. Boring at first. Silly later.¹

Target-date fund

A one-fund portfolio that holds stocks and bonds in a glide path that gets more conservative as the target year approaches.⁶

FAQ, CROSS-REFERENCES & CITATIONS

Six questions. Two next books. Every source.**FAQ****1. I have \$500. Where do I start, exactly?**

Open a Roth IRA at Fidelity (zero minimum). Buy FZROX. Set up a \$50/mo auto-deposit. You are done.⁸

2. Roth or Traditional?

Early career or expecting higher taxes later: Roth. Mid/late career, high bracket today: Traditional. Many people split. Both beat a taxable brokerage for retirement money.¹⁶

3. How much do I need to retire?

A starting estimate: annual spending x 25 (the Trinity Study 4% rule). \$50K/year spending = ~\$1.25M target. See Book 10.^{19,20}

4. Should I invest if I have credit-card debt?

Capture the full 401(k) match first - free money. Then attack any debt above ~7% before adding more. See Book 04.¹⁵

5. The market is at an all-time high. Should I wait?

No. The market closes at all-time highs about 7% of trading days in a typical year. Waiting is the most expensive habit in personal finance.^{12,21}

6. How often should I rebalance?

Once a year, on a calendar date you pick (we use January 15). Sell what's over target, buy what's under. 15 minutes.²⁵

READ NEXT**Book 05 - Alternative Investments**

Mineral rights, syndications, private real estate. The "spice" portion of the FlexLifeFi portfolio - and what we hold inside our Solo 401(k) alongside the index funds.

READ NEXT**Book 10 - Complete Retirement Guide**

The 4% rule in full, Roth conversion ladders, Social Security claiming, RMDs, drawdown sequencing. The full retirement playbook.^{19,20}

READ FIRST IF**Book 04 - The Debt Snowball**

Read 04 first if you carry credit-card or personal-loan balances. A 22% APR cancels every reasonable investing return.

1. Federal Reserve / Robert J. Shiller historical U.S. equity return data, econ.yale.edu/~shiller/data.htm (2026); long-run real return ~6.5-7.0%.

2. U.S. Securities and Exchange Commission, Investor.gov fee calculator, investor.gov/financial-tools-calculators (2026); Investor Hotline 800-732-0330.

3. Future-value-of-annuity formula, $FV = PMT * [((1+r)^n - 1) / r]$; calculated 2026-04-25.

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17. IRS Notice 2025-67, 2026 401(k) limits, irs.gov/retirement-plans; employee deferral \$24,500 + \$8,000 catch-up.
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Own it. Diversify it. Rebalance it.

Three phases. One portfolio. The same boring playbook the largest endowments in the world use, run with three index funds and a calendar reminder.

Open the Roth IRA. Buy the haystack. Auto-deposit every payday. Rebalance every January. Hand this book to someone who needs it next.

"We didn't wait for retirement to start living."

Educational content only - not financial, investment, tax, or legal advice. Consult qualified professionals before making financial decisions. Individual results will vary. Past performance does not guarantee future results. URLs and phone numbers verified 2026-04-25 and may change after publication. All return figures used in worked examples are illustrative.