

The Financial Ascent

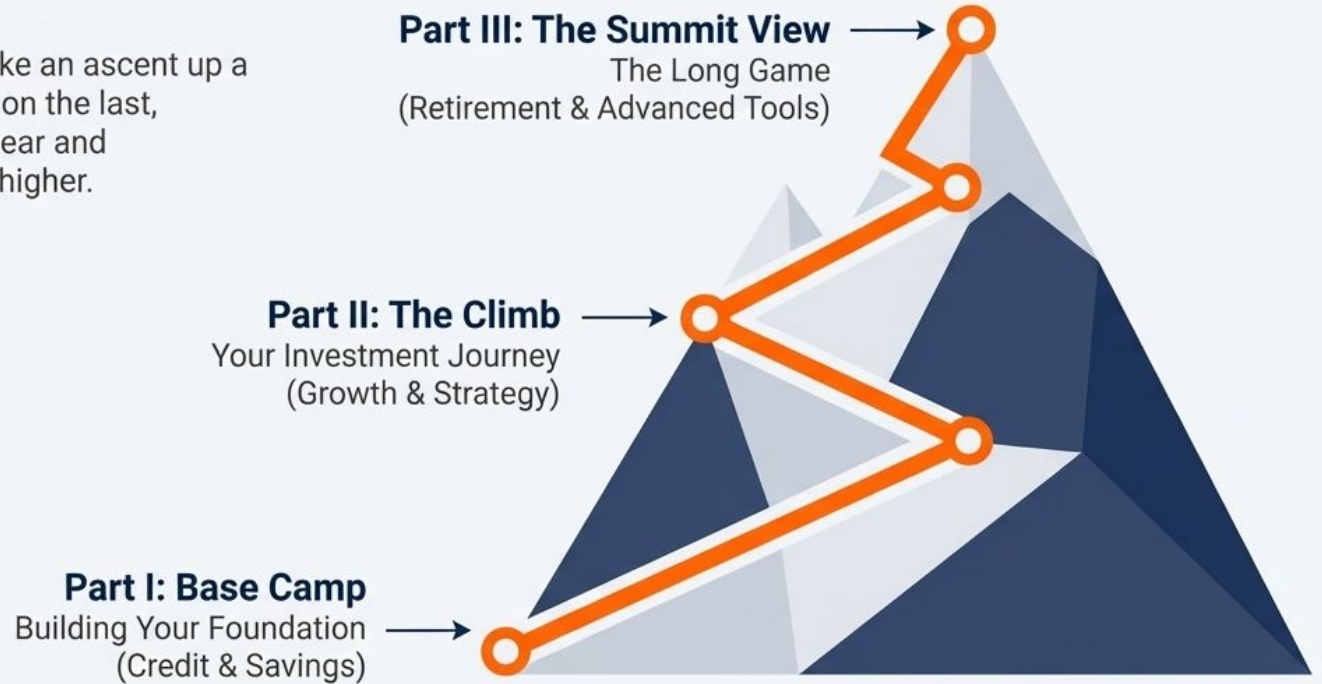
A Young Investor's Playbook for Building Wealth



FORT SHERIDAN
ADVISORS

Your Journey to the Summit

We've structured this guide like an ascent up a mountain. Each stage builds on the last, ensuring you have the right gear and knowledge before you climb higher.



Part I: Base Camp

Building your foundation

Trail Markers: The Language You Must Know



APR (Annual Percentage Rate):

The interest you're charged on balances.



Minimum Payment:

The smallest amount you *must* pay to avoid fees.



Credit Limit:

The max amount you can borrow.



Statement Balance vs. Current Balance:

Your bill vs. what you owe right now.



Grace Period:

The time you have to pay without being charged interest.



HYSA (High Yield Savings Account):

A savings account with a higher interest rate.

The Two Pillars of a Strong Foundation.

Before the ascent, every climber must establish a secure base. Yours rests on two pillars that determine the success of your entire journey.

Pillar 1: Financial Stability

Your Safety Net.
Cash reserves to handle any storm.



Pillar 2: Financial Opportunity

Your Climbing Permit.
A credit history that unlocks the best tools for the journey ahead.



Pillar 1: Financial Stability

An emergency fund is a dedicated cash reserve for unexpected life events. It's the anchor that keeps a small setback (car repair, medical bill) from turning into a financial avalanche that wipes you off the mountain.



This isn't 'extra' money; it's your defense against debt and derailment.

Your Goal: 3-6 months of Essential Expenses in savings

1



Calculate

Sum up your essential monthly costs. This includes rent/mortgage, utilities, groceries, insurance, and transportation. Don't include discretionary spending like dining out or subscriptions.

2

$3x - 6x$

Multiply

Plan to have roughly 3 to 6 months of expenses in savings.

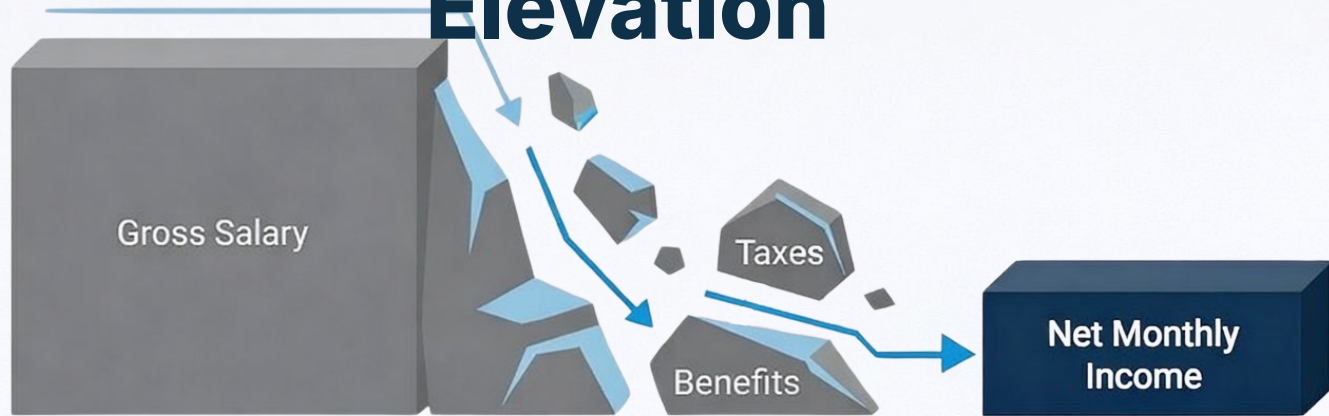
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Automate

Set up automatic transfers to a separate, high yield savings account. Treat this contribution like a bill you have to pay each month to stay on track.

Basecamp: Know Your Starting Elevation



Gross Income - Taxes - Benefits = Net Monthly Income

Your offer letter lies to you. Your budget must be built entirely on what actually hits your bank account.

The Foundation: Housing Strategy

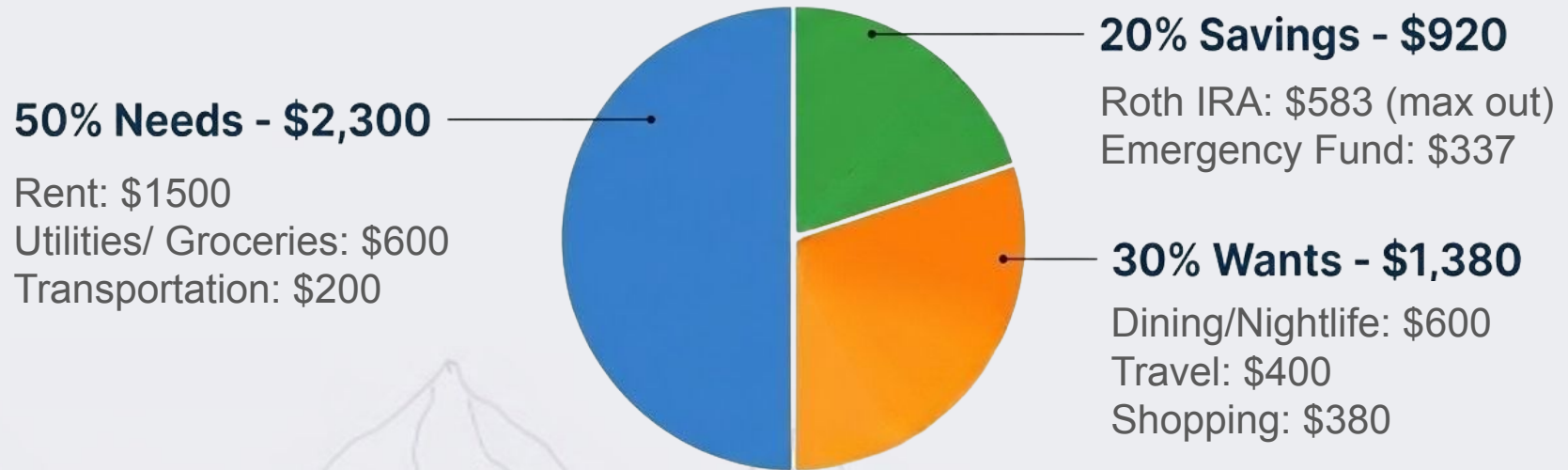
$$\frac{\text{Gross Monthly Income}}{3} = \text{Max Rent}$$

Housing is the anchor of your financial life. If this fixed cost gets too heavy, it drags down every other category.

- Ideally, rent should be ~30% (max 33%) of gross income.
- In high-cost cities, consider roommates or a longer commute to keep this number in check.
- Keep rent stable even as income rises.

Spending Guidelines

Case Study: \$75,000 Salary (~\$4,600 monthly take-home)







Seeing the specific numbers clarifies trade-offs.
If Rent is higher, "Wants" must be lower.

Pillar 2: Financial Opportunity

Credit is your ability to borrow money with the promise to pay it back. A strong credit history proves your reliability to lenders and acts as your reputation on the mountain.

Why It Matters:

-  Lower interest rates on car loans and mortgages
-  Easier apartment rental approvals
-  Better credit card rewards and terms
-  (In some cases) A factor in job offers



Decoding the Numbers: Your Financial GPS.

Your credit score is a number between 300 and 850 that signals your creditworthiness to lenders.



Key Factors That Build Your Score:



Payment History (Most Important)

Do you pay on time, every time?



Credit Utilization

How much of your available credit are you using?

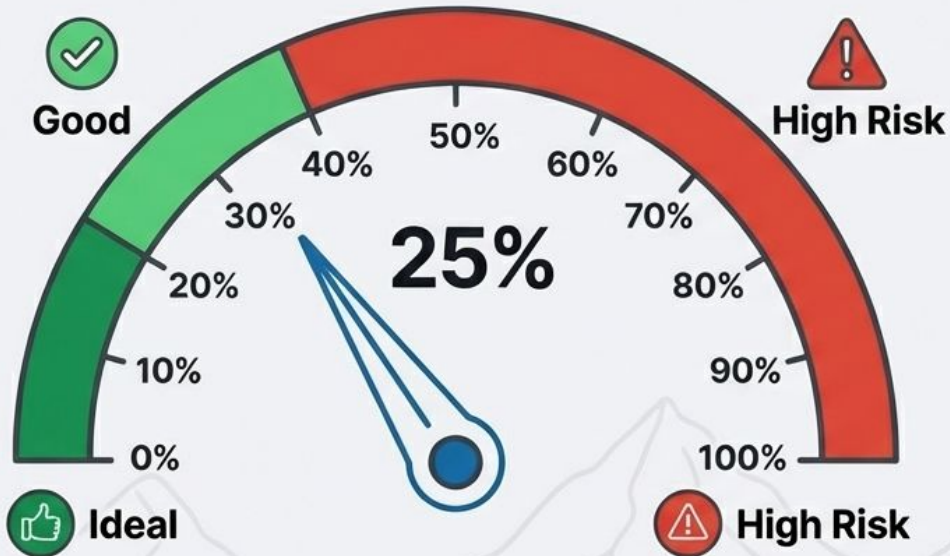


Length of Credit History

How long have you been using credit?

The Guideline: Keep Utilization Under 30%.

Lenders want to see that you use credit responsibly, not that you *need* it. The best way to show this is to use only a small fraction of your available credit limit.



Example:

Your Credit Limit: **\$5,000**

Keep your statement balance below: **\$1,500**



Pro-Tip:

Treat your card like a debit card, only spend what you can pay off.



Warning: The Minimum Payment is a Financial Trap

Paying only the minimum is the fastest way to get buried in high-interest debt. The minimum payment is designed to keep your account 'current,' but it maximizes the interest you pay to the bank.

The Goal: Pay in Full

Statement Balance: **\$693.41**

You Pay: **\$693.41**

\$0

Interest Paid:



The Trap: Pay Minimum

Statement Balance: **\$693.41**

You Pay: **\$35.00**

Amount gaining interest:

\$658.41



Always pay the statement balance in full.

The Cost of Carrying a Balance: Interest Calculation

Following the example, here's how interest accrues on the \$658.41 balance at a 20% APR.

The Trap Continues: Interest Calculation

Balance to Accrue Interest: \$658.41

Annual Percentage Rate (APR): 20%

Monthly Interest Rate. $20\% \div 12 = 1.67\%$ approx.

First Month's Interest Charge. $\$658.41 \times 0.0167 = \10.99



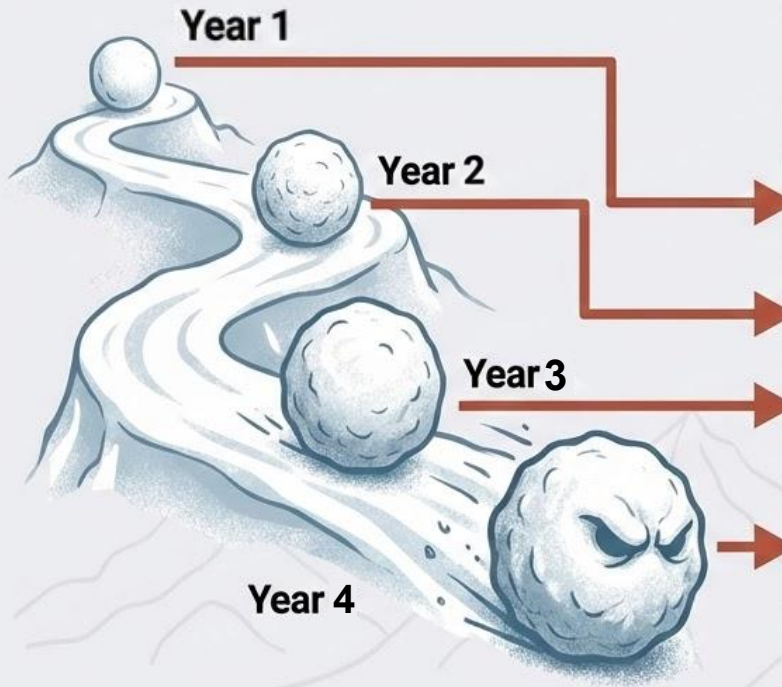
**This is added
to your debt.**



**Warning: This interest is added to your balance,
compounding your debt every month.**

The Snowball Effect

The compound effect of a \$658.41 balance at 20% APR, assuming minimum payments are made and interest is added back.



Year	Starting Balance	Interest Accrued	Ending Balance
1	~\$658.41	\$144.45	\$802.86
2	~\$802.86	\$176.14	\$979.00
3	~\$979.00	\$214.78	\$1,193.78
4	~\$1,193.78	\$261.91	\$1,455.69



Interest compounds exponentially. Small balances can become unmanageable debts over time.



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How to Select a Credit

Card Our first card is a tool for building history, not for chasing rewards. Focus on simplicity and consistency.



1. Know Your Goal

Your primary mission is to build credit responsibly by making small purchases and paying them off in full.



2. Start Simple

Look for “student” or “starter” cards. The most important feature is **no annual fee**.



3. Compare Options

Use free resources to compare cards based on fees and approval odds.



4. Apply Strategically

Don't apply for too many cards at once. Each application can be a small, temporary hit to your score.

Part II: The Climb

Your investment journey

Your Expedition Toolkit: Core Asset Classes



Stocks

Ownership in a company

Generally have a high growth potential

Risk: Market volatility



Bonds

Loan to a government or company

Typically a safer income option than stocks

Risk: Interest rate changes



Commodities

Resources like gold and oil

Tangible assets that can hedge against inflation

Risk: Price fluctuations



Real Estate

Investing in property

Income from rent or value appreciation

Risk: Market downturns



Cryptocurrency

Digital assets using blockchain

High growth potential

Risk: Extreme volatility

Disclaimer: There are risks associated with investing, including possible loss of principal.

Fueling Your Climb: Core Investment Vehicles



Stocks

Ownership in a company.



Bonds

A loan to a company or government.



ETFs & Mutual Funds

A basket of many stocks and/or bonds. Typically can add diversification.

Disclaimer: There are risks associated with investing, including possible loss of principal.

Reading the Terrain: Market Fundamentals

How The Stock Market Works

- Investors buy and sell ownership shares (**stocks**) of public companies on exchanges (e.g., NYSE, Nasdaq).
- Prices move based on: Supply & Demand, Company Performance, Economic News, and Market Sentiment.

What is an Index?

An **index** tracks a group of stocks to measure the market's overall performance.

S&P 500	Dow Jones	Nasdaq Composite
500 of the largest U.S. companies.	30 major U.S. companies.	A technology-heavy index.

Bullish vs. Bearish Markets



Bullish: Investors believe prices will rise. Associated with confidence, growth, and expanding corporate earnings. (A bull market is a rise of 20%+ from a recent low).



Bearish: Investors believe prices will fall. Associated with pessimism, decline, and recessions. (A bear market is a fall of 20%+ from a recent high).

Plotting Your Route: Assessing Your Risk Tolerance

Be honest about how much market fluctuation you can handle. Higher returns are correlated with higher risk.

Factors That Determine Risk Tolerance



Age: Younger investors can take more risk (more time to recover).



Financial Situation: Stable income and low debt allow for higher risk.



Goals: Long-term goals can handle more volatility.



Personality: Some people are calm during fluctuations; others panic.

Example Scenario: Alex vs. Maria

Alex (25) - High Risk Tolerance

Has decades until retirement. Comfortable with a 20-30% temporary drop.



Portfolio: 90% Stocks / 10% Bonds

Maria (55) - Low to Moderate Risk Tolerance

Retiring in 10 years. Prefers stability over big gains.



Portfolio: 50% Stocks / 50% Bonds

Key Takeaway: Your risk tolerance dictates your **asset allocation**—how you divide money between stocks, bonds, and cash.

Charting Your Course: Risk & Asset Allocation

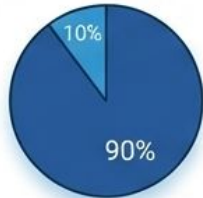
Your asset allocation is the map for your climb, determined by your time horizon and risk tolerance. The longer your journey ahead, the more risk you can afford to take in pursuit of higher growth.

Aggressive / Growth

Conservative / Capital Preservation

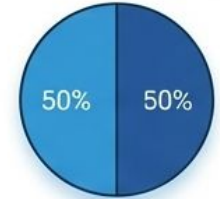
**Alex (25, long
journey ahead)**

Portfolio: 90% Stocks /
10% Bonds



**Maria (55, nearing
the summit)**

Portfolio: 50% Stocks /
50% Bonds



Managing Your Pack: The Student Loan Burden

Key First Step: Know what you owe. Visit studentaid.gov to find your loan servicer, total balance, and interest rates.

Understanding Your Loans

Federal Direct Subsidized	Federal Direct Unsubsidized
For undergraduates with financial need. The government pays interest while you're in school and during the 6-month grace period.	For all students. Interest starts building immediately. <i>*Pro Tip: Make small "interest-only" payments in school to prevent balance creep.</i>

Private Loans: From banks. Less flexible repayment options.

Key Repayment Plan Options (Federal)



Standard Plan: Fixed payments over 10 years.



Income-Driven Plans (IDR): Payments are a percentage of your income. Forgiveness is possible after 20-25 years.



Important Hazard Warning

A missed payment becomes delinquent on your credit report after 90 days and goes into default after 270 days.
Set up auto-pay.

The Opportunity Cost of Every Step You Take

Opportunity cost is the loss of a potential gain from other alternatives when one alternative is chosen.

Section 1: The Cost of Not Investing

Every dollar you don't invest today loses potential growth over time.



A \$100 dinner expense could have been worth **\$1,600** in 30 years (assuming an 8% annual return).

Section 2: Time is Your Greatest Asset

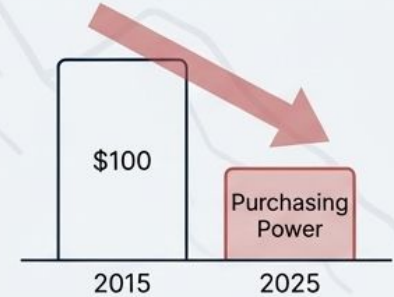
The power of compounding makes starting early essential.



The opportunity cost of waiting 10 years is **~\$190,000**.

Section 3: "Doing Nothing" is a Decision

Keeping money in cash has an opportunity cost: inflation.



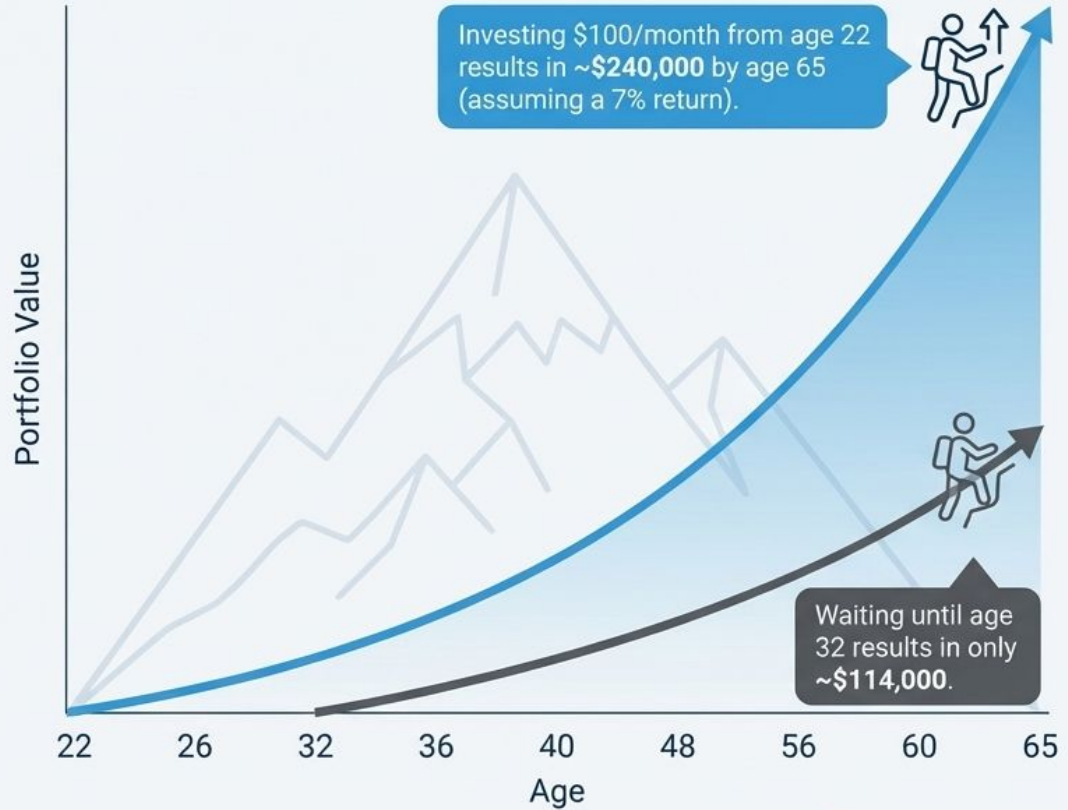
Inflation erodes purchasing power over time.

The Power of Your Climb: Why Starting Now Matters

Compound interest is the most critical force in wealth creation. It's not just earning returns; it's earning returns on your returns.

Time is your greatest asset.

The Power of an Early Start



Investing \$100/month from age 22 results in ~\$240,000 by age 65 (assuming a 7% return).



Waiting until age 32 results in only ~\$114,000.

Leverage

Borrowing money for an investment or your lifestyle, expecting the profits made to be greater than the interest payable.

Aspect	Home (Mortgage) Leverage	Stocks (margin) Leverage	Credit Card (Personal Spending)
Typical Leverage	High (e.g, 5x on a 20% down payment)	Low (Legally limited to 2x)	High (often over 10x)
Loan Term	Long Term (15-30 years)	Short Term & callable anytime	Short- Term (usually paid monthly)
Volatility	Low (Home prices move slowly)	High (Stock Prices Move Instantly)	Medium (lots of small transactions)
The Big Risk	Foreclosure: if you miss payments over time	Margin call: Broker may force-sell your stocks instantly if the value drops, protecting them - not you.	Debt Spiral: High interest rates, late fees, and penalties can lead to mounting debt that's hard to escape

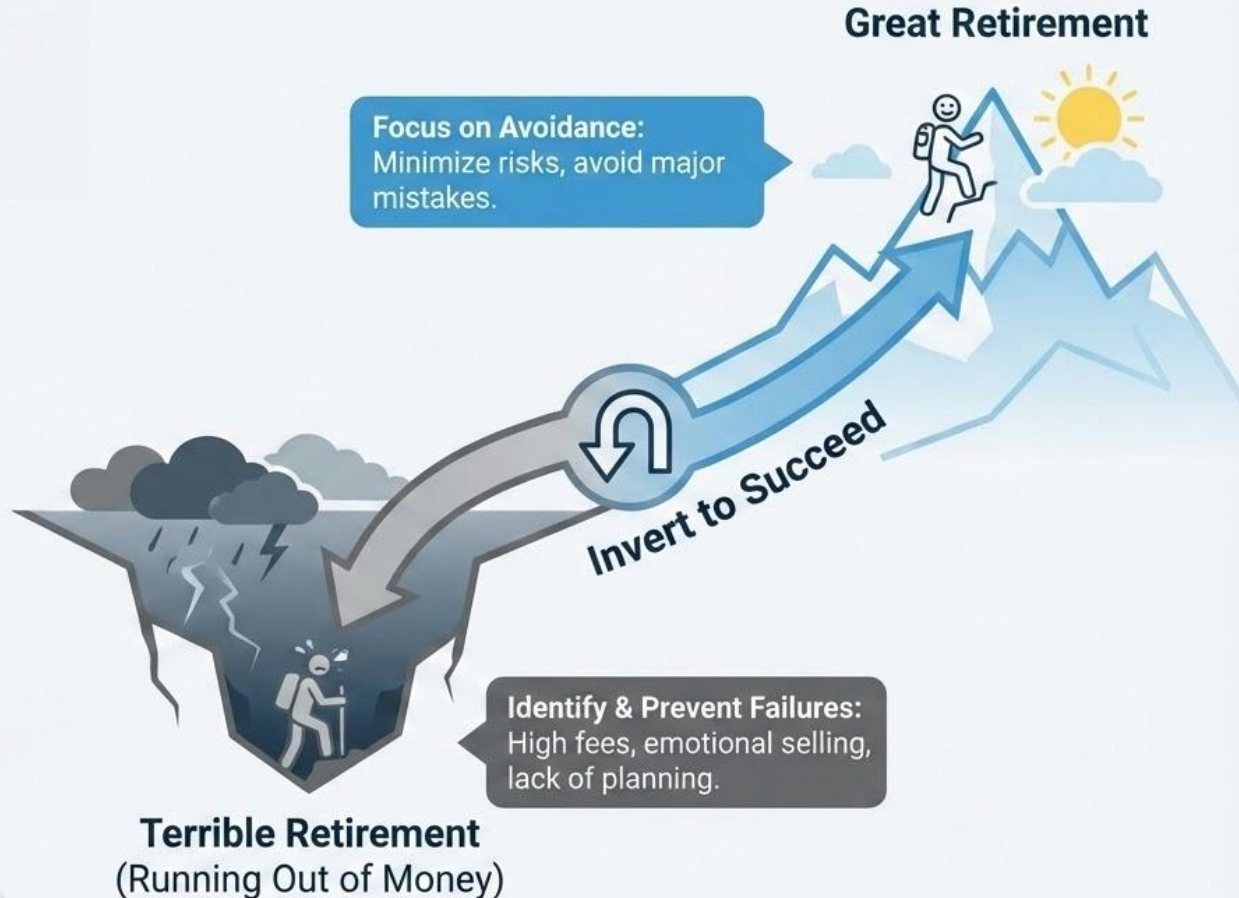
Part III: The Summit View

The long game

Retirement and future planning

How do you achieve a great retirement and avoid running out of money?

Start by asking: How do you avoid running out of money in retirement?



Retirement Accounts: Your Tax-Advantaged Growth Engine

A retirement account is a tax-advantaged “bucket” for your investments.

The growth comes from what you invest in, while the account protects that growth from taxes so it can compound more effectively.



Key Feature:

You generally can't touch the money until age 59½ without a penalty. This is a feature, not a bug—it's for your future self.

Gearing Up: Your Tax-Advantaged Toolkit

Think of these accounts as the high-performance gear that protects your investments from the drag of taxes, allowing them to grow faster.

Employer-Sponsored Plans
(e.g., 401k)

Individual Retirement Accounts
(IRAs)



The Most Powerful Gear: Understanding Retirement Accounts

Think of a retirement account as a 'bucket' that holds your investments—but with special tax perks. The type of bucket decides when you pay taxes.

Note: Money is meant for long-term growth and generally can't be touched until age 59½ without penalties.

401(k)	Roth IRA	Traditional IRA
Employer-sponsored.	Personal account.	Personal account.
Pre-tax contributions.	After-tax contributions.	Pre-tax contributions.
Best for getting an employer match.	Tax-free growth and withdrawals.	Best if you want a tax break today.
2026 Limit: \$24,500	Best if you're early in your career. 2026 Limit: \$7,500	2026 Limit: \$7,500



The Employer Match is FREE MONEY




Many employers match part of what you contribute. This is an instant return on your investment.

Example: Your company matches 50% up to 6% of your salary. You earn \$60,000 and contribute \$3,600. They add \$1,800.

Always contribute at least enough to get the full match. Do not leave this money unclaimed.

Note: You must have **earned income** (shown on a **W-2** or **1099**) to contribute to **Traditional IRA** and **Roth IRA**

The 401(k): Your Employer's Boost

-  **Tax Benefit:** Contributions are often pre-tax, lowering your taxable income now.
-  **High Contribution Limits:** You can invest up to \$24,500 in 2026.
-  **The Critical Match:** The employer match is the most important feature.



"An employer match is an instant 50% or 100% return on your investment. It is the most important free money you will ever get. Do not let this money go unclaimed."

The IRA: Your Personal Path Up the Mountain

An Individual Retirement Account (IRA) is a powerful tool you open on your own, giving you more control and investment choice.



Feature	Roth IRA	Traditional IRA
Tax benefit	Contributions are after-tax. Growth & withdrawals are 100% tax-free in retirement.	Contributions are pre-tax, giving you a tax deduction today .
Best Fort	Those early in their career or expecting higher income/taxes in the future.	Those in a higher tax bracket now who want an immediate tax break.
Contribution Limit	\$7,500 in 2026 (\$8,600 if age 50+)	\$7,500 in 2026 (\$8,600 if age 50+)
Withdrawals	Tax-free	Taxed as ordinary income.
Income Limits	\$153,000 (single) or \$242,000 (married filing jointly)	None

The Backdoor Roth: A Strategy for High Earners

A Backdoor Roth IRA is a way to contribute to a Roth IRA.



Make a Non-Deductible
Contribution to a
Traditional IRA



**Convert IRA
to Roth IRA**



**Enjoy Tax-Free
Growth in a Roth IRA**

- ✓ **Income Limits:** Regular Roth IRAs have income limits, Backdoor Roth IRAs do not.
- ✓ **Tax Implications:** You pay taxes on any pre-tax contributions when converting.
- ✓ **IRS Rules:** Follow IRS rules carefully, including the pro-rata rule, to avoid penalties.

For the Self Employed Trailblazer: The SEP IRA

A SEP (Simplified Employee Pension) IRA is designed for self-employed individuals and small business owners, allowing for much larger retirement contributions.


Key Features


- **Who Contributes:** The "employer" (you, the business owner) makes contributions.
- **High Contribution Limits:** Contribute up to 25% of compensation, not to exceed **\$72,000 in 2026**.
- **Tax Benefit:** Contributions are tax-deductible, and growth is tax-deferred.




The HSA: The Triple-Tax Advantage

A health savings account (HSA) is a powerful savings tool paired with a high deductible health plan, designed to help you pay for healthcare today and in the future.

 **Triple Tax Benefit:** Contributions are pre-tax, growth is tax-free, and withdrawals for qualified medical expenses are tax-free.

 **High Contribution Limits:** You can contribute up to \$4,400 (individually) or \$8,750 (family) in 2026.

 **Long-Term Flexibility:** Unused funds roll over every year and can be invested for future healthcare and retirement needs.


Your
Contribution


+ Tax
Advantages


= Tax-Free
Growth

“An HSA is the only account with a triple tax advantage. Used correctly, it can function as both a healthcare account today and a powerful retirement tool later.”

Your Guiding Principles



Time is Your Greatest Ally

Start early to maximize the exponential power of compound growth.



Automate Everything

Use automatic contributions to build wealth consistently and remove emotion from the process.



Invest Intelligently

Invest in what you understand. Knowledge creates conviction and reduces emotional decisions.



Stay the Course

Market volatility is normal. Ignore the short-term noise and trust your long-term plan.

Let's Map Out Your Personal Ascent



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Schedule a complimentary consultation to build your personalized financial plan.

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