HOW TO BUILD YOUR OWN NEST EGG

(Preserve and Grow Your Money)

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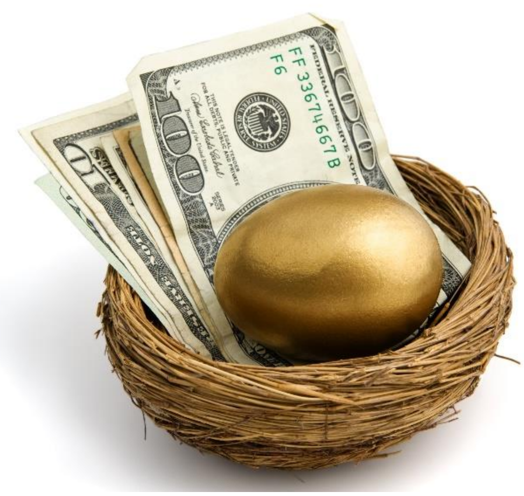
The easiest way to build wealth is through stocks and real estate. Assuming you are not one of the fortunate individuals to receive a large inheritance or win the lottery, wealth can be built over a period of time by making a few wise financial decisions in your working life. The earlier you begin doing these things, the more capital you will accumulate over time. Through the power of compound interest and dollar cost averaging, you will be amazed on how much capital (money) you will have built up over time. An example of this power can be demonstrated by FERS postal employees who maximize their Thrift Savings Plan (TSP) and retirement contributions (contribute and receive the maximum agency matching portion). When you add in the increased amount of TSP contributions you can make after reaching 50 years old, some FERS (Federal Employees Retirement System) amass over several hundred thousand dollars to add to their social security benefits and postal annuity in retirement.



TSP participants who contribute to stock investment options: Common Stock Index (C-Fund), Small Capitalization Stock Index (S-Fund), International Stock Index (I-Fund), etc., reap the largest gains. However, keep in mind investing in stocks or securities also incurs

higher risk (more chances for loss of capital) compared to more conservative investment options such as the Government Securities (G-Fund) or Fixed Income Index (F-Fund) that have lower gains, but lower risk for loss of capital. The chart below gives you an idea of the returns you can make through available TSP investment options. Past performance does not guarantee similar future results but can provide you with a general perspective on possible future performance. Economic, political, financial, social, and other factors have a direct impact on all investment options and performance.

TSP Average Annual Return (As of Dec. 2017)***

	C-Fund	I-Fund	S-Fund	F-Fund	G-Fund	L 2030	L 2040	L 2050
1-yr	21.8%	25.4%	18.2%	3.82%	2.33%	14.5%	16.7%	18.8%
5-yr	15.8%	8.07%	14.7%	2.50%	2.08%	9.5%	10.6%	11.7%
10-yr	8.5%	2.23%	9.37%	4.27%	2.38%	5.8%	6.26%	6.85%

*** - Data from www.tsp.gov

L- Funds invest in the 5 individual TSP funds (C, F, G, I, & S Funds) based on professionally determined asset allocations for retirement target dates.

Open a Roth IRA (Individual Retirement Account) through a stock brokerage or bank/savings and loan institution. A Roth IRA is a special retirement account that you fund with after- tax income; you do not get income tax deductions on your contributions. However, more importantly, if you follow proper tax laws, you will be able to withdraw your Roth IRA earnings tax free. You can withdraw your contributions at anytime without taxes or penalty because your contributions came from money that was previously taxed. You must hold the Roth IRA at least 5 years and be at least 59.5 years old before you can tap your Roth IRA earnings tax free with no penalty. There are exceptions including death and disability, you are buying your first home, and paying for higher education for yourself or a family member. Check with your tax or financial advisor before you open an account.

You can decide the type of investment you want working for you in your Roth IRA account. It may be a mutual fund, index or ETF fund, individual stock or several stocks, certificate of deposit, savings bond, REIT fund, etc. You can diversify your investments and lower the risk of losing money on a bad investment choice.

2018 Roth IRA annual contribution limits are $5,500 for individuals 49 years old and younger, $6,500 for individuals for 50 years old or older. Individuals 50 years old or older may contribute an additional $1,000 catch-up contribution allowed by IRS laws. Individuals cannot make more than $120,000 annually, married couple filing jointly cannot make more than $189,000. Check with your tax or financial advisor before you open a Roth IRA account. Contributions limits and Roth IRA regulations may change every year. Ignorance of Internal Revenue Service (IRS) and Franchise Tax Board (Calif. State) laws and regulations is no excuse for violating Roth IRA guidelines.

Compound interest is one of the great benefits of growing capital and investments. This simply is interest added to the principal (contributions) so that the added interest also earns interest from then on. This interest is called compound interest. For example, if you invested $200 at the beginning of 2017 and earned 5%, you would have $210.00 at the end of 2017. When you add 5% interest at the end of 2018, you will have 5% interest on $210.00, not on the original $200 you invested at the beginning of 2017. The interest you make every year increases annually because the balance of your contributions is increased every year due to the compound interest. You may not notice significant increases during the first few years, but the increases become substantial after a period of years in which the balances have become increasingly larger. A 5% return on $10,000 may only be $500, but a 5% return on $50,000 would be $2,500, a 5% return on $100,000 would be $5,000, a 5% return on $200.000 would be $10, 000.

Dollar Cost Averaging is an investment technique using a fixed dollar amount purchasing a particular investment (stock, mutual fund, index fund, ETF fund, REIT fund, etc.) on a regular schedule (every 2 weeks, month, quarterly, etc.). This technique protects you in volatile markets (ups and downs of the stock market) and is a good way to accumulate shares of an investment on a limited budget. When the stock market is down, your regular investment amount purchases more shares of your chosen stock, mutual fund, index fund, etc. When markets are high you only purchase shares on a limited fixed dollar amount, so you do not waste too much money purchasing fewer shares at a higher share price.

You can reap the benefits of dollar cost averaging and compound interest by opening an account at a brokerage or bank. Decide what you want to invest in and commit to a monthly fixed dollar amount you feel comfortable with (eg. $50, $100, $200).

The American dream of owning a house in the suburbs is quickly becoming an American fantasy, especially if you live in California. Prices of single family homes have sky rocketed to lofty valuations. Homes in San Francisco and other Bay Area communities are approaching, or have already reached, valuations of one million dollars or more. It is very difficult to purchase a Bay Area home if you do not have the required down payment or income requirements. Post 2008-2009 lending practices result in stricter guidelines in obtaining a mortgage loan. Without parental support or a large inheritance, many young couples have been priced out of the real estate market.

If you are able to purchase a home or income property, the benefits can be enormous. The price appreciation and tax advantages of owning real estate are quite substantial. For example, if you purchased a $500,000 condominium with a 20% down payment of $100,000, and it increased in value by 10%, the condominium would be valued at $550,000. However, upon closer examination, your original investment of $100,000 (down payment) has grown to $150,000 due to the capital appreciation. Where can you get a 50% return in a short time (as short as one year due to real estate value increases in desired areas)? Not to mention that you get tax savings due to tax deductions from interest charges from your mortgage loans. Often, your house payments are similar to rent payments with price appreciation and tax deductions as valuable benefits. If you can purchase a home in your 30's, it will be paid off around the time you retire. You will be able to retire and live comfortably when your mortgage is paid off.

There are special first-time buyer programs, VA and FHA loans requiring a smaller down payment, distressed properties such as pre-foreclosure and foreclosed properties, short sales, and tax lien properties that may have reduced prices and loan requirements that may be easier for you to obtain a mortgage loan. Consider areas farther away, even out of state, where real estate prices are significantly lower. You may have family or friends living there who can monitor your real estate investment.

You can hire a property management company to manage your property.

Investment property (real estate property purchased to produce income) can be a valuable investment to produce current and future income. Income will increase in time due to future rent increases. Capital appreciation will also be a big benefit of owning investment property. Your equity may double or more in time due to increased real estate valuations.

There are other investment options such as buying collectibles, buying gold and silver, etc. The returns can be significant, but are not guaranteed to make you money. There is an increased risk of losing money along with the chance to make a substantial return. Don't put a large percentage of your capital into these types of investments. Limit these types of investments to 5 or 10% of your capital investment, depending on your risk tolerance for losing money.

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