

Investing and retirement

Investing, step by step: start small and stay steady

You don't need a lot of money or a hot tip. How investing works, where to begin and how to ride out the drops, with advice from Valerie Escobar, CFP® professional.

8-minute read • Updated October 2026 • Checked against its sources



The short version

- ✓ Keep emergency money in savings. Invest money you won't need for years, because stock prices can drop a lot in any single year.
- ✓ Own a little of a lot. A fund spreads your money across many companies, and a target-date fund shifts to safer investments as your goal gets closer.
- ✓ Start with your employer's match if you have one: it's part of your pay. Then stay steady when markets drop, and give your money time.

Rather talk it through?

A volunteer financial adviser can help with your situation, one-on-one, for free.



Point your phone's camera at the code, or go to:

go.advisersgiveback.org/start

From a nonprofit. Every volunteer adviser is a fiduciary, which means they must put your interests first. We never sell your information.

1

Saving and investing do different jobs

If investing feels confusing, you're far from alone. In 2025, more than half of adults said they weren't comfortable, or were only slightly comfortable, choosing and managing their investments.¹

53%**of adults weren't comfortable, or were only slightly comfortable, choosing and managing their investments in 2025**

Among people who already had a retirement account or other investments, 54% felt confident, compared with 32% of those who didn't.

Source: Federal Reserve Board, Economic Well-Being of U.S. Households in 2025 (May 2026)

People who already invest tend to feel more confident. ¹ This guide walks you through the first steps. The advice comes from Valerie Escobar, CFP® professional, a longtime Advisers Give Back volunteer who led our workshop “Investing Made Simple.” ²

Start with what makes saving and investing different. Saving keeps money safe for things you'll need soon. At an FDIC-insured bank, savings are insured up to \$250,000 per depositor, per bank, for each kind of account ownership, and most credit unions have similar federal insurance through the NCUA. ³ ⁴ Investing means buying something you hope will grow, like a small share of a company. Stocks, bonds and funds are not insured by the FDIC, even if you buy them at a bank. Their value can go down. ⁵

So why invest at all? Because prices rise. Between October 2013 and September 2025, prices rose 35%. ¹ Cash that sits still slowly buys less. Investing is one way to help your money keep up, and grow.

Valerie's suggested order is simple. First, save your first \$1,000 for emergencies. Then start investing a little from each paycheck, even \$25 or \$50. ² Our guide to [building an emergency fund](#) covers step one.

Online: advisersgiveback.org/resources/not-if-but-when/

Carrying a credit card balance? Paying it off usually comes before investing. In the SEC's words, “no investment strategy pays off as well as, or with less risk than, eliminating high interest debt.” ⁶ Our guide to [three debt payoff plans](#) can help you pick one. If your employer also matches what you save for retirement, a volunteer adviser can help you weigh the two.

Online: advisersgiveback.org/resources/three-debt-payoff-plans/

2

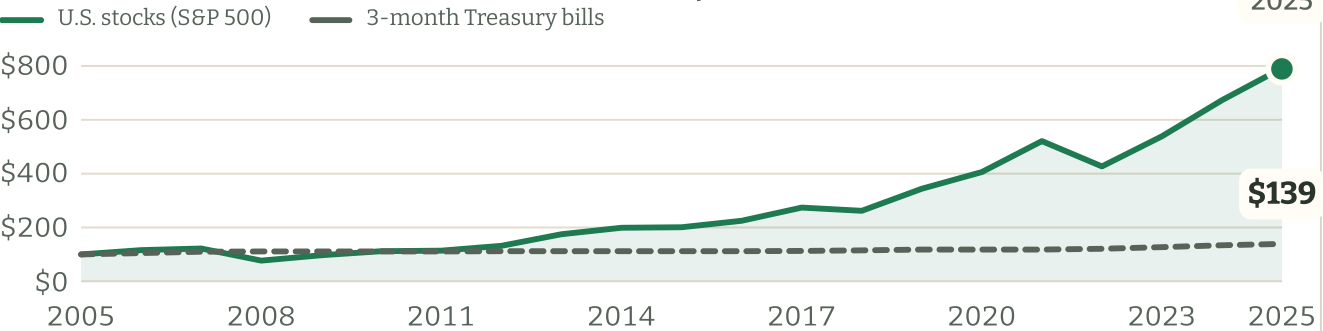
Time does the heavy lifting

When your money earns money, those earnings can start earning too. That's called compounding. ⁷ Valerie compares it to a snowball rolling downhill. Doubling \$100 into \$200 doesn't feel like much. But one day, doubling \$100,000 gives you \$200,000. “That is significant,” Valerie says. ²

Here's how that played out over the past 20 years. Say you put \$100 in U.S. stocks at the end of 2005, as measured by the S&P 500 stock index. With dividends reinvested, it grew to about \$792 by the end of 2025. The same \$100 in 3-month Treasury bills, which are loans to the U.S. government, grew to about \$139. ⁸

Stocks grew far more than Treasury bills, with big drops along the way

What \$100 invested at the end of 2005 was worth at the end of each year, with dividends and interest reinvested



Before inflation, taxes and fees. One 20-year stretch, not a forecast: past results don't guarantee future results.

Source: Aswath Damodaran, NYU Stern School of Business, Historical Returns on Stocks, Bonds and Bills (Updated January 5, 2026)

That was a fairly typical 20 years for stocks. Across all 79 twenty-year stretches from 1928 to 2025, the middle result was about the same. The worst, from 1929 through 1948, turned \$100 into about \$160.⁸

And the growth didn't come in a straight line. In 2008, stocks lost more than a third of their value.⁸ Stocks can swing a lot in the short run. Savings and Treasury bills are the safest investments, but they earn the least and can fall behind rising prices.⁹ That's why investing is for money you won't need for years.

Try your own numbers. The calculator shows how steady saving can add up over time. Its figures are an example, not a promise.

What steady saving can grow to

Worked example

Scan the code to try your own numbers, or go to advisersgiveback.org/resources/investing-first-steps/



Put in each month **\$50** For **30 years** If it earned, each year **5%**



\$18,000

what you put in

\$23,613

what it earned

\$41,613

at the end

3

Own a little of a lot

Most investing starts with two building blocks. A stock is a small share of a company.¹⁰ A bond is a loan to a company or a government, which promises to pay you interest and then pay you back.¹¹ Bonds tend to move up and down less than stocks, and to earn less.⁹

So which company should you buy? Valerie's answer: picking the one winner is a guessing game, like betting on which chicken will run past first.²

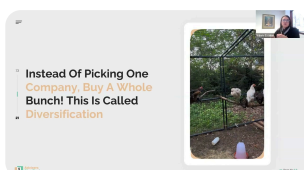
Watch · 1:58

Why you buy the whole coop

Picking the one winning stock is a guessing game (a chicken race from Valerie's farm). Diversify instead: a mutual fund or ETF is a whole coop of different chickens.

Valerie Escobar, a volunteer CFP® professional

Scan the code to watch it, or go to advisersgiveback.org/resources/investing-first-steps/



Research backs this up. A study of U.S. stocks going back to 1926 found that most single stocks did worse over their lifetimes than one-month Treasury bills. The best 4% of companies made up all of the stock market's gains beyond what Treasury bills paid.¹² If you own only a few stocks, you could easily miss the few big winners.

The answer is to diversify: spread your money across many investments, so one bad pick hurts less. The SEC sums it up as “don't put all your eggs in one basket.”⁹ A fund makes that easy. A mutual fund or an exchange-traded fund (ETF) pools money from many people and buys many investments at once.^{13 14}



Not every fund is spread out

Some funds focus on one industry, and some ETFs even track a single stock. Check what a fund holds before you buy. A broad stock market fund can own shares of thousands of companies.^{9 14}

4

A simple first choice: target-date funds

Valerie likes “the easy button”: a target-date fund.² The year in its name is about the year you expect to retire, like 2060. The fund holds a mix of stocks and bonds. As that year gets closer, it shifts toward bonds, which generally have a lower risk of loss. You pick one fund, and it does the mixing for you.¹⁵

Two things are worth a look. Funds with the same year can hold quite different mixes, and none of them promises a set amount of money in retirement.¹⁵ Then check the fees. A fund takes its costs out of your money, and even small differences add up over time.¹³

Valerie calls a yearly fee of about 0.1% low and 1.5% high. ²

5

Start with the match

Once you have that first cushion, a retirement plan at work is often the easiest place to start investing, if your job offers one. It might be a 401(k), a 403(b) or the Thrift Savings Plan. Money goes in straight from your paycheck, before you can spend it. ² In March 2026, 72% of private-industry workers could join a retirement plan at work. But only 52% took part. ¹⁶

Some employers also put in money when you do. This is called a match, and it's part of your pay. Valerie's advice: if your employer matches up to 4% of your pay, put in at least 4%. ² The Department of Labor suggests finding out how much you need to put in to get the full match, and how long you need to stay to keep it. ¹⁷



The money you put in is always yours

Your own contributions are always 100% yours. Your employer's match may "vest," or become yours, over time. Depending on the plan, that can happen right away, all at once after three years, or bit by bit over six years. Your plan's summary or HR office can tell you the schedule. ¹⁸

A traditional 401(k) can also lower your taxes now. Valerie's example: on a \$1,000 paycheck, if you put \$100 in your 401(k), you pay income tax on \$900. ² That's because the money you put in isn't taxed as income until you take it out. ¹⁹ Some plans also offer a Roth option, which is taxed the other way around. ¹⁹ Our guide to [Roth or traditional accounts](#) explains the choice, and what to do if you don't have a plan at work.

Online: advisersgiveback.org/resources/roth-or-traditional/



Try it this week

Log in to your retirement plan's website, or ask HR who runs it. Look for three things: how much you put in now, how much your employer matches, and what you're invested in. If you're putting in less than the match, see if you can raise it.

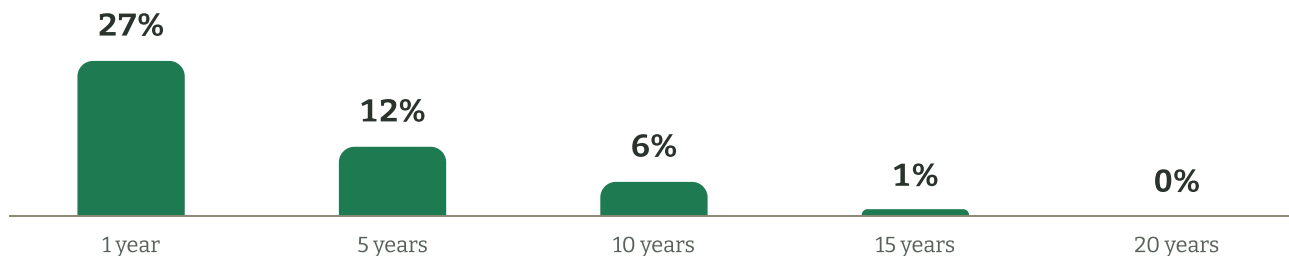
6

Stay steady when markets drop

Drops are a normal part of investing. From 1928 through 2025, U.S. stocks lost money in 26 of those 98 years, counting dividends. But the longer the stretch, the less often they lost money. Across every 20-year stretch in that time, stocks came out ahead. ⁸

The longer the stretch, the less often stocks lost money

Share of all stretches from 1928 to 2025 in which U.S. stocks (the S&P 500, with dividends) lost money, by length of stretch



A new stretch starts each January. Before inflation, taxes and fees. Past results don't guarantee future results.

Source: Aswath Damodaran, NYU Stern School of Business, Historical Returns on Stocks, Bonds and Bills (Updated January 5, 2026)

That held even after inflation: none of those 20-year stretches lost buying power.^{8 20} Still, past returns don't guarantee future results.¹³

Recoveries can take patience. In 2008, stocks fell about 37%, counting dividends. Someone who invested at the start of 2008, reinvested the dividends and held on was back above where they started by the end of 2012.⁸ In early 2020, as the pandemic hit, the S&P 500 fell 34% in about a month. On August 18, it closed at a new high.²¹ Counting dividends, stocks ended 2020 up 18%.⁸

Valerie's four pro tips are worth hearing firsthand.

Watch · 2:00

Four rules for retirement money

Four rules for retirement money: it isn't an emergency fund, time is your ally, don't panic or sell when markets drop (not checking often is fine), and keep asking questions.

Valerie Escobar, a volunteer CFP® professional

Scan the code to watch it, or go to advisersgiveback.org/resources/investing-first-steps/



The first tip protects your plan: retirement accounts aren't emergency funds. Most withdrawals are taxed as income. If you take money out before age 59½, you'll usually owe an extra 10% federal tax on top, unless an exception to that extra tax applies.²² If you live in California, the state usually adds an extra 2.5% tax on the part that's taxed as income.²³ The third tip is the hardest to follow: don't sell in a panic. If a drop is too much to stomach, Valerie suggests waiting until you're back to even, then choosing a safer mix.² Getting back to even can take years, though. Counting dividends, U.S. stocks lost money over the full 10 years from 2000 through 2009.⁸ If you might need the money sooner, talk it through with a volunteer adviser before you change anything.

You don't have to pick the winner. Own a little of a lot, keep adding, and give it time.

Then check in once a year, the way you'd see a dentist. At each checkup, Valerie suggests raising what you put in by at least 1% of your pay.² Small increases add up. In one well-known study, workers who agreed ahead of time to save more with each pay raise went from saving 3.5% of their pay to 13.6% in 40 months.²⁴

Not sure how much to invest, or how much risk is right for you? That's a good question to talk through with a volunteer adviser, one-on-one and for free.

Questions to bring to your adviser

A volunteer adviser is ready when you are.

A volunteer adviser can look at your numbers with you and help you decide what to do first.

go.advisersgiveback.org/start



Sources

1. Federal Reserve Board, Economic Well-Being of U.S. Households in 2025, May 2026. The Survey of Household Economics and Decisionmaking, fielded in October 2025: page 45 (footnote 36) and page 52.
federalreserve.gov/publications/files/2025-report-economic-well-being-us-households-202605.pdf
2. Advisers Give Back, Investing Made Simple (workshop recording), presented by Valerie Escobar, CFP® professional, January 29, 2026.
advisersgiveback.org/resources/workshops/investing-made-simple/
3. Federal Deposit Insurance Corporation, Deposit Insurance, Accessed October 2026.
fdic.gov/resources/deposit-insurance
4. National Credit Union Administration, Share Insurance Coverage, Last modified May 20, 2025.
ncua.gov/consumers/share-insurance-coverage
5. Federal Deposit Insurance Corporation, Financial Products That Are Not Insured by the FDIC, May 12, 2026.
fdic.gov/resources/deposit-insurance/financial-products-not-insured
6. U.S. Securities and Exchange Commission (Investor.gov), Pay Off Credit Cards or Other High Interest Debt, Accessed October 2026.
investor.gov/introduction-investing/investing-basics/save-and-invest/pay-credit-cards-or-other-high-interest
7. U.S. Securities and Exchange Commission (Investor.gov), What is compound interest?, Accessed September 2026.
investor.gov/additional-resources/information/youth/teachers-classroom-resources/what-compound-interest
8. Aswath Damodaran, NYU Stern School of Business, Historical Returns on Stocks, Bonds and Bills, Updated January 5, 2026. Annual returns, 1928 to 2025, on the S&P 500 (with dividends) and 3-month Treasury bills. The shares of years and stretches with a loss, and the growth of \$100, are our calculations from this table.
pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html
9. U.S. Securities and Exchange Commission (Investor.gov), Beginners' Guide to Asset Allocation, Diversification, and Rebalancing, Accessed September 2026.
investor.gov/additional-resources/general-resources/publications-research/info-sheets/beginners-guide-asset

10. U.S. Securities and Exchange Commission (Investor.gov), Stocks - FAQs, Accessed October 2026.
investor.gov/introduction-investing/investing-basics/investment-products/stocks
11. U.S. Securities and Exchange Commission (Investor.gov), Bonds - FAQs, Accessed October 2026.
investor.gov/introduction-investing/investing-basics/investment-products/bonds-or-fixed-income-products/bonds
12. Journal of Financial Economics, Do stocks outperform Treasury bills? (Hendrik Bessembinder), volume 129, issue 3, pages 440-457, September 2018. Peer-reviewed study of U.S. common stocks in the CRSP database since 1926.
doi.org/10.1016/j.jfineco.2018.06.004
13. U.S. Securities and Exchange Commission (Investor.gov), Mutual Funds, Accessed September 2026.
investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-funds-etfs/mutual-funds
14. U.S. Securities and Exchange Commission (Investor.gov), Exchange-Traded Funds (ETFs), Accessed September 2026.
investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-2
15. U.S. Securities and Exchange Commission (Investor.gov), Target Date Funds: Investor Bulletin, March 25, 2025.
investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/target-date-funds-investor-bulletin
16. U.S. Bureau of Labor Statistics, Employee Benefits in the United States, March 2026, September 25, 2026. Private industry workers, table 1.
bls.gov/news.release/archives/ebs2_09252026.htm
17. U.S. Department of Labor, Employee Benefits Security Administration, Top 10 Ways to Prepare for Retirement, Accessed September 2026.
dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/publications/top-10-ways-to-prepare-for-retirement
18. Internal Revenue Service, Retirement topics: Vesting, Updated April 8, 2026.
irs.gov/retirement-plans/plan-participant-employee/retirement-topics-vesting
19. Internal Revenue Service, 401(k) plan overview, Updated August 4, 2026.
irs.gov/retirement-plans/plan-sponsor/401k-plan-overview
20. U.S. Bureau of Labor Statistics, via FRED (Federal Reserve Bank of St. Louis), Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), Accessed September 2026. December values, 1927 to 2025, used to adjust the stock returns for inflation.
fred.stlouisfed.org/series/CPIAUCNS
21. S&P Dow Jones Indices, via FRED (Federal Reserve Bank of St. Louis), S&P 500 (SP500), daily close, Accessed September 2026.
fred.stlouisfed.org/series/SP500
22. Internal Revenue Service, Retirement topics: Exceptions to tax on early distributions, Updated December 11, 2025.
irs.gov/retirement-plans/plan-participant-employee/retirement-topics-exceptions-to-tax-on-early-distributions
23. California Franchise Tax Board, 2025 Instructions for Form FTB 3805P: Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, Tax year 2025. Early Distributions: the additional 2½% tax.
ftb.ca.gov/forms/2025/2025-3805p-instructions.html
24. Journal of Political Economy, Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving (Richard H. Thaler and Shlomo Benartzi), volume 112, pages S164-S187, February 2004. Peer-reviewed; results from the program's first workplace.
doi.org/10.1086/380085

Updated October 2026. This guide is general information, not advice for your situation. We check every number against its source; if something has changed, tell us at advisersgiveback.org/contact. Read it online, with its calculators and videos, at advisersgiveback.org/resources/investing-first-steps/. Advisers Give Back is a 501(c)(3) nonprofit (EIN 84-4685390), and we never sell your information.