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Stock Market Starter Kit: Build Long-Term Wealth from Your First Dollar

Stocks have outperformed every other major asset class over every rolling 20-year period since 1926 — but most people never start because the first decisions feel overwhelming. This guide cuts through the noise: it explains exactly why equities build wealth, which account to open first, how to buy your first index fund at Fidelity in under 30 minutes, how to automate contributions so you invest on schedule regardless of what the headlines say, and how to build a durable two-fund or three-fund portfolio that handles market volatility without requiring constant intervention.

1. Foundation

The stock market is not a casino — it is a legal claim on the future earnings of real businesses. When you own a share of VTI, you own a fractional stake in approximately 3,700 U.S. companies including Apple, Microsoft, Amazon, and thousands of smaller companies. As those companies grow revenue and profits over decades, the collective value of your ownership stake grows with them. The S&P 500 has returned roughly 10% per year in nominal terms and about 7% after inflation since 1926. A \$10,000 investment growing at 7% real for 30 years becomes approximately \$76,000 in today's purchasing power. At 10% nominal for 30 years, it becomes \$174,000. That compounding effect is why time in the market matters more than timing the market.

The sequence of accounts matters enormously and most beginners get it wrong. The correct priority order is: contribute to your 401(k) up to the full employer match first (that match is an instant 50–100% return on your contribution), then max a Roth IRA if your income qualifies (in 2024, the limit is \$7,000 if you are under 50, with phase-outs beginning at \$146,000 single / \$230,000 married filing jointly), then return to max the 401(k) at \$23,000 for 2024, then use a taxable brokerage account for any additional investing. A Roth IRA beats a traditional IRA for most early-career investors

because you pay taxes now at a lower rate and all future growth — including dividends and capital gains over potentially 40+ years — is permanently tax-free.

Index funds win because most active managers lose. Over any 15-year period, roughly 90% of actively managed large-cap U.S. stock funds underperform the S&P 500 index after fees, according to the SPIVA scorecard. The reason is structural: an index fund holding every stock in the market guarantees you capture whatever return the market produces, minus a tiny expense ratio. Vanguard's VTI (Total Stock Market ETF) charges 0.03% annually. Fidelity's FSKAX (Total Market Index Fund) charges 0.015% with no investment minimum, making it ideal inside a Fidelity account. That 0.015% means you pay \$1.50 per year on a \$10,000 investment. Compare that to a typical actively managed fund at 0.75–1.25% per year — the drag adds up to tens of thousands of dollars over a career.

Dollar-cost averaging (DCA) is not just a strategy — it is a behavioral insurance policy. When you invest the same dollar amount on the same schedule regardless of market conditions, you automatically buy more shares when prices are low and fewer when prices are high. This removes the decision-paralysis that causes most people to sit in cash during bull markets and then panic-sell during corrections. Automating a \$500 monthly investment into FSKAX takes about 3 minutes to set up in Fidelity and then requires no further action until you want to adjust the amount.

Volatility is not the enemy — abandoning the plan during volatility is. The S&P 500 has experienced an average intra-year decline of about 14% every single year since 1980, according to J.P. Morgan research — yet it finished positive in roughly 75% of those years. During the 2020 COVID crash, the market fell 34% in 33 days and then recovered to new all-time highs within 5 months. The investors who kept contributing during that period bought shares at a steep discount and captured the full recovery. Understanding this pattern does not make drawdowns emotionally easy, but it makes them intellectually predictable — and that predictability is the foundation of staying invested.

2. Step-by-Step System

1

Determine your account priority and contribution amounts

Before opening anything, answer three questions. First: does your employer offer a 401(k) match? Log into your HR portal or call HR to find the match formula. A common structure is "100% match on the first 3% of salary" — a \$60,000 earner contributing 3% (\$1,800/year) receives \$1,800 free from their employer. That is a 100% return before any investment return. Capture the full match before anything else. Second: is your 2024 income below \$146,000 single or \$230,000 married filing jointly? If yes, you likely qualify for a Roth IRA. Third: after the match and Roth IRA contributions, do you have additional investable cash? That flows to a taxable brokerage. Write down exact dollar amounts for each bucket before proceeding to the next step.

2

Open a Fidelity account (step-by-step)

Navigate to [fidelity.com](https://www.fidelity.com) and click "Open an Account." For a Roth IRA, select "Roth IRA" from the account type menu. You will need your Social Security number, a government-issued ID, your bank routing and account numbers for the initial transfer, and an email address. The application takes approximately 10 minutes. When Fidelity asks whether you want a "Managed" or "Do it yourself" account, choose "Do it yourself" — the managed version charges an additional 0.35% per year. You do not need to fund it during the application; initiate a bank transfer afterward under "Accounts & Trade" → "Transfers." Allow 1-3 business days for the transfer to clear. Fidelity has no account minimums, no commission on stock and ETF trades, and no annual fee on IRAs.

3

Buy your first index fund: FSKAX vs VTI

Inside a Fidelity account, FSKAX is the cleaner choice for one specific reason: it is a mutual fund with no investment minimum, so you can invest any dollar amount including \$47.83. VTI is an ETF that trades in whole shares (currently around \$220–240 per share), so you need fractional shares enabled for arbitrary amounts. To buy FSKAX: click "Trade," select "Mutual Funds," enter FSKAX in the symbol field, enter the dollar amount, select "Market," choose your account, and submit. The expense ratio is 0.015% — lower than VTI's 0.03%. If you prefer to hold VTI for portability reasons (it transfers to any broker as-is, while FSKAX is Fidelity-only), buy VTI via the fractional shares feature. Both are total U.S. market funds with a correlation above 0.99 — either choice is correct.

4

Automate contributions with DCA

In Fidelity, navigate to "Accounts & Trade" then "Automatic Investments." Select your account, choose FSKAX, set the dollar amount (even \$50/month builds the habit), select monthly frequency, and choose the transfer date — the day after your paycheck hits checking removes any temptation to skip. For a 401(k), log into your employer's 401(k) portal, find "Contribution Rate," and set the percentage. To reach the 2024 max of \$23,000 on a \$70,000 salary, you need approximately 33% of gross pay. Most people start at 6–10% to capture the full match and increase by 1% each year, ideally coinciding with a raise so the increase never hits the checking account.

5

Handle volatility without abandoning your plan

From 1980 through 2023, missing just the 10 best trading days in the market cut the annualized return from roughly 10.7% to 5.5%, per J.P. Morgan's Guide to the Markets. Those best days almost always occur during or immediately after the worst volatility. An investor who sold during each major correction and re-entered "when things stabilized" consistently missed the recovery days that do most of the long-term work. When your balance drops and you feel the urge to sell, reframe the situation: you are buying future shares at a discount. Every \$500 monthly contribution during a 20% market decline purchases roughly 25% more shares than the same contribution made at pre-correction prices. Your future self benefits from the crash you endure today.

6

Build the 2-3 fund portfolio for full diversification

A two-fund portfolio covers the essential bases: FSKAX or VTI for U.S. stocks, plus FTIHX (Fidelity) or VXUS (Vanguard) for international stocks. A common allocation for investors under 40 is 70% U.S. / 30% international. The international component matters because non-U.S. stocks have outperformed U.S. stocks in several decade-long stretches — the 2000–2009 decade saw U.S. stocks flat while international stocks gained. International stocks represent roughly half of global market capitalization. A three-fund portfolio adds a bond fund (FXNAX at Fidelity, BND at Vanguard) to reduce volatility as you approach retirement. A rough guideline: hold your age as a bond percentage — a 35-year-old holds 35% bonds. For pure wealth accumulation with a 20+ year horizon, starting with FSKAX alone and adding international and bonds over time is a perfectly sound approach.

3. Key Worksheets & Checklists

Fill these out with actual numbers from your pay stub, HR portal, and bank statements before making any account decisions. The account priority table shows exactly where each dollar should go first; the fund comparison table removes the paralysis of choosing between nearly identical options; the DCA checklist keeps the automation habit visible and accountable.

1. Account Priority & Contribution Plan

Employer 401(k) match formula	Find in HR portal. Example: 50% match on up to 6% of salary. On \$65,000 salary, contributing 6% (\$3,900) captures \$1,950 in employer match — an instant 50% return. Set this percentage first, before any other investment decision.
Roth IRA eligibility check	2024 income limit: \$146,000 single / \$230,000 MFJ for full \$7,000 contribution. If eligible, open Fidelity Roth IRA and target \$583/month to reach the annual limit. If income exceeds limit, investigate backdoor Roth IRA mechanics.
401(k) above the match	After Roth IRA is maxed, return to 401(k). 2024 limit: \$23,000. Calculate the additional percentage increase needed beyond your match rate to reach this limit.
Taxable brokerage	After tax-advantaged accounts are maxed, open a Fidelity taxable brokerage. Use FSKAX (0.015% ER). Note: dividends and capital gains are taxable annually in taxable accounts, so this is typically the last bucket to fill.
First fund selection	Fidelity: FSKAX (0.015%, no minimum, mutual fund). Transferable ETF preference: VTI (0.03%). Both track the total U.S. stock market with 0.99+ correlation. Either is a correct and complete choice for a single-fund start.

2. Fund Comparison: FSKAX vs VTI vs VTSAX

Feature	FSKAX	VTI	VTSAX
Expense ratio	0.015%	0.03%	0.03%
Minimum investment	\$0 (any amount)	~\$1 via fractional shares	\$3,000
Type	Mutual fund	ETF	Mutual fund
Best used at	Fidelity accounts only	Any broker	Vanguard accounts
U.S. stock holdings	~2,700 companies	~3,700 companies	~3,700 companies
Approximate 10-yr return	~12.7% annualized	~12.6% annualized	~12.6% annualized

3. DCA Automation & First-Year Checklist

- 401(k) contribution rate set in payroll portal — at minimum, captures the full employer match percentage.
- Roth IRA automatic monthly transfer set at Fidelity — navigate to Automatic Investments, select FSKAX, set amount and date 1-2 days after paycheck deposits.
- Taxable brokerage automatic transfer configured if applicable — same process, separate contribution amount.
- Calendar reminder set for annual contribution rate increase — January 1 or annual review date; increase by 1% each year until maxed.
- Annual rebalancing date noted — once per year, confirm your U.S./international/bond split is still on your target allocation.
- Beneficiary designations completed on all accounts — IRAs with no beneficiary go through probate, delaying heirs by months and creating avoidable legal costs.

4. Common Mistakes

Waiting for the "right time" to invest

Lump-sum investing beats dollar-cost averaging about two-thirds of the time because markets trend upward. Every month in cash is a month of potential compounding forfeited. Someone starting at 25 vs. 35 with identical contributions typically accumulates more than twice as much by 65 because of the extra decade of compounding. The right time to start is always today, with whatever amount is available.

Picking individual stocks before establishing index fund base

Even professional fund managers with full research teams underperform the index roughly 90% of the time over 15-year periods. Start with index funds. Once your index fund portfolio is established and you understand the mechanics of investing, you can allocate a small "fun money" portion (5% or less) to individual stocks without compromising the overall plan.

Holding the wrong asset in the wrong account type

Bond funds in taxable accounts generate ordinary income taxed every year. REITs and high-dividend funds belong inside IRAs or 401(k)s. Total market index funds are tax-efficient and appropriate for taxable accounts. This “asset location” decision can add 0.2–0.5% per year in after-tax returns without changing any investment.

Selling during a correction to “protect” gains

Missing just the 10 best trading days from 1980–2023 cuts annualized returns from ~10.7% to ~5.5%. Those best days cluster around the worst market moments. Selling into a correction and waiting for stability means systematically missing the recovery that generates most of the long-term compounding. The only valid reason to sell is a fundamental change in your circumstances, not a change in the market.

Skipping the employer match to pay off low-rate debt

A 50–100% employer match is a guaranteed return that almost no debt interest rate can compete with. Forgoing a 100% match to pay off 5–6% student loans is a net loss: the match generates more in day-one returns than the interest savings. Exception: credit card debt above ~15% APR may justify diverting funds, but always capture at least a 50% match before any debt-over-investing prioritization.

Measuring progress by portfolio balance rather than savings rate

Portfolio balance fluctuates with market returns and is largely outside your control. Savings rate — the percentage of take-home pay invested — is the variable you fully control. A 50% savings rate with \$50,000 invested today will produce dramatically better long-term outcomes than a 10% savings rate with \$200,000 invested, because the savings rate determines how fast the gap between current assets and financial independence closes.

5. Next Steps

Once your accounts are open and automation is running, the most important work is maintaining the habit. Set a quarterly calendar reminder to confirm contributions are still

processing, and an annual reminder in January to verify contribution rates, check beneficiary designations, and increase savings to keep pace with income growth. If your Roth IRA is growing and you want to model how it affects early retirement scenarios, use the [FIRE Calculator](#) to see how your current savings rate translates into a financial independence timeline. When you are ready to add international exposure or bonds to complete a two- or three-fund portfolio, the [3-Fund Portfolio Kit](#) walks through exact allocation decisions and rebalancing mechanics. The single most important action is the one you take today: open the account, buy the first fund, and automate the contribution.

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