INVESTING BASICS

A GUIDE TO YOUR INVESTMENT OPTIONS

INVESTING IS A CAREFULLY PLANNED AND PREPARED APPROACH TO MANAGING AND ACCUMULATING MONEY.

The Effect of Inflation

Inflation has the effect of reducing the purchasing power of your dollars over time.

The Effect of Compounding

Compounding has the effect of increasing the purchasing power of your dollars over time.

Goals & Time Horizons

Short-term vs. long-term goals: retirement, education, special purchase, etc.

** the longer the horizon, the more risks you can afford to take*

Determining Risk Tolerance

Ability of investment plan to absorb loss.

Your personal tolerance for risk.

Relationship of Risk & Return

As the potential for return increases, so does the level of risk.

There is a relationship between growth, income, and the stability of our investments, and when we move closer to one, we automatically move away from another.

The sooner you start investing, the more time your investments have for potential growth.

INVESTMENT OPTIONS

CASH ALTERNATIVES

Relatively low-risk, short-term, and generally fairly liquid, so you can convert them to cash quickly if needed.

Types include:
- Certificates of deposit (CDs)
- Money market deposit accounts
- Money market mutual funds
- U.S. Treasury bills (T-bills)

BONDS

Bonds are essentially loans, which is why they are called "debt instruments." You, the investor, lend money to a government or a corporation.

Generally, the longer a bond's duration to maturity, the more volatile its price swings.

STOCKS

When you buy company stock, you're actually purchasing a share of ownership in that business. The greater the number of shares you own, the higher the percentage of ownership you have in that company.

In general, stocks offer a greater potential for returns than do bonds or cash alternatives

OTHER INVESTMENTS

Cash alternatives, bonds, and stock are the three major investment categories, but there are many other options, including real estate, stock options, futures and commodities and collectibles

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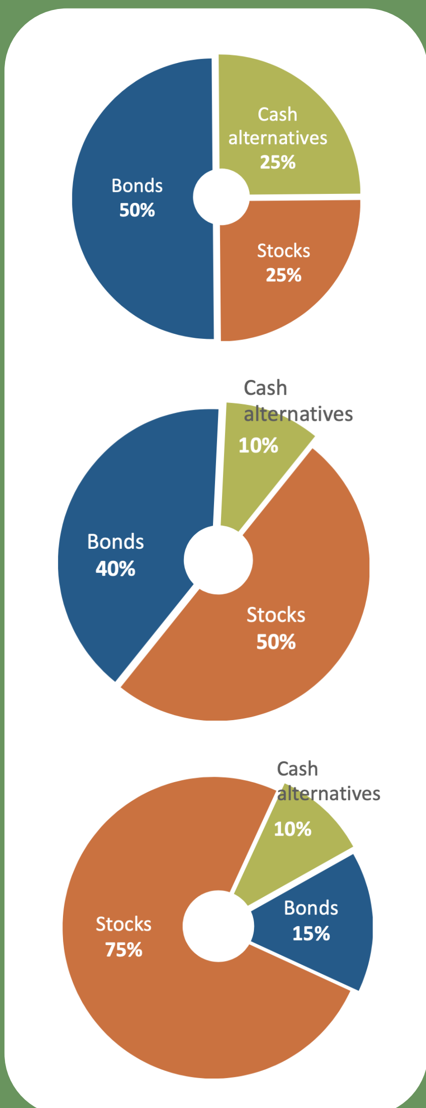
HOW WILL YOU PUT YOUR MONEY TO WORK FOR YOU?

ASSET ALLOCATION

Conservative
A conservative asset allocation model will tend to focus on preserving principal

Moderate
A moderate asset allocation model will tend to balance predictable income with potential growth

Aggressive
An aggressive asset allocation model will tend to focus primarily on potential growth



INVESTMENT OPTIONS

MUTUAL FUNDS

Mutual funds represent another way to invest in stocks, bonds, or cash alternatives. Your money is pooled, along with the money of other investors, into a fund, which then invests in certain securities according to a stated investment strategy. The fund is managed by a fund manager who reports to a board of directors.

By investing in the fund, you own a piece of the total portfolio, which could include anywhere from a few dozen to hundreds of securities. This provides you with both a convenient way to obtain professional money management and instant diversification that would be more difficult and expensive to achieve on your own.

EXCHANGE-TRADED FUNDS (ETFS)

Like a mutual fund, an exchange-traded fund pools your money with the money of other investors and invests in a collection of securities. The key differences include:

- Most ETFs are based on an index
- Passive management may lower fund costs
- Can be traded throughout the day, bought on margin, and shorted, like stocks
- May provide tax efficiencies

ARE YOU READY TO BEGIN YOUR INVESTMENT JOURNEY? OR DO YOU NEED HELP CREATING YOUR STRATEGY?

Schedule your FREE, 1-hour financial check-up today!

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SCHEDULE

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