




Investing 101



The Basics of Becoming an Investor

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What is Investing?

Etymology:

Italian *investire* to invest money

transitive verb

- ◆ **1** : to commit (money) in order to earn a financial return

- ◆ **2** : to make use of for future benefits or advantages

Why Invest?

- ◆ Produces accumulation of productive assets improving one's Net Worth.
 - i.e.-a portfolio, a home, a retirement account
- ◆ Builds one's financial security and independence.
- ◆ Secures one's future.

Getting Started

- ◆ Starts with budgeting to save and saving to invest.
- ◆ Begins small with money set aside in liquid low risk investments such as a money market or mutual fund account.
- ◆ With compounding, it grows to larger sums to invest in a home, a business or a degree.
- ◆ Extends to additional goals such as saving for retirement.

How Can You Invest- Financial Investments

Bank Products :

- ◆ Savings accounts
- ◆ Money market accounts
- ◆ Certificate of deposits

US Government Debt:

- ◆ US Savings Bonds,
- ◆ US Treasury Bills, US Treasury Notes and Bonds

Brokerage Accounts:

- ◆ Mutual Funds
- ◆ Stocks
- ◆ 529 Education Plans
- ◆ IRA Retirement Accounts

Your Employer:

401k Retirement account

How Can You Invest- Non Financial Investments

- ◆ A Home
- ◆ Other income producing real estate
- ◆ A business of your own
- ◆ Other selective investment opportunities

Determining Your Risk Tolerance

- ◆ The greater the risk, the greater the return!
- ◆ However, can you afford to lose what you invest?
- ◆ Determinants:
 - Your age and the time horizon of your investment
 - Your overall portfolio and the amount you have invested so far

Spreading Risk

◆ Allocation

- Selecting the appropriate percentage of cash, stocks and bonds based on your age and time horizon.

◆ Diversification

- Selecting the appropriate mix of investments so as not to have all your "eggs in one basket"

Keys to Success

- ◆ Make goals
- ◆ Start early and be a disciplined investor
- ◆ Monitor your portfolio
 - Appropriateness of risk, allocation and diversification
- ◆ Invest for the long term