**Things To Do Before Investing:**

* Pay off credit card debt!
	+ No investment pays as much as credit card companies charge
* Build an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ fund
* Consider your goals
* Timeline
	+ How soon will you need the $?

**Consider your Goals:**

* Vehicle purchase/replacement
* Down payment on a home
* Child’s education
* To build wealth
* For retirement
* What are your financial goals?
* How much $ will you need?

**Determine your Risk Tolerance:**

* How much risk can you stand?
	+ If you have trouble sleeping at night because you are worried about your investments then pick a more conservative mix

**Before you Invest:**

* Is your budget \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_?
* Do you save every month?
* Do you pay credit cards in full every month?
* Do you carry adequate insurance to protect against major catastrophes?

**Potential Risks:**

* Being too conservative (Savings accounts, CDs, etc.)
	+ Keeps principal safe but…
	+ Inflation reduces purchasing power
		- Inflation averages about 3.1%
	+ Risk not reaching your goal(s)

**Risks:**

* Being too aggressive (too much in stocks)
	+ Higher potential for growth but…
		- More market volatility
		- No guarantee or insurance
		- Potential to lose \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the principal

**Managing Risks:**

* Consider your goal
	+ Emergency fund- be conservative
	+ Retirement- be more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Match your goals with your risk tolerance
	+ Can you handle the market volatility?
* Consider your time frame
* Short Term – months to 3 years
	+ Stick with safe savings options
* Mid Term – 3 to 10 years
	+ Take *\_\_\_\_\_\_\_\_\_\_\_\_\_* risk to grow your $ & beat inflation
* Long Term – 10 or more years
	+ Take *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_* risk to grow your $ & beat inflation

**Saving Terminology:**

* Cash Equivalents
	+ Usually low risk
	+ Savings, CDs, cash on hand
	+ Also called liquid assets
	+ Use for short term goals or if you have you have low risk tolerance

**Investing Terminology:**

* Stock – ownership in a company
* Bond – loan money to issuer
* Mutual fund – A diversified portfolio of stocks and/or bonds
	+ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of putting all your eggs in one basket

**Retirement Funds:**

* 401(k) retirement plan offered by employer
	+ $ grows tax deferred
	+ Some employers will match (~3%)
		- Need to invest > just the match
* IRA: individual retirement account
	+ Invest on your own
	+ $ grows tax deferred

**Retirement Funds:**

* Roth IRA
	+ Pay taxes now
	+ No taxes when you withdraw = no taxes on the growth!
* Traditional IRA
	+ Upfront tax deduction
	+ Pay taxes at withdrawal

**IRA Criteria:**

* Must have an earned income
	+ If married, non-earning spouse can use a spousal IRA
* $5,500 annual limit
	+ You can contribute less
	+ Age 50+: $6,500

**401(k), Roth, or traditional IRA?:**

* Invest in 401(k) up to full match
	+ Instant 100% rate of return!!
	+ Possible downsides
		- \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ picks the funds
		- May charge heavy fees
* If no employer match, consider an IRA
* Use a traditional IRA if
	+ Your employer doesn’t match or you’ve already invested up to the match
	+ You expect to be in a lower tax bracket at retirement
		- Take the tax break now
* Use a Roth IRA if
	+ You expect taxes to rise
	+ You expect to be in a higher tax bracket at retirement
	+ Offers tax diversification
		- If most of your retirement income will be taxable… invest in a Roth

**Establish Your Long-Term Investment Strategy:**

* Strategy 1: Buy and hold anticipates long-term economic growth.
	+ Stock market has offered a positive return over every 15 year period
		- Past returns no guarantee, but long-term buying and holding is a great strategy

**Long-Term Investment Strategy 2:**

* Dollar-cost averaging buys at “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_” costs
	+ Invest same amount every month
	+ Avoid following the crowd
		- Jumping in when the market is high
		- Pulling out when it drops
	+ Set up automatic deposit

**Long-Term Investment Strategy 3 & 4:**

* Portfolio diversification reduces volatility
	+ Money is like manure.  Left in a pile, it stinks.  If you spread it around, it'll grow some stuff. – Dave Ramsey
* Asset allocation keeps you in the right investment categories at the right time

**Investing Made Easy:**

* Set up Automatic Investing
	+ Payroll deduction or
	+ Automatic transfer from checking to:
		- Individual Retirement Account
		- Mutual fund
		- Other investment

**Mutual Funds:**

* Advantages
	+ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ management
	+ Reduce risk through diversification
		- Own small part of lots of different investments
	+ Monitoring investments is easy
* Disadvantages
	+ Funds charge fees
* Be aware
	+ follow market performance (down & up)
	+ No guaranteed rate of return

**Successful Investing:**

* Educate yourself
* Determine your risk tolerance
* Decide on asset allocation
* Stick to your plan
* Monitor investment performance
* If you need help, consult a professional advisor
	+ (N.B. most are salespeople)
* Avoid fraud!

**Remember** **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_invest in something you don’t understand**