**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**