SAVING & INVESTING

This information is provided for general information only. No specific investment recommendation is intended or implied. Students are urged to seek the advice of a professional before taking action on their investments.

Investments

The first step in obtaining wealth is establishing an investing plan that is right for you. Here are some things to consider when developing your own plan:

Emergency Fund – A large number of Americans live from paycheck to paycheck trying to make ends meets. When anything goes wrong such as loss of a job, car repairs, appliance breakdowns, or medical/dental costs, many people go into a panic to try and deal with the situation. A much better idea is to set aside money to prepare for unforeseen circumstances. A goal of saving an amount equal to at least 3-6 months of expenses in a low-risk account will provide you a sense of security and well-being. Checking, savings and/or money market accounts are examples of places to store your emergency funds.

Income Investments – Loan money to an entity (bank, corporation, state or local government, or federal government) and in return they promise to pay interest for a specified time period and return your principal at maturity. Examples of these investments include certificates of deposits (CDs), saving bonds, municipal bonds, treasury bonds and corporate bonds. The degree of risk on income investments vary from virtually no risk on U.S. treasury bonds to high risk on high yield (junk) corporate bonds. For CDs and U.S. federal bonds, these investments provide regular income, safety of principal and possible tax advantages.

Stocks represent ownership in a company. When you purchase shares of stock, you are purchasing shares of that company. Stock investments make money by the appreciation of the share price and dividends. Dividends are payments the company makes to the shareholders from its earnings and profits. The dividends can be reinvested back into the stock for more growth and share accumulation.

Growth & Income Stocks – Stocks of very large companies that provide the potential for some growth, as well as dividend income.

Growth Stocks – Stocks of large companies that may provide some dividends, but are mainly focused on expanding their businesses and increasing their share price.

Aggressive Growth Stocks – Stocks of smaller companies focused on rapidly expanding their businesses. These high risk stocks could potentially earn a lot of money but often are unsuccessful and go out of business.

Most investors simply do not have the time or inclination to select stocks on their own. Many investors choose to invest in either mutual funds or index funds instead.

Mutual Funds – An investment company that allows investors to own a diversified portfolio of stocks or other securities. The typical mutual fund will be comprised of 50-200 stocks. These funds can invest for growth & income, growth, aggressive growth, international, and particular sectors of the economy.

Mutual funds are easy to buy and seek to provide:

- Diversification
- Professional management
- Low minimum investments
- Automatic reinvestment of dividends & capital gains

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Index Funds – Passively managed, low-expense funds that seek to mirror the result of a market index (S&P 500 or S&P MidCap 400). Index funds attempt to replicate stocks in the index. It is common for a large percentage of actively managed mutual fund results to fall below their benchmark index.

Index funds are easy to buy and provide:

- Diversification
- Low expenses
- Low minimum investments
- Possible tax advantages

In order to start saving and investing, you need to "pay" yourself first:

Participate in your employer's retirement plan at least up to the amount it will match.

- Examples: 401K and 403B
- Usually have several investment choices
- Pre-tax investments grow tax-deferred

Contribute additional funds to a Roth IRA.

- $5,500/yearly limit on earned income ($458/month)
- Contributions are after-tax
- Withdrawals are TAX-FREE after age 59 ½

An IRA is flexible – within the same account, you can have stocks, bonds, mutual funds, cash, CD's, and money-markets

It will be up to you to decide whether you have the time and interest to manage your investments, or need to hire a professional such as a CFP® or investment broker to assist you.

Helpful Websites

Kiplinger's	kiplinger.com
Morningstar	morningstar.com
CNNMoney	money.cnn.com
Smart Money	smartmoney.com
Motley Fool	fool.com

Recommended Reading

The Total Money Makeover, Dave Ramsey
The Millionaire Next Door, Stanley/Danko
The Automatic Millionaire, David Bach
Common Sense on Mutual Funds, John Bogle

"Secrets" to Achieving Financial Success

- Have a plan
- Establish an emergency fund
- Pay yourself first
- Establish a Roth IRA
- View market downturns as a buying opportunity
- Diversify
- Find a trustworthy advisor that will educate you
- Review your plan annually