Introduction to Investing

Facilitators Manual

Introduction: Why Invest Our Money?

Hispanics are the largest, youngest, and fastest growing minority group in the nation. With more than 44 million (including Puerto Rico), Hispanics are the second largest segment of the U.S. labor force. Business leaders throughout the country have begun to notice that Latinos, once regarded as predominantly having lower income, are fast becoming the nation's largest population segment, with the extraordinary potential of also becoming one of its most affluent. Our community has spending power into the trillion-dollar range. It is marked by its diversity and youth. Its work ethic, combined with its sheer numbers, means Latinos could have the power to influence the entire U.S. economy in the coming years.

In order to reach the full potential of our collective capabilities, we need to become more knowledgeable in managing our finances and increase our entrepreneurship abilities.

Businesses and individuals can use investing skills to manage their finances. Investing might not make you rich overnight, but it can help you reach your financial goals.

Since having spare money to invest is a new experience for many, we often lack the experience and skills necessary to invest carefully and successfully. Even people with advanced degrees in formal education may know little about investing, its specialized concepts, practices, and people.

This program was developed to introduce our community members to the world of investing. The information included is meant to teach and guide you, to start you off in the right track. It is neither a comprehensive training program nor a highly technical training. It is the beginning of a journey.

¡Lo importante es comenzar!

Module Objectives

After completing this module you should be able to:

- Recognize the importance of saving
- Understand what is investing
- Understand the importance of investing for your future
- Understand how to develop a personal or family budget
- Understand how to define, plan, and achieve personal financial goals
- Recognize different types of investments
- Understand how to work with different investment professionals and investment products

Recommended Time on Task by Lesson

Lesson No.	Lesson Title	Time Required
	Introduction and Ice Breaker	20 minutes
M1.1	Investing: Your First Steps	40 minutes
M1.2	Budgeting and Goal Setting	60 minutes
M1.3	When You Should Start Investing	30 minutes
M1.4	Working with Investment professionals	45 minutes

Suggested Module Instructional Duration: 3.25 hours

About This Manual

This manual contains the same information provided in the instructional manual that the participants will have during the workshop. For each section we provide specific suggestions and resources selected to help you deliver the classroom instruction. These include teaching tips, questions to generate classroom discussion, and a module PowerPoint presentation. In addition every section or subject has additional reference materials which provide supplementary online instructional materials and resources. These were selected to provide the facilitator more information about the subject or materials which could be used to enhance the delivery of instruction.

Before the workshop session:

- Before conducting the workshop, take time to familiarize yourself with the participant manual, exercises, additional learning resources, teaching tips and questions to generate discussion and PowerPoint presentation.
- For classroom use it is highly recommended to secure a flip chart, color markers, projector, and laptop. Familiarize with setting up the equipment and with its operation.

At the workshop:

- Welcome the participants Ask participants to introduce themselves, and share what their expectations are for this program, and what they hope to get out of the seminar. Write these down on a flip chart as they share. (This activity will help participants get to know each other and feel more comfortable and give you an idea of what they are expecting from the session.)

- Review the objectives of the session and the agenda. If applicable, hand out materials to participants. Using the module PowerPoint presentation review the module objectives:

- Use this time to listen as well as to manage expectations as to what will be accomplished during the lesson. Let participants know that their specific personal situations may not be able to be addressed directly in the lesson but that the information should be valuable to them.
- Make sure to schedule breaks after 1.5 hours of instruction.
- Encourage participants to ask questions; try to create an interactive-participatory learning environment. If you do not have the answer to a question, be honest and say: "*I don't know the answer but I will research it for you".* Bring the answer next day and explain where and how you found the answer.
- Do not ask personal questions to participants which could potentially disclose personal or confidential financial information. It is strongly recommended to always use hypothetical scenarios.
- Always use a flip chart to write down key concepts, at the end of the day review the key learning concepts.

Table of Content

Key Terms

APY: Stands for annual percentage yield or compound interest.

Budget: An itemized listing of the money a person (or company) will take in, and how much will be paid out (expenses), over a specified period of time (usually monthly).

Capital Gains: The difference between an asset's purchase price and selling price, when the selling price is greater. Long-term capital gains (on assets held for a year or longer) are taxed at a lower rate than ordinary income.

CD: Stands for Certificate of Deposit.

Compound Interest: Is interest earned on both the initial principal plus the interest reinvested from prior periods.

Dividends: Dividends are generally payments made to owners of a company. These payments can be in the form of cash or the issuance of additional stock. Dividends are generally used as a way to allow the owners to participate in the profits generated by the company.

Expenses: An expense is any outgoing payment made by a business or individual, these are classified as:

- **Fixed Expenses**: Bills that are due at a particular time or on a regular schedule
- **Flexible Expenses**: Expenses that occur by choice and are subject to change
- **Variable Expenses:** Variable expenses are those expenses that occur regularly. They are consistent and predictable, but the amounts change.

FINRA: Stands for the Financial Industry Regulatory Authority. Every day FINRA protects investors by working to keep the capital markets fair.

Fixed Investments: A security or investment account that pays a fixed rate of return.

Income: Financial gain accruing over a period of time that can come from several sources like interest from a savings account, gifts, tips, bonuses, child support and, of course, your salary from employment

- **Gross Income:** Total amount of money earned before any taxes and payroll deductions are subtracted.
- **Net Income**: Gross income minus taxes and payroll deductions, take home pay.
- **Bi-weekly Income:** Payment every two weeks, generally every other Friday
- **Semi-monthly Income:** Payment every two weeks; for example on the 15th and the 30th.

Interest: Is the amount that is agreed to be paid in return for the *use* of a certain amount of money (principal). Interest is usually expressed as a percentage of the principal. For example, the bank may give you 2% interest on your principal of $100. Over the course of a year, you will earn $2 in interest on your $100 deposit (that is, if you leave the $100 in the savings account all year).

Market: Refers to people coming together to buy and sell investments such as stocks and bonds, which we will discuss later.

Principal: Is the amount of money you invest to make money. For example, if you deposit $100 in a savings account in the bank, that deposit is your principal.

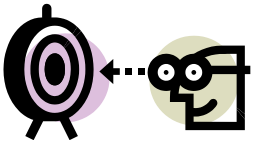
Return: The profit earned on an investment. The $2 you earned in interest on your $100 deposit is known as your return. Returns come from many investments—like stocks and mutual funds. But be aware that returns are not guaranteed. Returns can be negative if there is a loss.

Securities Exchange Commission: A government regulatory agency that oversees and enforces the securities laws of the United States, publishes rules and guidance for the securities industry, and provides investor education.

Stock Market: The set of institutions that facilitate the exchange of stocks between buyers and sellers. A stock market can be an actual place, but with the growth of electronic transactions a large fraction of stock market transactions are not centrally located in a particular location.

Investing: Your First Steps

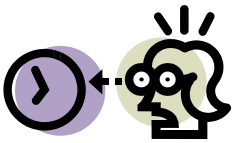
Lesson No. M1.1



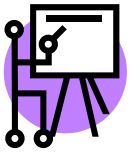
Lesson Objectives:

After completing this lesson participants should be able to:

- Understand the meaning of investing
- Recognize the importance of investing
- Recognize the importance of investing in themselves



Time Required: 40 Minutes

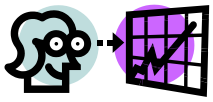


Lesson Teaching Tips

- After presenting the module objectives, ask participants to complete the "Test your Money Smarts" quiz.
- Discuss quiz results. Use the results to initiate the discussion of the topic.

Questions to Generate Discussion

- How many of you are currently saving money?
- How many of you are currently investing?
- Can you share with us your investment goal?



PowerPoint Slides Thumbnails

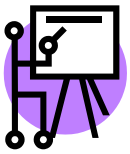
Slide Notes

- Follow the questions presented on the slide bullets and promote discussion.
- Present an example of what compound interest means.
- What is the long term effect of interest compounding?

- Execute the section exercise. Ask participants to write their definition of investing.
- Discuss the definition presented on the module and compare with those provided by the participants.

- This slide intends to make participants aware that they are already investing on different aspects.
- Ask participants if there are any other ways they might be already investing.

- This slide introduces the concept of investing in them first in order to generate the financial conditions to generate wealth.



Closure:

- Review lesson objectives with participants.
- Ask participants if their concept of investing has changed based on the class discussion.

Learning Assessment:

- Ask participants to rewrite their definition of investing.

Reference Materials

- What is investing? – Florida State University
  http://learningforlife.fsu.edu/course/fp101/InvestmentsFundamentals.htm

Initial Assessment Exercise:

As a first step into helping you in getting involved in your financial planning and into investing for your future, let us help you to assess your current understanding of basic investments knowledge, please complete the quiz entitled "Test your Money Smarts" developed by the U.S. Securities and Exchange Commission" included in Attachment 1 or access the interactive quiz by clicking here or visit http://www.sec.gov/investor/tools/quiz.htm

Your First Steps: Small Savings Add Up to Big Money

How much does a cup of coffee cost you?

Would you believe $465.84 or more?

If you buy a cup of coffee every day for $1.00 (an awfully good price for a decent cup of coffee, nowadays), that adds up to $365.00 a year. If you saved that $365.00 for just one year, and put it into a savings account or investment that earns 5% a year, it would grow to $465.84 by the end of 5 years, and by the end of 30 years, to $1,577.50.

That's the power of "compounding." With compound interest, you earn interest on the money you save and also on the interest that money earns. Over time, even a small amount saved can add up to big money. If you are willing to watch what you spend and look for little ways to save on a regular schedule, you can make money grow. You just did it with one cup of coffee.

What Investing Means to You? You Might Be Doing It Already!

Exercise:

First, let us ask what investing means to you? Write in the space provided your definition.

_____

_____

_____

_____

Let's explore what means to invest

> *Investing is putting your time, money, or resources into something with the expectation of getting something greater in return in the future[1].*

Investing is not the same as saving. When we save (setting aside something), we are holding on to it so we can use it later. When we invest in something, we hope to get back what we invested *plus more* at a later time. Saving in a bank, however, is one form of investment different from setting aside money in a piggy bank, which does not earn interests.

We invest in many different ways. Here are a few:

- Investing in our health
- Investing in our personal relationships
- Investing in our church
- Investing in materials for our workshop
- Investing in our education or your children education
- Investing in our home
- Investing in a family business
- Investing our money in the bank or maybe
- Investing in stocks and bonds

Invest in Yourself First

Investing in yourself is a good idea. For one thing, you control a lot of the risk. For instance, you may decide to go back to school. Investing in yourself with further education, professional development training, or even learning about your culture from relatives and elders in your community, is a way of investing in your own human assets. Your human assets are things you will always have—the stock market may crash and businesses may go belly up, but you will always be thankful that you dedicated time and resources to yourself and your family by developing your personal skills, cultural skills, or furthering your education.

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[1] Building Native Communities: Investing for the Future. First Nations Development Institute

Also, you can get a very high rate of return by investing in yourself. Stock market investors are happy if they can average a 7% return on investments year after year. (That's 7 cents on every dollar they invest.) Here are typical returns on an investment in you. The U.S. Census Bureau reports the following average incomes in 2004 for different educational levels:

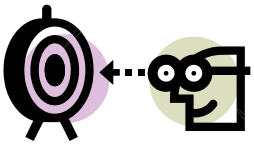
Educational Attainment Yearly Income

Educational Level	Projected Average Income
High school dropout	$18,144
High school degree	$25,360
Bachelor's degree	$42,404
Professional degree (attorney, accountant, etc.)	$55,065

Keep studying, it is a great investment, it pays!

Your Next Step: Develop a Personal or Family Budget

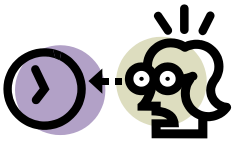
Lesson No. M1.2



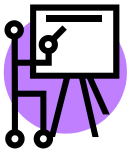
Lesson Objectives:

After completing this lesson participants should be able to:

- Understand what is a personal or family budget
- Recognize the importance of budgeting
- Recognize the relationship between their budgets and financial goal setting
- Understand the relationship of their life cycle and financial goals setting and financial planning



Time Required: 60 Minutes

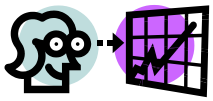


Lesson Teaching Tips

- Prior to this lesson, ask participants to collect information on their personal or family revenue and expenses.
- Make copies of the budget worksheet for participants to use.

Questions to Generate Discussion

- Why do you think is so difficult for some people to start investing?
- Do you have a personal or family budget?
- What are your financial goals?
- How can we know how much can we afford to invest?
- How much do we need to invest to attain our financial goals?



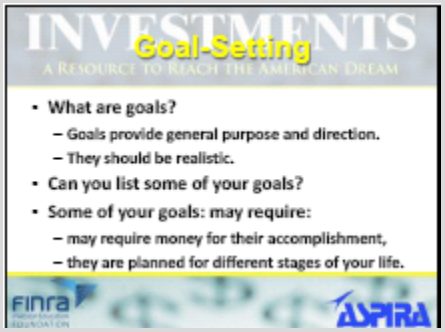
PowerPoint Slides Thumbnails

Slide Notes

- Follow the questions presented on the slide bullets and promote discussion.
- Provide participants a copy of the budget worksheet.
- Make sure all participants understand what is considered income and expenses.

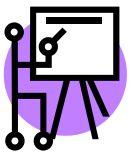
- Discuss the concept of income.
- Ask participants for examples of income.
- Explain the difference of gross and net income.
- Perform with participants the exercise section and discuss results.

- Explain the concept of expenses.
- Describe the difference of variable, fixed, and flexible expenses.
- Ask participants to provide examples of each one.



- Execute the exercise section. Ask participants to write their definition of investing.
- Discuss the definition presented on the module and compare with those provided by the participants.

- This slide intends to make participants aware that they are already investing on different aspects.
- Ask participants if there are any other ways they might be already investing.



Closure:

- Review lesson objectives with participants.
- Ask participants if the budgeting exercise helps them to better assess their capacity to invest.

Learning Assessment:

- Ask participants to rewrite their definition of investing; did they exhibit any changes on their understanding of what is investing?

Reference Materials

- Developing a family budget – Our Family Place http://www.ourfamilyplace.com/budget.html

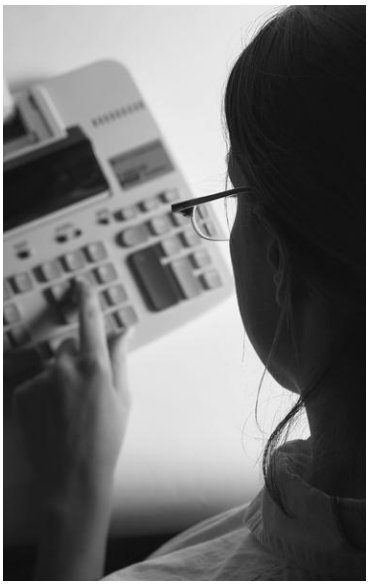
"I Can't Invest! I Spend Everything I Make."

If you are spending all your income and never have money to save or invest, you'll need to look for ways to cut back on your expenses. When you watch where you spend your money, you will be surprised how small everyday expenses that you can do without add up over a year. You need to develop a budget; we will show you how in the next sections.

The family budget is really nothing more than a listing of expenses and incoming monies on a month to month basis. While some people believe that the budget must be a complicated mess of numbers and accounting practices, the common person will find that simplicity is the best method. Complicating the situation will only create confusion and therefore bring about the downfall of the entire system that is designed to protect all involved. So the first rule of the family budget should most certainly be to keep it simple.

One of the major issues that many people have with the family budget is the belief that such measures will limit the control people have over their money. This is a myth that many financial experts have tried to diffuse for many years. The fact is that the personal family budget simply acts as a guide so you know where the money you bring in must go on a monthly basis. In all truth, the money is already allocated, but it allows for sound financial planning when you know the expenses that you have against the money you have coming in. The control you have over your money is never changed by a budget, but it is something that makes sense for a person who wants to lead a stress free life when it comes to money matters.

When you look over a family budget, you will be able to ascertain areas where savings can occur. For instance, you will have a side-by-side comparison of the expenses you have to compare to the incoming money. The end result is the profit or extra money you have each month. What you do with that money is your own decision. However, this also proves useful when thinking about making a change. Perhaps you are thinking about moving to a larger home. In this case, you will need to see how much you can afford each month for the payments. With the family budget in place and kept up-to-date, you will have the information you need right at your fingertips.



The need for a personal or family budget cannot be stressed enough. Having a set amount that you spend each and every month on expenses gives you peace of mind. It is sound financial planning when you sit down and figure out how much you have and how much you need. This will ensure you continued financial safety and security when it comes to your family.

Income

Income is a financial gain accruing over a period of time that can come from several sources like interest from a savings accounts, gifts, tips, bonuses, child support and, of course, employment. In general terms when considering a budget we refer to “net income” or “take home pay” which is the amount of money you actually receive in your paycheck after taxes and any other deductions. Usually, Taxes, Social Security and Medicare deductions are subtracted automatically from your check.

How to Figure Out Your Net Income

In order to figure your net annual (yearly) and net monthly income, lets use the following steps. Net Income is the amount remaining after taxes and payroll deductions.

Exercise

Check the box by the answer that describes how often you get paid.

Step 1: Determine how often you get paid.

- Weekly
- Bi-weekly (every two weeks)
- Semi-monthly, (twice a month)
- Monthly (once a month)

Step 2: Calculate your net monthly income

Take home pay	How are you paid?	Multiply by:	Equals net annual income	Divided by 12 equals gross monthly income
$	Weekly	52		
$	Biweekly	26		
$	Monthly	12		

Expenses

In general when considering a budget, consider personal expenses. An expense is the amount of money spent on bills, other payments and basic "cost of living" expenses. In order to have an accurate picture of your personal finances when working on your spending plan or budget, it is recommended that you consider the three most common types of expenses as shown below.

Types of Expenses

To figure out your expenses, first, collect all your bills, your credit card statements, your checkbook register, and receipts for gas, groceries and anything else you buy with cash, check or debit card. Include things that are billed periodically during the year such as taxes and insurance. Remember that some expenses are for items that are considered "needs" and others are for things that are "wants". This is helpful when budget adjustments are necessary.

Fixed Expenses

Bills (payments) that are due at a particular time or on a regular schedule are considered fixed expenses. The amount of fixed expenses by definition remains the same or changes according to a known schedule. Some examples of fixed expenses are housing, credit obligations, insurance, family, gifts and contributions.

- Credit Obligations: Includes vehicle payment, other personal loans, credit card debts
- Housing: includes rent or mortgage.
- Second mortgage and home equity loans.
- Insurance: This can include homeowner's or renter's insurance, automobile and life insurance.
- Family: This includes tuition, child support, alimony and day care.
- Gifts and Contributions: A regular amount that you give to charity or your church.

Exercise

Write down some of the items that make up your fixed expenses, using the list above.

_____ _____

_____ _____

_____ _____

Variable Expenses

Variable expenses are those expenses that occur regularly. They are consistent and predictable, but the amounts change. Some examples of variable expenses are:

- **Transportation:** Bus or subway fares, gasoline, vehicle maintenance and repairs
- **Food:** Groceries, lunches, snacks, beverages
- **Utilities:** Electric power, gas, water, cellular and long distance phone bills
- **Credit cards:** Credit cards and other loans where the monthly amounts change.
- **Personal needs:** Expenses such as hair, nails, toiletries.
- **Health care:** Doctors, dentists, prescriptions

Exercise

Write down some of the items that make up your variable expenses, using the list above.

_____ _____

_____ _____

_____ _____

Flexible Expenses

Flexible expenses are for things you “want” rather than “need”. Generally, they occur by choice and you may consider them “fun” expenses. These expenses are the ones that can be adjusted or taken out of your budget to find money for something else. Some examples of flexible expenses are:

- **Clothing:** New shoes, fashion jeans
- **Entertainment:** Movies, concert tickets, make-up, sports
- **Fashionable Accessories**: Diamond earrings, bracelets, hair pins
- **Gadgets:** I-pods, camera cell phones

Exercise

Write down some of the items that make up your flexible expenses, using the list above.

_____ _____

_____ _____

_____ _____

Developing a Budget

To create your budget, you will need to know how to estimate your income and expenses.

Exercise

Before you start, take a look at your checkbook record, pay stubs, bills, and receipts to help you make accurate estimates. Then fill in the worksheet on the following pages with your income and expenses information.

Income		Amount
Regular monthly income		$
Other income (Soc. Sec.; pension, child support, second job, etc.,)		$
Total monthly income		$
Expenses		**Amount**
Fixed Expenses		$
Savings & Investments		$
Rent/Mortgage		$
Property Taxes		$
Utilities (gas, water, electricity)		$
Telecommunications (cable, cell phone, telephone, and Internet)		$
Insurance (Life, health, and vehicles)		$
Credit Obligations (2nd mortgage, credit cards, student loans, and loan payments)		$
Child Support		$
Tuition		$
Day Care		$

Variable Expenses		$
Health care, (doctors, dentist, prescriptions, etc.)		$
Clothing		$
Dry Cleaning		$
Education (books, materials, and supplies)		$
Food		$
Transportation (gas, public transportation, tolls, garage, etc.)		$
Flexible Expenses		$
Entertainment (movies, video rentals, dining, concerts, etc.)		$
Newspapers, books, magazines, etc.		$
Personal (beauty shop, barber, etc.)		$
Children's allowance		$
Other		$
Total Monthly Expenses		$
Total left for additional purchases, savings, and investments (Total Monthly Income less Total Monthly Expenses)		$

Goal Setting

What are goals? Goals provide general purpose and direction. They are the end result of ultimate accomplishments toward which an effort is directed. They generally should reflect perceived present and future need. They must be capable of being effectively pursued during a prescribed period of time. They should be realistic.

Exercise:

Can you list some of your goals?

_____
_____
_____
_

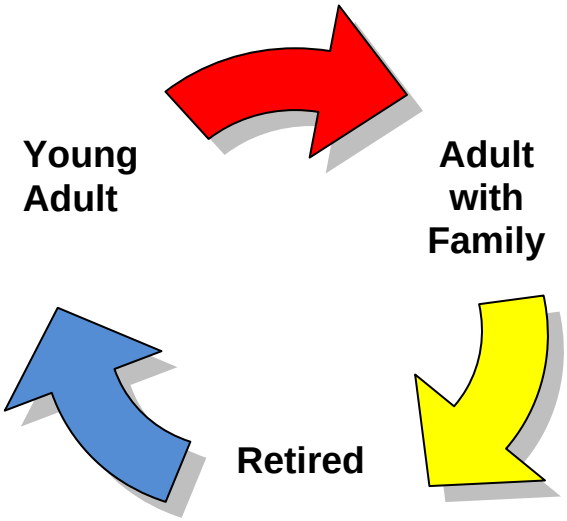
Some of your goals may require having money for their accomplishments and they are planned for different stages of your life. For example:

- Sending your children to college
- Retiring with 70% of your salary
- Buying a beach house
- Starting your own business

As we all know life is a cycle. We are born, grow, become young adults, then we might get married and have a family with children, they grow, we get older, we retire and die. For every stage of our life we have different goals. When we were children we saved to go to the candy store, then we saved for a toy, later we saved for some fancy clothing, eventually we wanted to buy a car. Later in life we got married and wanted to buy a house, and so life goes on.

Exercise:

Look into the following diagram: list and define possible goals for each stage of your life cycle.



Now, let's take the listed goals and perform the following exercise. Organize your goals by first classifying them as short term (1-5 years) and long term (5-20 years):

Short-Term Goals	Long-Term Goals

Within each category (short term or long term) order them in terms of their priority.

Short-Term Goals in Order of Priority	Long-Term Goals in Order of Priority
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

Great! Now let us quantify the cost of attaining each of the above goals:

Short-Term Goals in Order of Priority		Long-Term Goals in Order of Priority	
Goal	Cost	Goal	Cost
1.	$	1.	$
2.	$	2.	$
3.	$	3.	$
4.	$	4.	$
5.	$	5.	$

Looking at the above goals and their cost you must ask yourself: have I started saving or defining how I will be able to accomplish these goals? To accomplish them you will need to craft a plan, an investments plan that will help you reach the financial resources that will make these goals a reality. Preparing for tomorrow's expenses is one of the most important things you can do for yourself and your family. The financial decisions you make today will directly affect your ability to achieve long-term goals such as sending your children to college and securing your own retirement.

Setting Personal Savings and Investment Goals

We hope that the above exercises help you in determining your financial goals; this is a very important step to successful financial planning and investing. The decisions you will need to make later will depend on the goals you have set today. Defining your savings and investment goals will help you determine how much money you will need, when you will need it, and how much you will need to invest to reach your goals. As a result, for each goal time frame (short, medium, and long term) you will need different investment strategies and instruments. But, after defining your goals the first question you have to answer is: when should I start investing?

When Should You Start Saving and How Much?

The simple answer here is "as soon as possible, and probably more than you are currently saving" and "as much as you can."

Financial advisers generally recommend keeping a savings cushion of around three months' earnings in an easy-to-access account, as 'rainy day' money for emergencies or to tide you over if you lose your job.

It can be easy to fall into the trap of believing you don't have enough spare cash to be saving.

But even for longer-term stock market investment there are schemes available, which will take $50 a month or even less. However, while that is a start, bear in mind that $50 a month is just $600 a year – $3,000 over 5 years, ignoring any growth; perhaps not enough for reaching your goals.

In deciding how much to put aside, it can also be helpful to consider what your goals are and work back from there.

The earlier you start saving into a retirement savings plan, the bigger the amount you should end up with. Likewise, the later you start the more you will have to save to achieve the required retirement income.

Most Financial Advisers normally recommend you save at least 10-15% of your income to achieve a more comfortable retirement.

In addition, in the case of retirement saving, your employer (if you have one) may well be contributing to your pension plan as well.

One way of making sure you maintain your savings discipline – and reduce the pain – is by using monthly direct debits or standing orders for your payments. It is surprising how quickly people come to hardly notice money automatically taken out of their pay packets or accounts.

Why Save?

We live in an uncertain world where jobs are easy to lose, incomes are fragile, and where relying on the state for anything more than a basic financial safety net looks foolhardy. U.S. citizens are also living longer, with after retirement life of 20 to 30 years increasingly common.

State government pension and Social Security income is unlikely to become generous or even available, while many employers have also been cutting back on the pension deals they give their employees.

Most working people suspect they should be saving more for their retirement, but the need for savings is much more widespread than that.

The housing boom has meant that it has become increasingly difficult to get on the property track without a substantial deposit.

Children are also placing even greater financial demands on parents, who may want to send them to a private school or help cover university costs.

So saving is more important than people realize. One of the biggest problems is that while people are putting away some of their hard earned cash, they are servicing debt at the same time – often both from the same place, and therefore applying a brake to their savings efforts.

Earning Interest

Every savings institution tells you the interest rate it is paying, expressed as both a nominal, or named, rate and an annual percentage yield (APY)[2]. If the APY is larger than the nominal rate, even by a little bit, that means the interest is paid more frequently than once a year and that the interest earnings are added to the principal, or amount on deposit, each time they are paid. This process, called compounding, creates a bigger base on which future earnings can accumulate.

Banks and other financial institutions use a complex formula to calculate how interest compounds over the years. But you don't have to be a math wizard to see how your money can grow. The Rule of 72 is a shorthand way to figure out how many years it will take for compounding to double your money at a particular interest rate. What you do is divide the interest rate you're earning into 72.

For example, let's say you have $1,000 and you want to know how long it will take to double your money. If you earn 6% interest each year on your account, you divide 72 by 6:

72 ÷ 6 (representing 6% interest) = 12 (years to double your money)

At the end of 12 years, you will have just over $2,000 in your account.

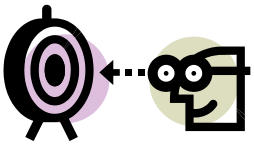
Remember, this illustration only focuses on the impact of compounding on your initial deposit of $1,000—and does not take into account any additional deposits you might make over time. If you were to deposit $100 each year to your account, it would take only 6 years for you to have $2,000.

The true magic of compound interest is that you earn interest not only on your principal, but also on the interest you accumulate each year.

[2] Prepared for the FINRA Foundation by Lightbulb Press, Inc.; December 2007

When Should You Start Investing and How Much?

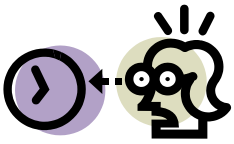
Lesson No. M1.3



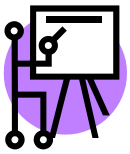
Lesson Objectives:

After completing this lesson participants should be able to:

- Recognize the importance of starting to invest early to reach their financial goals
- Understand the importance of time on the market
- Understand the importance of assigning different time frames to different goals



Time Required: 30 Minutes

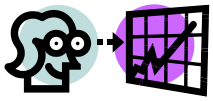


Lesson Teaching Tips

- Participants should already define some of their financial goals. Refer to those goals during lesson delivery.
- Review the concept of compound interest.
- Ask participants to bring a calculator.

Questions to Generate Discussion

- Do you know how much time will be required for each of your financial goals?
- What do you understand by compound interest?
- How automatic payroll transfer and deductions can help us reach our financial goals?



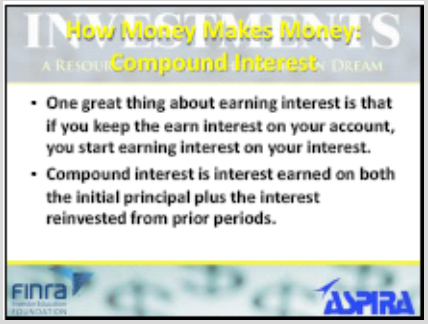
PowerPoint Slides Thumbnails

Slide Notes

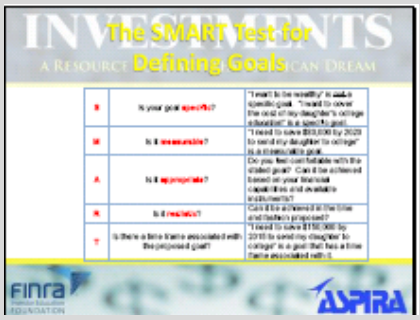
- Follow the questions presented on the slide bullets and promote discussion.
- Make reference to their personal budget to determine how much they can afford to invest.
- Suggest revising their budget and assign 10-15% for investment, adjust their variable expenses to generate

savings for reaching their investment goals.

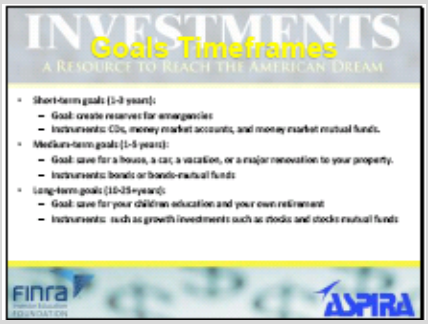
- Stress the importance of time on the market.
- Time on the market is more important than timing the market.



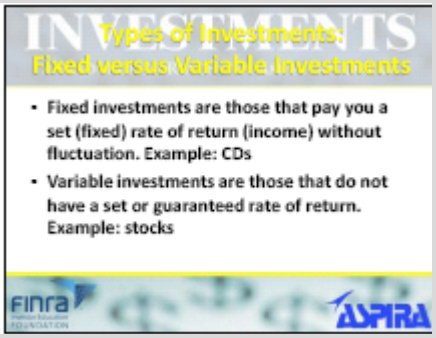
- Explain the concept of compound interest.
- Use the compound-interest exercise presented on the manual to further explain the concept.



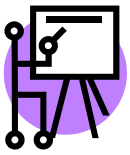
- Discuss with students the SMART Test.
- Ask some of them to run their goals through the test.



- Discuss the need to consider different types of investment instruments to reach financial goals with different time frames.



- Discuss the differences between fixed-income investments and variable-income investment and their relationship with financial goals.



Closure:

- Review lesson objectives with participants.
- Remind participants that defining their personal or family financial goals is the first step of their financial planning process.
- Let them know that the next step is to learn who are the professionals who can help them define and execute their investment strategies.

Learning Assessment:

- Ask participants if after completing this lesson, they have a better understanding of goals setting and how to reach them.

Reference Materials

- Fundamentals of Financial Planning – Florida State University http://learningforlife.fsu.edu/course/fp101/index.html

You should start investing as early as possible, but if you have not, start as soon as you can!

A couple of things you need to take into consideration when answering the question of how much to invest are simply “what is your financial goal” and “when do you need or want to reach that goal.”

Something very important to recognize is that time is our best friend when investing, even if it is a small amount monthly. But be consistent, invest periodically: this is known as dollar-cost averaging. For example if you invest $100.00 a month for 20 years at a rate of 6% your principal will be $24,000 and at 6% your savings will be worth $46,435.11. To learn more about what periodic investment can do for you, use the periodic investment calculator available at University Credit Union or http://googolplex.cuna.org/12433/5spot/story.html?doc_id=728

Remember, time is your best friend. Do not follow your natural instincts of selling and buying as the market fluctuates. Time has proven that dollar-cost averaging is the best strategy. Pulling out of the market will not allow you to take advantage when the market goes up again. Stay on course!

It is not timing the market, but time in the market, the stories of Juan and Maria

Juan and Maria started saving for their future but at different times and amounts, let's see the striking differences:

	Maria	Juan
Age when started to set money aside and investing	19 years old	26 years old
Money invested annually	$2,000.00	$2,000.00
Total years invested	8	39
Total invested	$16,000.00	$78,000.00
Year earning interest (10% annual return)	46	39
Value at age 65	$1,035,000.00	$833,135.00
Minus investment	-$16,000.00	-$78,000.00
Net earnings	$1,019,000.00	$755,135.00

From the table above, you can tell why María accumulated more earnings than Juan with her investment, even though she invested only $2,000 per year for only 8 years, (a total of $16,000). She invested earlier (at age 19) and did not pull out her money until retirement age. Juan, who invested more money than Maria, had less time to accumulate earnings.

What You Don't See, You Won't Spend: Automatic Transfers and Deductions

Your bank or credit union can help you establish automatic transfers and deductions into your savings account, money market, or investments accounts. Automatic money transfers will help investing consistently with the least possible effort from your part.

How Money Makes Money: Compound Interest

One great thing about earning interest is that if you keep the earn interest on your account, you start earning interest on your interest. It works this way: Compound interest is interest earned on both the initial principal plus the interest reinvested from prior periods. If $100 is deposited in a bank account at 10%, the depositor will be credited with $110 at the end of the first year and $121 at the end of the second year. That extra $1, which was earned on the $10 interest from the first year, is the compound interest. This example involves interest compounded annually; interest can also be compounded on a daily, quarterly, half-yearly, or other basis.

Banks provide two interest rates: interest and annual percentage yield or compound interest (better known as "APY"). The APY is the rate your money earns compounded.

Exercise: Compound Interest

You invest $1,000 in a five-year CD at an APY of 4.5%. At the end of five years, how much you have earned?

Year	Principal	APY (45%)	Earned Interest	Interest + Principal
Year 1	$1,000.00	x 0.045=	$45.00	$1,045.00
Year 2	$1,045.00	x 0.045=	$47.03	$1,092.03
Year 3	$1,092.03	x 0.045=		
Year 4		x 0.045=		
Year 5		x 0.045=		
Total				

The SMART Test for Defining Goals

In defining investment (or any other type of) goals, ask yourself: do they meet the **SMART** test?

S	Is your goal **specific**?	"I want to be wealthy" is not a specific goal. "I want to cover the cost of my daughter's college education" is a specific goal.
M	Is it **measurable**?	"I need to save $80,000 by 2020 to send my daughter to college" is a measurable goal.
A	Is it **appropriate**?	Do you feel comfortable with the stated goal? Can it be achieved based on your financial capabilities and available instruments?
R	Is it **realistic**?	Can it be achieved in the time and fashion proposed?
T	Is there a time frame associated with the proposed goal?	"I need to save $150,000 by 2015 to send my daughter to college" is a goal that has a time frame associated with it.

Goals Time Frames and Suitable Investment Options

When defining goals you might want to identify the time frame and/or need attached for your goal such as:

- **Short-term goals** (1-3 years): these goals are defined to meet short-term financial needs, such as creating reserves for emergencies. The type of investment instrument used for meeting short-term goals are investments that seek to protect against loss while still earning a modest income. Examples: Certificates of Deposits (CDs), money market accounts, and money-market mutual funds. One of the considerations for selecting the required investment instrument is how fast you need the money (liquidity).

- **Medium-term goals** (1-5 years): these goals are defined to meet medium-term financial needs, such as saving for a house, a car, a vacation, or a major renovation to your property. To achieve medium-term goals investors have used bonds or bonds-mutual funds; these are selected to avoid risks over a relatively short period of time.
- **Long-term goals** (10-25+years): these goals are defined to meet long-term financial needs, such as: saving for your children's education, your own retirement, growth investments such as stocks and stocks mutual funds might be the best choices. These types of investments focus on increasing value over a long period of time (long-term growth). Long-term goals allow you to accept more risk (to be discuss soon) than you might otherwise, because the market fluctuations (ups and downs) tend to smooth out over an extended period of time.
- **Investment income**: these investments are selected to supplement your income with a steady flow of investment earnings; some of the choices might include money market accounts, bonds, preferred stocks and bonds mutual stocks.

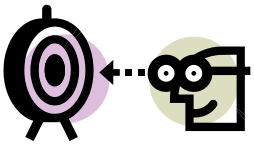
Types of Investments: Fixed versus Variable Investments

When considering the types of investment most suitable to help you reach your financial goals there are in general terms, there are two types of investments: fixed or variable. Fixed investments are those that pay you a set (fixed) rate of return (income) without fluctuation. For example, a savings account that pays 2% interest rate, or a 5-year CD paying 4.5% interest. Other types of fixed investments are municipal and state bonds, corporate bonds and U.S. Securities. All fixed investments are low-risk investments, thus the expected return is low ("risk" will be discussed in the following section).

Variable investments are those that do not have a set or guaranteed rate of return. The return of these investments can and will vary over time depending on a number of factors. Stocks are examples of variable investments, their return can change (up or down), they can give you a large return but it is not guaranteed.

Who Can Help You Set Up Your Investments? Working with Investments Professionals

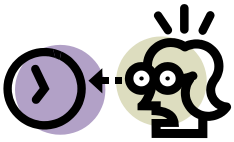
Lesson No. M1.4



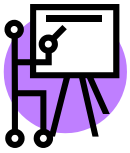
Lesson Objectives:

After completing this lesson participants should be able to:

- Recognize the professionals that can help participants setup their investments
- Understand how to select investment professionals
- Know the questions to ask regarding different types of investments options
- Know the questions to ask and steps to take if you run into trouble with an investment or an investment professional
- Know the questions to ask regarding the progress or performance of your investments



Time Required: 45 Minutes

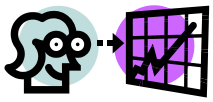


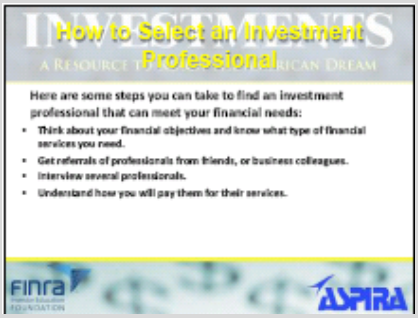
Lesson Teaching Tips

- Ask participants to bring brokerage firms adds to discuss them during the lesson.

Questions to Generate Discussion

- Do you know which investment professional to go to?
- How can we know their specialties or professional designations?
- When meeting with an investment professionals, what questions should we make about their credentials, services, and products?

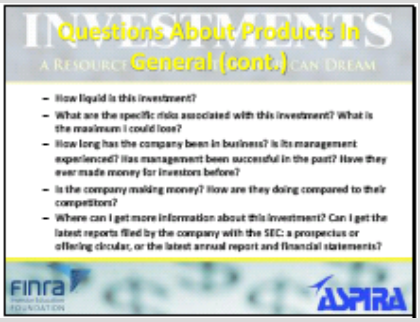
	PowerPoint Slides Thumbnails	Slide Notes
		• Use this slide as an introduction to the topic. • How can we trust, why?
		• This slide introduces the process of selecting and checking the background of an investment professional. • Recommend participants to follow the screening recommendations.
		• Explain what are professional designations. • In general terms, discuss what each of the investment professionals do.
		• If Internet access is available to you, visit the Web site recommended by FINRA. • Explain the importance of checking the background of the investment professional before you disclose any financial or personal information.



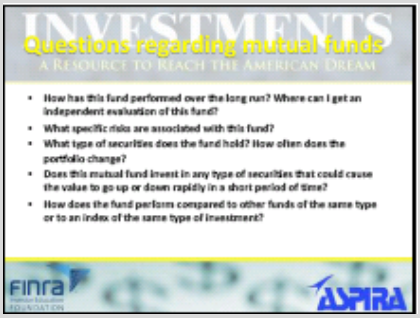
- This slide suggests a number of items to think or plan before meeting a investment professional.

- This slide presents the need to check professional credentials and background of the investment professional.
- It seems repetitive information, but it is crucial to keep stressing the importance of this process.

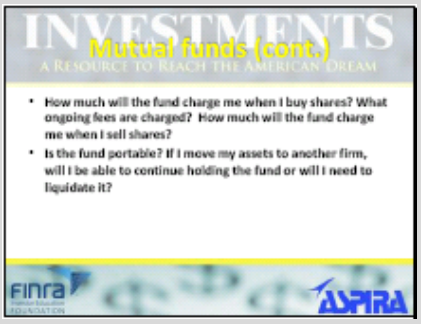
- The following two slides suggest a number of questions to ask the investment professional about their products.



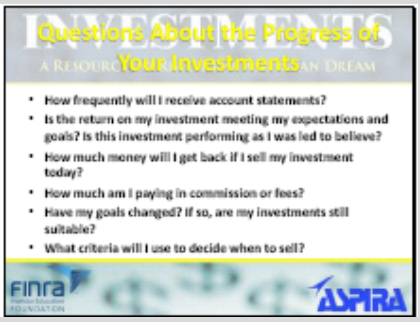
- This is a continuation of the above.
- In addition, remind participants to always have in mind their financial goals and risk tolerance.



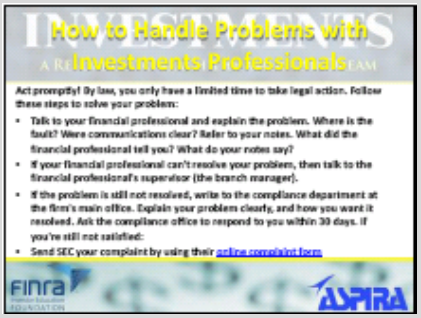
- The following two slides suggest a number of questions to ask the investment professional about their mutual funds products.



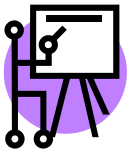
- This is a continuation of the above.



- Remind participants that they always need to monitor the performance of their investment portfolio to assess if it is helping them to accomplish their financial goals.



- Strongly recommend participants to act promptly if they face a problem with an investment professional.



Closure:

- Review lesson objectives with participants.
- Ask one of the participants to summarize the steps to select an investment professional.

Learning Assessment:

- Ask participants how many of them will know how to select and meet with an investment professional.

Reference Materials

- An investor's checklist for selecting a professional financial advisor – CFA Institute http://www.cfainstitute.org/aboutus/press/release/04releases/20040421_01.html

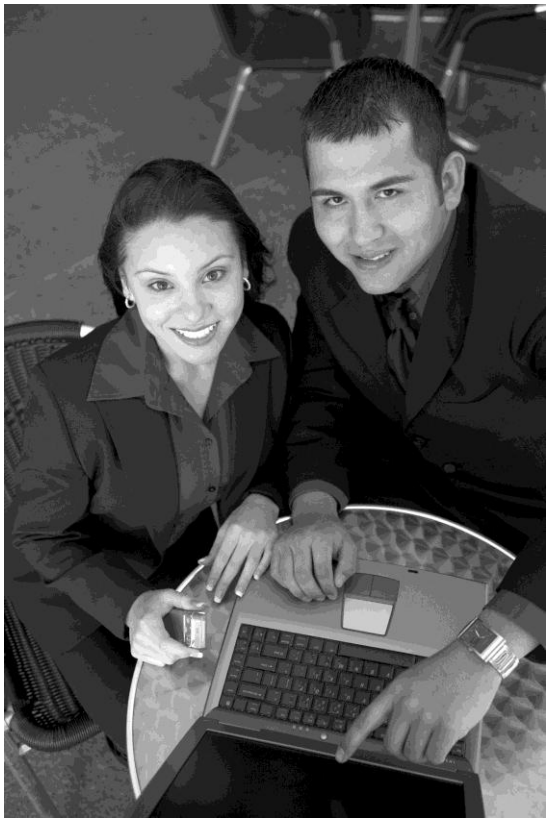
Through your quest to invest you will meet a number of individuals who are willing to help you manage your investments, but you should be careful about who you trust with your financial information and money. Below is more information about the different types of financial and investment professionals you may choose to work with:

Financial Planners: Financial planners are professionals who help clients identify their financial goals and understand their levels of risk tolerance. They help formulate a long term-plan of action specific to the needs of each client. Financial planners often work to implement the plan, recommending investments consistent with the client's financial and social objectives, preferences, and tax situation. Financial planners may charge the client a flat fee or an hourly rate to design a comprehensive financial plan. There may be commissions or ongoing asset-based fees paid to the financial planner for implementing and overseeing investments with the plan. Comprehensive financial plans generally include budgeting and cash flow, net worth analysis, risk management assessments, tax planning, education fund planning, and estate planning. Many financial planners advise businesses and institutions in addition to individual investors, and may have earned one or more of the following professional designations:

Accredited Investment Fiduciary TM (AIF): A professional designation that recognizes knowledge and competency in the area of fiduciary responsibility. Holders of the AIF mark have successfully completed a specialized program on investment fiduciary standards of care and subsequently passed a comprehensive examination. Designees must be able to understand and articulate the legal and regulatory environment surrounding the fiduciary, be able to develop

and implement an effective investment management process applying the principles of Modern Portfolio Theory, document all due diligence, and above all, treat their clients with the utmost prudence and care.

Certified Financial Planner TM (CFP®): CFP®s have completed a two or three year course and comprehensive examination. Depending on the level of degree work completed in a collegiate setting, a CFP® must have three to five years of financial planning-related experience prior to receiving the right to use the CFP® mark and must voluntarily ascribe to CFP® Board's Code of Ethics. CFP®s must obtain 30 hours of continuing education every two years in the body of knowledge pertaining to financial planning areas such as estate planning, retirement planning, investment management, tax planning, employee benefits, and insurance.



Certified Public Accountant (CPA): Accountants often offer financial products/ services, but CPAs with the "Personal Financial Specialist" designation have many hours of yearly experience in financial planning, and have passed an exam. Depending on the state, most CPAs are required to hold a college accounting degree.

Chartered Financial Consultant / Chartered Life Underwriter (ChFC/CLU): These designations are awarded upon completion of a three-year course of study with the American College focused on taxes, estate planning, insurance, financial planning, and portfolio management. Insurance agents (or life underwriters) are licensed by the states in which they do business.

Registered Investment Advisor (RIA): RIAs are registered with and regulated by the Securities and Exchange Commission (SEC)

and/or the states in which they conduct business. Compensation paid to RIA firms is generally based on fees earned on assets under management.

Brokers: Brokers are FINRA (Financial Industry Regulatory Authority) registered representatives who buy and sell securities on behalf of their clients.

Stockbroker: A stockbroker is an agent who charges a fee or commission for executing buy and sell orders submitted by an investor, or the firm that acts as an agent for a customer, charging the customer a fee for its services.

Selecting Your Investment Professional

Before you engage an investment professional, make sure you know more about him/her than just their name and professional designation.

What Does a Professional Designation Means?

A professional designation or certification is earned by a person to assure that he/she is qualified to perform a specific job or task. There are many professional designations in the investment industry. Now you can learn what the acronyms mean when you see them on business cards or professional biographies.

Accredited Asset Management Specialist (AAMS)

This designation is awarded by the College for Financial Planning. Persons obtaining this title must complete a self-study course and pass an examination on asset management topics.

Certified Financial Planner (CFP)

The CFP designation is not easy to obtain. Professionals with a CFP designation should have broad knowledge of all aspects of financial planning. The CFP must undergo years of testing and continuing education.

Certified Fund Specialist (CFS)

This designation is offered by the Institute of Business and Finance (IBF) to financial services professionals who successfully complete its course and pass the comprehensive exam. This designation focuses on mutual funds.

Certified Investment Management Analyst (CIMA)

This certification requires coursework and a final exam and is administered by the Investment Management Consultants Association plus 3 years experience in the investment consulting field.

Certified Investment Specialist (CIS)

CIMAs that go one step further obtain the CIS designation. It requires advanced concepts and strategies in asset analysis, tax planning and legal issues pertaining to investment.

Certified Public Accountant (CPA)

Becoming a CPA is no easy task. Besides obtaining an accounting degree, CPAs must meet a 150-semester-hour credit requirement, pass a four-part exam, and complete at least one year of relevant experience (requirements vary by state). CPAs can offer financial services, but their specialty is tax issues.

Personal Financial Specialist (PFS)

CPAs that want to focus more on financial planning obtain a PFS designation. They must have at least 250 hours of yearly experience in financial planning and have passed an additional exam.

Chartered Financial Analyst (CFA)

This designation is one of the toughest to obtain. The CFA has passed three examinations and accumulated three years of professional work experience. This is a common designation for mutual fund managers, money managers, and stock analysts.

Chartered Investment Counselor (CIC)

Professionals with a CIC designation must obtain a CFA designation first, be employed by a member of the ICAA (Investment Counsel Association of America), and must have 5 cumulative years of related work experience.

Chartered Financial Consultant (ChFC)

Similar to CFPs, the Chartered Financial Consultant must complete multiple years worth of examinations and have knowledge in all areas including tax, estate, insurance, financial planning, and portfolio management. ChFCs usually come from the insurance industry.

Chartered Life Underwriter (CLU)

Professionals with a CLU designation have completed a ten-course curriculum covering life insurance products.

Chartered Mutual Fund Counselor (CMFC)

To obtain this designation, you must complete a self-study program and final examination on different mutual fund topics. Professionals with this designation provide mutual-fund advice to clients.

Chartered Retirement Planning Counselor (CRPC)

This designation is usually obtained by financial advisors that want to increase their knowledge of pre- and post-retirement financial planning.

Chartered Retirement Plans Specialist (CRPS)

This designation is usually obtained by financial advisors that want to increase their technical skills in administering retirement plans for business clients.

Registered Investment Advisor (RIA)

These professionals generally charge a flat fee and/or an ongoing asset-based fee for their investment management services and are registered with the SEC (unless they have less than $25 million under management, then they register with their state). The SEC does not formally recognize "RIA" as an official title because they don't want to imply that advisors faced a certification process.

For more information about the investment industry professional designations, how they are trained, about and continuing education requirements, please use FINRA's Understanding Professional Designations data base at http://apps.finra.org/DataDirectory/1/prodesignations.aspx

How to Select an Investment Professional

Here are some steps you can take to find an investment professional that can meet your financial needs[3].

1. Think about your financial objectives and know what type of financial services you need. There is a wide variation in the range of products and services that investment professionals can offer. Some professionals can provide financial statement preparation and analysis, investment planning, tax planning, estate planning, retirement planning, education planning, and risk-management services. Other professionals may only be able to recommend a limited number of investment products. Knowing what you need will not only help you find the professional that's right for you, but prevent you from paying for services you don't want or need.

2. Get the names of professionals from friends, neighbors, family, or business colleagues. If you receive the name of an investment professional from an individual or group that you don't know, be certain to ask for several references.

3. Talk with several professionals. Meet them face-to-face in their offices, if possible. Ask each of them about their:

    - Areas of specialization
    - Professional designations
    - Registrations or licenses
    - Education
    - Work history
    - Investment experience
    - Products and services
    - Disciplinary history

4. Understand how you will pay them for their services. Investment professionals are typically paid in one (or more than one) of the following ways:

    - An hourly fee
    - A flat fee
    - A commission on the investment products they sell you
    - A percentage of the value of the assets they manage for you

[3] FINRA: Selecting Your Investment Professional
http://apps.finra.org/DataDirectory/1/prodesignations.aspx

- A combination of fees and commissions

5. Ask whether they receive any additional compensation or financial incentives based on the products they sell. Sometimes investments professionals and their firms receive additional compensation for selling a particular mutual fund or other investment product. Make sure that the investment professionals and their firms are properly registered with FINRA, the U.S. Securities and Exchange Commission, or a state insurance or securities regulator and learn about their professional background, business practices, and disciplinary history. Most investment professionals need to register as investment advisers, investment adviser representatives, or brokers (registered representatives). Others may only be licensed to sell insurance. FINRA's Web site can help you find registration and other background information on these professionals.

6. Check out any professional designation by contacting the issuing organization and determining whether they are currently authorized to use the designation and whether they've been disciplined. And make sure you understand the requirements for a professional designation. The criteria used by organizations that grant professional designations for investment professionals vary greatly. As noted earlier, some require formal certification procedures including examinations and continuing professional education credits. Others may merely signify that membership dues have been paid.

If the investment professional will sell you investment products, ask if the firm they work for is a member of the Securities Investor Protection Corporation (SIPC). SIPC provides limited customer protection if a firm becomes insolvent. Ask if the firm has other insurance that provides coverage beyond the SIPC limit. SIPC does not insure against losses attributable to a decline in the market value of your securities. Learn more about SIPC protection and its limitations.

Remember, part of making the right investment decision is finding the investment professional that best meets your financial needs. Do not rush. Do your background investigation. Resist investment professionals that urge you to hire them immediately.

How to Check the Background of Your Investment Professional

Before you develop a relationship with a broker you should check their professional background by using FINRA's BrokerCheck (http://brokercheck.finra.org/Support/TermsAndConditions.aspx). FINRA's BrokerCheck is a free online tool to help investors check the professional background of current and former FINRA-registered securities firms and brokers. It should be the first resource investors turn to when choosing whether to do business with a particular broker or brokerage firm.

Features of FINRA BrokerCheck include:

- Search capabilities for both a broker and brokerage firm
- Online delivery of a report on a broker or brokerage firm
- Explanatory information to help investors better understand the content, context, and source of the information provided
- Links to additional resources and tools

The information made available through FINRA BrokerCheck is derived from the Central Registration Depository (CRD®), the securities industry online registration and licensing database, as reported on industry registration/licensing forms brokers, brokerage firms and regulators complete. BrokerCheck features professional background information on approximately 660,000 currently registered brokers and 5,100 currently registered securities firms. Information is also available on thousands of formerly registered firms and brokers.

For questions regarding BrokerCheck, FINRA provides a toll-free hotline, (800) 289-9999, available Monday through Friday from 8 a.m. until 8 p.m., Eastern Time.

Questions You Should Ask about Your Investments and What to Do If You Run into Problems

When dealing with investments firms and professionals we have seen too many investors who might have avoided trouble and losses if they had asked basic questions from the start.

We encourage you to thoroughly evaluate the background of any financial professional with whom you intend to do business—*before* you hand over your hard-earned cash.

Investor Tip

Which financial professional you select is very important for several reasons. You'll want to investigate thoroughly before doing business with a financial professional or firm that has a history of complaints or problems with regulators. Also, you should know that if your financial professional or his or her firm goes out of business or declares bankruptcy, you might not be able to recover your money—even if an arbitrator or a court rules in your favor.

It doesn't matter if you are a beginner or have been investing for many years; it's never too early or too late to start asking questions. It's almost impossible to ask a dumb question about how you are investing your money. Don't feel intimidated. Remember, it's your money at stake. You are paying for the assistance of a financial professional.

A good financial professional will welcome your questions, no matter how basic. Financial professionals know that an educated client is an asset, not a liability. They would rather answer your questions before you invest, than confront your anger and confusion later.

In this section, you'll find some questions that you should ask about investment products, the people who sell those products, and the people who provide investment advice to you. We've also included some tips on how to monitor your investments and handle any problems.

Keep this information on hand when considering an investment and use it by asking the right questions before you buy. Have a pen and piece of paper ready to take notes on the answers. They can come in handy if there is a dispute later about what was said during the transaction. Taking notes

also sends a signal to your financial professional: I'm a smart and serious investor who wants to know more about the risks and rewards of investing.

Questions about Products in General:

- Is this investment product registered with the Securities Exchange Commission (SEC) and my state securities agency?
- Does this investment match my investment goals? Why is this investment suitable for me?
- How will this investment make money? (Dividends? Interest? Capital gains?) Specifically, what must happen for this investment to increase in value? (For example, increase in interest rates, real estate values, or market share?)
- What are the total fees to purchase, maintain, and sell this investment? Are there ways that I can reduce or avoid some of the fees that I'll pay, such as purchasing the investment directly? After all the fees are paid, how much does this investment have to increase in value before I break even?
- How liquid is this investment? How easy would it be to sell if I needed my money right away?
- What are the specific risks associated with this investment? What is the maximum I could lose? (For example, what will be the effect of changing interest rates, economic recession, high competition, or stock market ups and downs?)
- How long has the company been in business? Is its management experienced? Has management been successful in the past? Have they ever made money for investors before?
- Is the company making money? How are they doing compared to their competitors?
- Where can I get more information about this investment? Can I get the latest reports filed by the company with the SEC: a prospectus or offering circular, or the latest annual report and financial statements?

Questions Regarding Mutual Funds:

- How has this fund performed over the long run? Where can I get an independent evaluation of this fund?
- What specific risks are associated with this fund?
- What type of securities does the fund hold? How often does the portfolio change?

- Does this mutual fund invest in any type of securities that could cause the value to go up or down rapidly in a short period of time? (For example, derivatives?)
- How does the fund perform compared to other funds of the same type or to an index of the same type of investment?
- How much will the fund charge me when I buy shares? What ongoing fees are charged? How much will the fund charge me when I sell shares?
- Is the fund portable? If I move my assets to another firm, will I be able to continue holding the fund or will I need to liquidate it?

Questions about the People Who Sell Investments or Provide Investment Advice:

- Are you registered with our state securities regulator? Have you ever been disciplined by the SEC, a state regulator, or other organization (such as the Financial Industry Regulatory Authority (FINRA) or one of the stock exchanges)?

Investor Tip - Check Out Your Financial Professional

You can verify your broker's disciplinary history by checking the Central Registration Depository (CRD). Either your state securities regulator or FINRA can provide you with CRD information. Your state securities regulator may give you more information from the CRD than FINRA, especially when it comes to investor complaints, so you may want to check with them first. You'll find contact information for your state securities regulator on the website of the North American Securities Administrators Association. To contact FINRA, visit FINRA's BrokerCheck Web site, or call them toll-free at (800)289-9999.

You can find out about investment advisers and whether they are properly registered by reading their registration forms, called the "Form ADV." You can view an adviser's most recent Form ADV online by visiting the Investment Adviser Public Disclosure (IAPD) Web site. At present, the IAPD database contains Forms ADV only for investment adviser firms that register electronically using the Investment Adviser Registration Depository. You can also get copies of Form ADV for individual advisers and firms from the investment adviser, your state securities regulator, or the SEC, depending on the size of the adviser.

- How long has your firm been in business? How many arbitration awards have been filed against your firm?
- What training and experience do you have? How long have you been in the business? What other firms have you been registered with? What is the status of those firms today?
- Have you personally been involved in any arbitration cases? What happened?
- What is your investment philosophy?
- Describe your typical client. Can you provide me with some names and telephone numbers of your long term clients?
- How do you get paid? By commission? Amount of assets you manage? Another method?
- Do I have any choices on how to pay you? Should I pay you by the transaction? Or a flat fee regardless of how many transactions I have?
- Do you make more if I buy this stock (or bond, or mutual fund) rather than another? If you weren't making extra money, would your recommendation be the same?
- Are you participating in a sales contest? Is this purchase really in my best interest, or are you trying to win a prize?
- You've told me what it costs me to buy this stock (or bond, or mutual fund); how much will I receive if I sell it today?
- Where do you send my order to be executed? Can we get a better price if we send it to another market?
- If your financial professional changes firms, ask: did they pay you to change firms? Do you get anything for bringing me along?

Questions about the Progress of Your Investments:

- How frequently will I receive account statements? Will I understand what the statement tells me?
- Is the return on my investment meeting my expectations and goals? Is this investment performing as I was led to believe?
- How much money will I get back if I sell my investment today?
- How much am I paying in commission or fees?
- Have my goals changed? If so, are my investments still suitable?
- What criteria will I use to decide when to sell?

How to Handle Problems with Investments Professionals:

Act promptly! By law, you only have a limited time to take legal action. Follow these steps to solve your problem.

1. Talk to your financial professional and explain the problem. Where is the fault? Were communications clear? Refer to your notes. What did the financial professional tell you? What do your notes say?
2. If your financial professional can't resolve your problem, then talk to the financial professional's supervisor (which, for brokers, is often the firm's branch manager).
3. If the problem is still not resolved, write to the compliance department at the firm's main office. Explain your problem clearly, and how you want it resolved. Ask the compliance office to respond to you within 30 days.
4. If you're still not satisfied: send SEC your complaint by using their online complaint form or you can reach them as follows:

   Securities and Exchange Commission
   Office of Investor Education and Advocacy
   100 F Street, N.E.
   Washington, D.C. 20549-0213

At SEC, they will research your complaint, contact the firm or person you have complained about, and ask them to respond to your specific complaint or question. Sometimes their intervention yields a satisfactory result. If these steps don't work, you may need to take legal action on your own. SEC can send you information on mediation and arbitration, and suggest how to locate a lawyer if you need one.

Investor Tip

When you ask these questions, write down the answers you receive and what you decided to do. If something goes wrong, your notes can help to establish what was said. Let your financial professional know you're taking notes. They'll know you're a serious investor and may tell you more. Use SEC's form for taking notes when you speak to your financial professional.

Additional Learning Resources

Please visit the following online resources to learn more about the subjects presented on this module:

- TIAA-CREF Investments Learning Center: Forms, planning tools, publications and educational information about investing.
- U.S. Securities Exchange Commission en español
- U.S. Securities Exchange Commission Beginners Guide to Asset Allocation, Diversification, and Rebalancing
- U.S. Securities Exchange Commission form for taking notes
- Building Native Communities: Investing for the Future. First Nations Development Institute
- Social Investment Forum: Guide to Socially Responsible Investing
- Financial Industry Regulatory Authority (FINRA)
- FINRA: Check the Background of your Investment Professional

Attachment 1: Test Your Money Smarts Quiz