

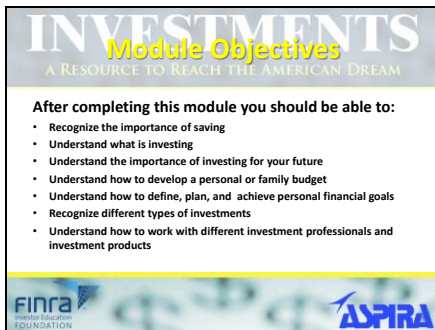
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INVESTMENTS
Your First Steps: Small Savings
 A RESOURCE TO REACH THE AMERICAN DREAM
Add Up to Big Money

- Why we need to save?
- Can you define "interest"?
- What is compound interest?



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INVESTMENTS
What investing means to you?
 You might be doing it already!

- First let us ask what investing means to you?
- 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.

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Are you already investing?
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- 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

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Investing in Yourself First
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- Investing in your self is a good idea.
- 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 all ways of investing in your own human assets.
- Your human assets are things you will always have



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INVESTMENTS
Your Next Step: Develop a Budget
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- What is a budget?
- A budget is really nothing more than a listing of expenses and incoming monies on month to month basis.
- To create your budget, you will need to know how to estimate your income and expenses.
- Before you start, take a look at your checkbook record, pay stubs, bills and receipts to help you make accurate estimates.



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Income
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- What is income?
- How do you determine your gross and net income?
- Exercise: Calculate your net monthly income

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Expenses



- What are expenses?
- Types of expenses:
 - Fixed expenses:
 - What are they?
 - Let's make a list of fixed expenses.
 - Variable expenses:
 - What are they? Can you list them?
 - Flexible expenses:
 - What are they? Can you list them?

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Goal-Setting

- What are goals?
 - Goals provide general purpose and direction.
 - They should be realistic.
- Can you list some of your goals?
- Some of your goals: may require:
 - may require money for their accomplishment,
 - they are planned for different stages of your life.

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Setting Personal Savings and Investment Goals

- 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.


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When should you start saving and how much?
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- The simple answer here is:
 - “as soon as possible”;
 - “probably more than you are currently saving”; and
 - “as much as you can”
- save or invest at least 10-15% of your income.



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INVESTMENTS
When should you start investing and how much?
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- Time is our best friend when investing.
- Be consistent, invest periodically.
- Take advantage of payroll deductions or transfer for investing.
- Do not follow your natural instincts of selling and buying as the market fluctuates.

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INVESTMENTS
How Money Makes Money:
Compound Interest
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- One great thing about earning interest is that if you keep the earned interest on your account, you start earning interest on your interest.
- Compound interest is interest earned on both the initial principal plus the interest reinvested from prior periods.

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The SMART Test for Defining Goals

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.

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Goals Timeframes

- **Short-term goals (1-3 years):**
 - Goal: create reserves for emergencies
 - Instruments: CDs, money market accounts, and money market mutual funds.
- **Medium-term goals (1-5 years):**
 - Goal: save for a house, a car, a vacation, or a major renovation to your property.
 - Instruments: bonds or bonds-mutual funds
- **Long-term goals (10-25+years):**
 - Goal: save for your children education and your own retirement
 - Instruments: such as growth investments such as stocks and stocks mutual funds

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Types of Investments: Fixed versus Variable Investments

- **Fixed investments** are those that pay you a **set (fixed) rate of return (income)** without fluctuation. Example: CDs
- **Variable investments** are those that do not have a set or guaranteed rate of return. Example: stocks

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INVESTMENTS
Who can help you setting up your investments?
Working with Investments Professionals

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.



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INVESTMENTS
Selecting an Investment Professional
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- When selecting an investment professional you should look after their professional designation and background.
- What Professional Designation Means?
 - A professional designation or certification is earned by a person to assure that he/she is qualified to perform a job or task.
 - Depending on your needs you might need a specific type of investment professional.
- 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.

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INVESTMENTS
Professional Designations
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- Accredited Asset Management Specialist (AAMS)
- Certified Financial Planner (CFP)
- Certified Fund Specialist (CFS)
- Certified Investment Management Analyst (CIMA)
- Certified Investment Specialist (CIS)
- Certified Public Accountant (CPA)
- Personal Financial Specialist (PFS)
- Chartered Financial Analyst (CFA)
- Chartered Investment Counselor (CIC)
- Chartered Financial Consultant (ChFC)
- Chartered Life Underwriter (CLU)
- Chartered Mutual Fund Counselor (CMFC)
- Chartered Retirement Planning Counselor (CRPC)
- Chartered Retirement Plans Specialist (CRPS)
- Registered Investment Advisor (RIA)

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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](#)



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How to Select an Investment Professional

Here are some steps you can take to find an investment professional that can meet your financial needs:

- Think about your financial objectives and know what type of financial services you need.
- Get referrals of professionals from friends, or business colleagues.
- Interview several professionals.
- Understand how you will pay them for their services.

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Selecting an Investment Professional (cont.)

- 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
- 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.
- Check their background

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Questions You Should Ask About Your Investments

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?)
- 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?

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Questions About Products In General (cont.)

- How liquid is this investment?
- What are the specific risks associated with this investment? What is the maximum I could lose?
- 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?

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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?
- How does the fund perform compared to other funds of the same type or to an index of the same type of investment?

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Mutual funds (cont.)
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- 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?

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INVESTMENTS
Questions About the Progress of
Your Investments
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- How frequently will I receive account statements?
- 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?

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INVESTMENTS
How to Handle Problems with
Investments Professionals
A RESOURCE TO REACH THE AMERICAN DREAM TEAM

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

- 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?
- If your financial professional can't resolve your problem, then talk to the financial professional's supervisor (the branch manager).
- 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. If you're still not satisfied:
- Send SEC your complaint by using their [online complaint form](#)

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