

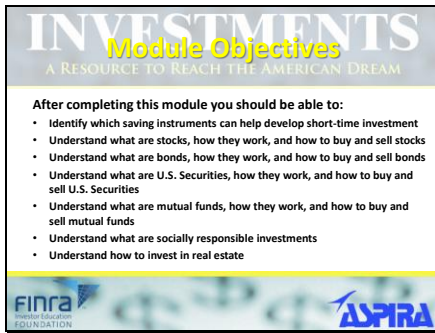
Slide 1



Slide 2



Slide 3



Slide 4

INVESTMENTS
Short-Term vs. Long-Term Investments: a Comparison

- Short-term investments are designed to be made only for a little while, and hopefully show a significant yield;
- Long-term investments are designed to last for years, showing a slow but steady increase so that there is a significant yield.



FINra Financial Education FOUNDATION **ASPIRA**

Slide 5

INVESTMENTS
Short-Term Investments
A RESOURCE TO REACH THE AMERICAN DREAM

Advantages

- The main advantages to short-term investments are the potential for fast growth and the fact that the term may only last a few weeks to a few months.

Disadvantages

- As mentioned above, short-term investments tend to be a bit riskier and show a much higher rate of fluctuation than their long-term counterparts.

FINra Financial Education FOUNDATION **ASPIRA**

Slide 6

INVESTMENTS
Long-Term Investments
A RESOURCE TO REACH THE AMERICAN DREAM

Advantages

- Just the opposite of short-term investments, long-term investments have the ability to gain small amounts of money over a longer period of time.

Disadvantages

- The main disadvantage of long-term investments is that they increase in value slowly and can take years to mature.
- You tend to have much less control over your money until the investment matures.

FINra Financial Education FOUNDATION **ASPIRA**

Slide 7

INVESTMENTS
Cash Investment
A Potential Short Term Investment Strategy

- **Saving Accounts**
 - Available from banks, low balance requirement, high liquidity, and slow growth.
- **Money Market Accounts**
 - Available from banks, pay high interest rates, have higher minimum balance requirements, and limited withdrawals.
- **Money Market Funds**
 - Similar to money market accounts but available from mutual fund companies.



FINRA Investor Education FOUNDATION **ASPIRA**

Slide 8

INVESTMENTS
Cash Investment(2)
A RESOURCE TO REACH THE AMERICAN DREAM

Certificates of Deposits (CDs)

A CD is a special type of deposit account with a bank or thrift institution that typically offers a higher rate of interest than a regular savings account.

When you purchase a CD, you invest a fixed sum of money for fixed period of time – six months, one year, five years, or more – and, in exchange, the issuing bank pays you interest, typically at regular intervals. When you cash in or redeem your CD, you receive the money you originally invested plus any accrued interest. But if you redeem your CD before it matures, you may have to pay an "early withdrawal" penalty.

FINRA Investor Education FOUNDATION **ASPIRA**

Slide 9

INVESTMENTS
Considerations when buying
A RESOURCE TO REACH THE AMERICAN DREAM

- **Find Out When the CD Matures**
- **Investigate Any Call Features:**
Callable CDs give the issuing bank the right to terminate-or "call"-the CD after a set period of time.
- **Understand the Difference Between Call Features and Maturity**
- **For Brokered CDs, Identify the Issuer**



FINRA Investor Education FOUNDATION **ASPIRA**

Slide 10

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

Considerations when buying CDs (2)

- **Find Out How the CD Is Held** – Unlike traditional bank CDs, brokered CDs are sometimes held by a group of unrelated investors.
- **Research Any Penalties for Early Withdrawal**
- **Thoroughly Check Out the Broker** – Deposit brokers do not have to go through any licensing or certification procedures, and no state or federal agency licenses, examines, or approves them.
- **Confirm the Interest Rate You'll Receive and How You'll Be Paid**
- **Ask Whether the Interest Rate Ever Changes**

FINRA
Investor Education
FOUNDATION

ASPIRA

Slide 11

INVESTMENTS
A POTENTIAL LONG TERM INVESTMENT STRATEGY

Stocks

- A stock is a certificate that shows that you own a small fraction of a corporation.
- The benefit of owning stock in a corporation is that whenever the corporation profits, you profit as well.
- A stock also gives you the right to make decisions that may influence the company. Each stock you own has a little bit of voting power, so the more stocks you own, the more decision making power you have.



FINRA
Investor Education
FOUNDATION

ASPIRA

Slide 12

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

Stocks Levels

- **Penny stocks** (lowest level) are issued by small companies that have almost no chance of making it big, and they are usually of no value.
- **Growth stocks** are new companies that have a lot of potential for success, but they are not stable, and do not always become successful. These growth stocks are not always a safe investment.
- **Secondary issues** are well-established businesses that are almost totally insured to continue growing in strength. They are a good investment, since the profit can increase a lot, but finding the companies can be hard.
- **Blue Chip stocks** are the highest level of stocks you can purchase. Blue chip stocks are the safest investment you can make, but they also take a lot more time to profit with.

FINRA
Investor Education
FOUNDATION

ASPIRA

Slide 13

INVESTMENTS
Types of Stocks
A RESOURCE TO REACH THE AMERICAN DREAM


Common	Preferred
<ul style="list-style-type: none">• The common stocks are directly influenced by failures and successes of the company.• Since there is a higher chance of making profit, common stock owners are issued their dividends or profits after the preferred stock	<ul style="list-style-type: none">• The preferred stock owners are given their dividends before the common stock owners.• If the company goes out of business, and liquidates, the preferred stock owners are paid back the money they invested before the common stockholders are reimbursed are.• They are only paid a fixed dividend payment.

FINRA Financial Industry Regulatory Authority FOUNDATION **ASPIRA**

Slide 14

INVESTMENTS
How are Stock Prices Determined?
A RESOURCE TO REACH THE AMERICAN DREAM

- Stock prices reflect the long-term earnings potential of companies.
- Interest rate trends also influence stock prices significantly. Rising interest rates tend to depress stock prices.
- Falling rates, conversely, often lead to higher stock prices, both because they suggest easier borrowing and faster growth, and because they make new interest-paying investments less attractive to investors.




FINRA Financial Industry Regulatory Authority FOUNDATION **ASPIRA**

Slide 15

INVESTMENTS
Why the stock market goes up and down?
A RESOURCE TO REACH THE AMERICAN DREAM

- These fluctuations occur partly because companies make money, or lose money, but it is much more involved than that.
- If interest rates are high, stock prices generally go down, because if people can make a decent amount of money, by keeping their money in banks, or buying bonds, they feel like they should not take the risk in the stock market.
- The state of the economy. If there is more money floating around, there is more flowing into companies making their prices rise.



FINRA Financial Industry Regulatory Authority FOUNDATION **ASPIRA**

Slide 16

INVESTMENTS
How to Buy and Sell Stocks
 A RESOURCE TO REACH THE AMERICAN DREAM



- The first step when buying stocks is to decide what company to buy stock in.
- You can buy stock in any publicly held corporation, which means that the public can control the corporation.
- When selecting a company to invest in, you should make sure they are in a strong industry, and make sure the company is strong or growing.
- After you decide what company to invest in, you need to find a broker. A broker is the only person that can make an order to buy or sell stocks

FINRA Investor Education Foundation ASPIRA

Slide 17

INVESTMENTS
Stock Brokers
 A RESOURCE TO REACH THE AMERICAN DREAM


- A broker is the only person that can make an order to buy or sell stocks.
- There are two types of brokers that every brokerage firm has.
 - Stockbrokers: researches investments; helps make goals, and give advice on investing.
 - Discount brokers on the other hand, do not offer advice, and they do no research.
- When you give a stockbroker your order, they relay the order to the floor brokers. The floor brokers do all the actual buying and selling, and they hold a seat on the exchange

FINRA Investor Education Foundation ASPIRA

Slide 18

INVESTMENTS
What are Stock Dividends?
 A RESOURCE TO REACH THE AMERICAN DREAM

- A dividend that is paid in securities, rather than cash. The additional shares may be of the issuing company, or of a subsidiary. A company may opt for stock dividends for a number of reasons including inadequate cash on hand or a desire to lower the price of the stock on a per-share basis to prompt more trading and increase liquidity.



FINRA Investor Education Foundation ASPIRA

Slide 19

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

What are Share Holders Meetings?

- Every state has routine requirements for corporations to hold shareholder meetings. Generally, shareholders are required to have (at least) an annual meeting.
- Most states require shareholder approval of the following items:
 - Merger or reorganization of the corporation;
 - Amendment to the Articles of Incorporation;
 - Amendment of the Bylaws;
 - Sale or transfer of all or substantially all of the corporation's assets;
 - Issuance of certain securities;
 - Adoption of certain stock option plans;
 - Dissolution or winding up of the Corporation.

FINra Investor Education FOUNDATION ASPIRA

Slide 20

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

What is a Proxy Vote?

- A proxy is a written authorization given by one person to another so that the second person can act for the first, such as that given by a shareholder to someone else to represent him or her and vote his or her shares, as directed, at a shareholder meeting.



FINra Investor Education FOUNDATION ASPIRA

Slide 21

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

What is a Bond?

- A Bond is simply an 'IOU' (I owe you) in which an investor agrees to loan money to a company or government in exchange for a predetermined interest rate.
- Who can issue bonds? Governments, municipalities, a variety of institutions, and corporations. "Commercial Paper" is simply referring to bonds issued by companies.



FINra Investor Education FOUNDATION ASPIRA

Slide 22

INVESTMENTS
Why invest in bonds?
A RESOURCE TO REACH THE AMERICAN DREAM

- **First, capital preservation.** Unless a company goes bankrupt, a bondholder can be almost completely certain that they will receive the amount they originally invested.
- **Secondly, bonds pay interest at set intervals of time.**
- **Bonds can also have large tax advantage for some people.** When a government or municipality issues various types of bonds to raise money to build bridges, roads, etc., the interest that is earned is tax exempt.

FINRA
Member Education
FOUNDATION

ASPIRA

Slide 23

INVESTMENTS
Types of Bonds
A RESOURCE TO REACH THE AMERICAN DREAM

- **There are two major types of bonds: taxable (government and corporate) and tax free (municipals).**
- **Corporate Bonds**
 - are issued by companies to sell debt through the public securities markets to help finance part of their business.
- **Municipal Bonds or Tax Free Bonds can provide you with tax benefits**
 - income from municipal bonds is often exempt from federal income tax and, if issued in your state of residence, from state and local taxes.

FINRA
Member Education
FOUNDATION

ASPIRA

Slide 24

INVESTMENTS
Questions to Ask When Preparing to Buy or Sell Bonds
A RESOURCE TO REACH THE AMERICAN DREAM

- **What is the maturity of the bond?**
 - A bond's maturity is the date at which the bond issuer legally agrees to repay your principal (or initial investment).
- **Does it have early redemption features such as a call date?**
 - A "call date" feature is when a bond issuer retains the right to repay, or "call" the loan earlier than the bond's maturity date.
- **What is the credit quality? What is the rating? Is it insured?**
 - A bond's credit rating is an indicator of what the marketplace thinks of the bond issuer's ability to repay principal and interest on a timely basis.
 - If a bond is insured that means that there is an insurance company standing behind the offering that is guaranteeing to repay investors their principal and interest in case of a default.

FINRA
Member Education
FOUNDATION

ASPIRA

Slide 25

QUESTIONS TO ASK
Questions to Ask When Preparing
to Buy or Sell Bonds (2)
 A RESOURCE TO AMERICAN DREAM

- **What is the interest rate, or coupon, of the bond?**
 - The "coupon" is the stated interest rate that the borrower agrees to repay you on your investment.
- **What is the price?**
 - The stated price is how much it costs to purchase/invest in the bond issue.
- **What is the tax status?**
 - Different bonds have different tax status. For example, interest income from U.S. Treasuries is exempt from state and local taxes. Interest made on municipal bonds is free from federal income taxes.

FINRA FINANCIAL INDUSTRY FOUNDATION ASPIRA

Slide 26

QUESTIONS TO ASK
Questions to Ask When Preparing
to Buy or Sell Bonds (3)
 A RESOURCE TO AMERICAN DREAM

- **What is this bond's credit rating and "directional outlook"?**
 - The bond's credit rating gives you insight into the ability of the issuer to repay your investment in a timely manner. The higher the rating (AAA being the highest), the lower the risk; conversely, the lower the rating, the higher the risk of default (non-payment) by the issuer.
 - A bond's outlook affects its marketability (how much investors are willing to pay for the bond in the marketplace).
- **What is the transaction type for this bond?**
 - When you purchase, or sell a bond, you will want to know whether or not this bond is being offered to investors for the first time (a new issue) or if this is an older, existing bond (a secondary market transaction).

FINRA FINANCIAL INDUSTRY FOUNDATION ASPIRA

Slide 27

INVESTMENTS
Where and how you buy
bonds?
 A RESOURCE TO AMERICAN DREAM

- **Use a brokerage firm**
 - The most common way to buy bonds, much like stocks, is to use a brokerage account. You can either use a full-service (or full-price) broker or a discount broker to execute your trades. Bond commissions vary widely from brokerage to brokerage.
- **TreasuryDirect.**
 - In an effort to make it easier for citizens to buy U.S. government bonds, the Bureau of the Public Debt started the TreasuryDirect program. To learn more, visit [TreasuryDirect](#) on the Web.

FINRA FINANCIAL INDUSTRY FOUNDATION ASPIRA

Slide 28

INVESTMENTS
US Treasury Securities
A RESOURCE TO REACH THE AMERICAN DREAM

- Treasury securities are debt obligations of the U.S. government, and generally considered the safest of all investments.
- In summary, U.S. Treasury securities
 - Are a debt of the U.S. government
 - Are considered to be the safest of all investments
 - Are easy to buy
 - Generally pay higher interest rates than bank accounts
 - Are exempt from state and local taxes.

FINRA Investor Education Foundation ASPIRA

Slide 29

INVESTMENTS
Types of U.S. Treasury Securities
A RESOURCE TO REACH THE AMERICAN DREAM

- We will now discuss six types of U.S. Treasury securities:
 - Treasury Bills
 - Treasury Notes
 - Treasury Bonds
 - Treasury Inflation Protected Securities
 - Treasury I Bonds, and
 - Treasury E Bonds

FINRA Investor Education Foundation ASPIRA

Slide 30

INVESTMENTS
US Securities
A RESOURCE TO REACH THE AMERICAN DREAM

- Treasury Bills, or T-Bills for short, are *short-term investments* issued with maturities of four weeks, 13 weeks, and 26 weeks.
- Treasury Notes, sometimes called T-Notes, earn a fixed rate of interest every six months until maturity. Notes are issued in terms of 2, 5, and 10 years.
- Treasury Bonds are *long-term investments*, issued with terms of 30 years. They are sold at face value in \$1,000 denominations and pay interest semi-annually.



FINRA Investor Education Foundation ASPIRA

Slide 31

INVESTMENTS
US Securities (2)
A RESOURCE TO REACH THE AMERICAN DREAM

- **Savings Bonds: Some Treasury Bonds are called "Savings Bonds."**
 - I Bonds and Series EE Savings Bonds earn interest at variable rates and it is accrued, which means that you don't receive your interest until you redeem the bond. Until then, your interest compounds.
 - Series HH Savings Bonds, on the other hand, pay interest semiannually, and when you redeem them, you receive the same amount of money that you invested in the first place.

FINRA
Financial Industry
REGULATORY
FOUNDATION

ASPIRA

Slide 32

INVESTMENTS
US Securities (3)
A RESOURCE TO REACH THE AMERICAN DREAM

- **I Bonds are another low-risk, liquid security backed by the U.S. government. Like Treasury Inflation Protected Securities (TIPS), I Bonds pay interest and help protect your savings from inflation.**
- **They differ from TIPS in that you can purchase smaller amounts of I Bonds, and the way they protect you against inflation . I Bonds have a maturity of 30 years. I Bonds protect you against inflation by paying two separate interest rates:**
 - a fixed rate that stays the same for 30 years (set when the bond is purchased)
 - an inflation rate that changes every six months

FINRA
Financial Industry
REGULATORY
FOUNDATION

ASPIRA

Slide 33

INVESTMENTS
US Securities (4)
A RESOURCE TO REACH THE AMERICAN DREAM

- **EE Bonds (formerly E Bonds) are a type of savings bonds with special advantages when used to pay higher education expenses.**
- **This program allows interest earned on EE Bonds to be completely or partially excluded from federal income tax the year the bonds are redeemed when 1) the bond owner pays qualified higher education expenses at an eligible higher education institution, or 2) the bond owner pays into an eligible state tuition plan.**

FINRA
Financial Industry
REGULATORY
FOUNDATION

ASPIRA

Slide 34

INVESTMENTS
Treasury Securities and Inflation
A RESOURCE TO REACH THE AMERICAN DREAM

- Treasury Inflation Protected Securities (TIPS) are linked to the inflation rate. They are available with terms of five, 10, and 20 years.
- When your security matures, the Treasury pays you the inflation-adjusted principal or the original principal, whichever is greater.
- TIPS pay a fixed rate of interest.

FINRA
Member Education
FOUNDATION

ASPIRA

Slide 35

INVESTMENTS
What are Mutual Funds?
A RESOURCE TO REACH THE AMERICAN DREAM

- These are mutually owned funds invested in diversified securities. Shareholders are issued certificates as evidence of their ownership and participate proportionately in the earnings of the fund.
- They are open-end funds that are not listed for trading on a stock exchange and are issued by companies which use their capital to invest in other companies. Mutual funds sell their own new shares to investors and buy back their old shares upon redemption.

FINRA
Member Education
FOUNDATION

ASPIRA

Slide 36

INVESTMENTS
Important Aspects of
Mutual Funds
A RESOURCE TO REACH THE AMERICAN DREAM

- Mutual funds are not guaranteed or insured by the FDIC or any other government agency;
- Past performance is not a reliable indicator of future performance;
- All mutual funds have costs that lower your investment returns.

FINRA
Member Education
FOUNDATION

ASPIRA

Slide 37

INVESTMENTS
How Mutual Funds Work
A RESOURCE TO REACH THE AMERICAN DREAM

Some of the traditional, distinguishing characteristics of mutual funds include the following:

- Investors purchase mutual fund shares from the fund itself (or through a broker for the fund) instead of from other investors on a secondary market.
- The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase.
- Mutual fund shares are "redeemable," meaning investors can sell their shares back to the fund.

FINRA Investor Education FOUNDATION ASPIRA

Slide 38

INVESTMENTS
How Mutual Funds Work (2)
A RESOURCE TO REACH THE AMERICAN DREAM

- Mutual funds generally create and sell new shares to accommodate new investors.
- The investment portfolios of mutual funds typically are managed by separate entities known as "investment advisers" that are registered with the SEC.

FINRA Investor Education FOUNDATION ASPIRA

Slide 39

INVESTMENTS
Advantages and Disadvantages
A RESOURCE TO REACH THE AMERICAN DREAM

Advantages	Disadvantages
<ul style="list-style-type: none">• Professionally Managed• Diversified• Affordability — Some mutual funds accommodate investors who don't have a lot of money to invest by setting relatively low dollar amounts for initial purchases.• Liquidity — Mutual fund investors can readily redeem their shares at the current net asset value (NAV).	<ul style="list-style-type: none">• Costs Despite Negative Returns — Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs.• Lack of Control — Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time.• Price Uncertainty — the price at which you purchase or redeem shares will typically depend on the fund's NAV.

FINRA Investor Education FOUNDATION ASPIRA

Slide 40

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

Different Types of Funds

- The first step in buying mutual funds is to decide whether the investment strategy and risks of the fund are a good fit for you.
- Once you know what you're saving for, when you'll need the money, and how much risk you can tolerate, you can more easily narrow your choices.
- Most mutual funds fall into one of three main categories — money market funds, bond funds (also called "fixed income" funds), and stock funds.

FINRA Investor Education Foundation ASPIRA

Slide 41

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

Money Market Funds

- Money market funds have relatively low risks, compared to other mutual funds (and most other investments).
- By law, they can invest in only certain high-quality, short-term investments issued by the U.S. government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV) — which represents the value of one share in a fund — at a stable \$1.00 per share.



FINRA Investor Education Foundation ASPIRA

Slide 42

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

Bond Funds

- Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields.
- Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards. Some of the risks associated with bond funds include:
 - **Credit Risk:** possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts.
 - **Interest Rate Risk:** the risk that the market value of the bonds will go down when interest rates go up.
 - **Prepayment Risk:** the chance that a bond will be paid off early.

FINRA Investor Education Foundation ASPIRA

Slide 43

INVESTMENTS
Stock Funds
A RESOURCE TO REACH THE AMERICAN DREAM

- Although a stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments.
- Not all stock funds are the same. For example:
 - Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.
 - Income funds invest in stocks that pay regular dividends.
 - Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all — or perhaps a representative sample — of the companies included in an index.
 - Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks.

FINRA
Investor Education
FOUNDATION

ASPIRA

Slide 44

INVESTMENTS
How to Buy and Sell Stock Funds Shares
A RESOURCE TO REACH THE AMERICAN DREAM

- You can purchase shares in some mutual funds by contacting the fund directly. Other mutual fund shares are sold mainly through brokers, banks, financial planners, or insurance agents.
- All mutual funds will redeem (buy back) your shares on any business day and must send you the payment within seven days.
- The easiest way to determine the value of your shares is to call the fund's toll-free number or visit its website.

FINRA
Investor Education
FOUNDATION

ASPIRA

Slide 45

INVESTMENTS
How Funds Can Earn Money For You
A RESOURCE TO REACH THE AMERICAN DREAM

You can earn money from your investment in three ways:

- **Dividend Payments** — A fund may earn income in the form of dividends and interest on the securities in its portfolio. The fund then pays its shareholders nearly all of the income (minus disclosed expenses) it has earned in the form of dividends.
- **Capital Gains Distributions** — The price of the securities a fund owns may increase. When a fund sells a security that has increased in price, the fund has a capital gain. At the end of the year, most funds distribute these capital gains (minus any capital losses) to investors.
- **Increased NAV** — If the market value of a fund's portfolio increases after deduction of expenses and liabilities, then the value (NAV) of the fund and its shares increases. The higher NAV reflects the higher value of your investment.

FINRA
Investor Education
FOUNDATION

ASPIRA

Slide 46

INVESTMENTS
Factors to Consider When Developing your Long Term Investment Strategy

- **Degrees of Risk:** All funds carry some level of risk, securities held by a fund go up and down in value. Dividend or interest payments may also fluctuate as market conditions change.
- **Fees and Expenses:** As with any business, running a mutual fund involves costs, including shareholder transaction costs, investment advisory fees, and marketing and distribution expenses.

FINRA Investor Education FOUNDATION | ASPIRA

Slide 47

INVESTMENTS
Factors to Consider (2)
 A RESOURCE TO REACH THE AMERICAN DREAM

- **Shareholder Fees:**
 - **Sales Charge (Load) on Purchases** — the amount you pay when you buy shares in a mutual fund.
 - **Purchase Fee** — another type of fee that some funds charge their shareholders when they buy shares.
 - **Deferred Sales Charge (Load)** — a fee you pay when you sell your shares.
 - **Redemption Fee** — another type of fee that some funds charge their shareholders when they sell or redeem shares.
 - **Exchange Fee** — a fee that some funds impose on shareholders if they exchange (transfer) to another fund within the same fund group.
 - **Account fee** — a fee that some funds separately impose on investors in connection with the maintenance of their accounts.

FINRA Investor Education FOUNDATION | ASPIRA

Slide 48

INVESTMENTS
Factors to Consider (3)
 A RESOURCE TO REACH THE AMERICAN DREAM

- **Annual Fund Operating Expenses**
 - **Management Fees** — fees that are paid out of fund assets to the fund's investment advisor for investment portfolio management.
 - **Distribution [and/or Service] Fees ("12b-1" Fees)** — fees paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services.
 - **Other Expenses** — expenses not included under "Management Fees" or "Distribution or Service (12b-1) Fees."
 - **Total Annual Fund Operating Expenses ("Expense Ratio")** — the line of the fee table that represents the total of all of a fund's annual fund operating expenses, expressed as a percentage of the fund's average net assets.

FINRA Investor Education FOUNDATION | ASPIRA

Slide 49

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

Classes of Funds

A multi-class structure offers investors the ability to select a fee and expense structure that is most appropriate for their investment goals:

- **Class A Shares** — Class A shares typically impose a front-end sales load. They also tend to have a lower 12b-1 fee and lower annual expenses than other mutual fund share classes.
- **Class B Shares** — Class B shares typically do not have a front-end sales load. Instead, they may impose a contingent deferred sales load and a 12b-1 fee.
- **Class C Shares** — Class C shares might have a 12b-1 fee, other annual expenses, and either a front- or back-end sales load.

FINRA Investor Education FOUNDATION | ASPIRA

Slide 50

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

Tax Consequences

<p>Stocks or Corporate Bonds</p> <ul style="list-style-type: none"> • When you buy and hold an individual stock or bond, you must pay income tax each year on the dividends or interest you receive. • But you won't have to pay any capital gains tax until you actually sell and unless you make a profit 	<p>Mutual Funds</p> <ul style="list-style-type: none"> • When you buy and hold mutual fund shares, you will owe income tax on any ordinary dividends in the year you receive or reinvest them. • And, in addition to owing taxes on any personal capital gains when you sell your shares, you may also have to pay taxes each year on <i>the fund's capital gains</i>.
--	--


FINRA Investor Education FOUNDATION | ASPIRA

Slide 51

INVESTMENTS
A RESOURCE TO REACH THE AMERICAN DREAM

Avoiding Common Pitfalls

- If you decide to invest in mutual funds, be sure to obtain as much information about the fund **before** you invest. Sources:
 - **Prospectus:** is the fund's selling document, it contains: the fund's investment objectives or goals, principal strategies for achieving those goals, principal risks of investing in the fund, fees and expenses, and past performance.
 - **Profile:** summarizes the fund's investment objectives, principal investment strategies, principal risks, performance, fees and expenses, after-tax returns, identity of the fund's investment adviser, investment requirements, and other information.



FINRA Investor Education FOUNDATION | ASPIRA

Slide 52

INVESTMENTS
Avoiding Common Pitfalls (2)
A RESOURCE TO REACH THE AMERICAN DREAM

- **Statement of Additional Information ("SAI"):** includes the fund's financial statements and details about the history of the fund, fund policies on borrowing and concentration, the identity of officers, directors, and persons who control the fund, investment advisory and other services, brokerage commissions, tax matters, and performance such as yield and average annual total return information.
- **Shareholder Reports:** A mutual fund also must provide shareholders with annual and semi-annual reports within 60 days after the end of the fund's fiscal year and 60 days after the fund's fiscal mid-year.
- **Past Performance:** While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time.

FINRA Investor Education FOUNDATION ASPIRA

Slide 53

INVESTMENTS
Exchange Traded Funds
A RESOURCE TO REACH THE AMERICAN DREAM

- **Exchange Traded Funds (ETFs) they are similar to index mutual funds, but are traded more like a stock.**
- **ETFs represent a basket of securities that are traded on an exchange.**

FINRA Investor Education FOUNDATION ASPIRA

Slide 54

INVESTMENTS
Exchange Traded Funds (ETF)
A RESOURCE TO REACH THE AMERICAN DREAM

Advantages	Disadvantages
Similar to stocks, exchange traded funds offer more flexibility than mutual funds.	• Commissions
• ETFs can be bought and sold throughout the trading day, which is rare with mutual funds.	• Only institutions and the extremely wealthy can deal directly with the ETF companies.
• Traders have the ability to short or buy ETFs on margin.	• ETFs don't necessarily trade at the NAV of their underlying holdings, meaning an ETF could potentially trade above or below the value of the underlying portfolios.
• Low annual expenses.	• Slippage - as with stocks, there is a bid-ask spread.
• Tax efficiency - beat out mutual funds when it comes to tax efficiency	

FINRA Investor Education FOUNDATION ASPIRA

Slide 55

INVESTMENTS
When and how to use ETFs
A RESOURCE TO REACH THE AMERICAN DREAM

After comparing the advantages and disadvantages to using ETFs, you might conclude that they are a better deal than mutual funds - not necessarily true. Commissions make ETFs unattractive. If your portfolio is a tax deferred investment, like a 401(k) or an IRA, then you can avoid paying commissions by investing directly with a mutual fund company.

FINRA
Investor Education
FOUNDATION

ASPIRA

Slide 56

INVESTMENTS
Mutual Funds vs ETFs
A RESOURCE TO REACH THE AMERICAN DREAM

- **Lump Sum Investment**
 - One of the biggest advantages of mutual funds, is the ability to purchase them without trading costs. However, if you have a large amount of money to invest, perhaps from an inheritance or a 401(k) rollover, trading fees may be of little concern to you.
- **Market Timing**
 - If you are a market timer, ETFs may be a pleasant surprise for you because you can trade them intra-day.
- **Taxable Investments**
 - One disadvantage of mutual funds is that they must pay distributions at the end of the year, per IRS rules. ETFs get around this. When you sell your ETF, it is subject to normal IRS capital gains rules.

FINRA
Investor Education
FOUNDATION

ASPIRA

Slide 57

INVESTMENTS
Socially Responsible Investments
A RESOURCE TO REACH THE AMERICAN DREAM

- **Socially responsible investing (SRI) is an umbrella term for a philosophy of investing by both financial and social criteria. SRI investors seek to align their personal values and financial goals by choosing to invest in companies and organizations displaying values comparable to their own.**

FINRA
Investor Education
FOUNDATION

ASPIRA

Slide 58

INVESTMENTS
Investing in Real Estate
A RESOURCE TO REACH THE AMERICAN DREAM

Income property investments are typically held for long-term gain, as well as a hedge against inflation. Real estate investors actually profit from inflation because with a 30% equity, just a 3% inflationary increase in property values results in a 10% return on investment.

FINRA
Financial Industry
REGULATORY
FOUNDATION

ASPIRA

Slide 59

INVESTMENTS
Real Estate Investment Strategies
A RESOURCE TO REACH THE AMERICAN DREAM

- **Basic Rental Properties:** A person will buy a property and rent it out to a tenant. The owner, the landlord, is responsible for paying the mortgage, taxes and costs of maintaining the property. Ideally, the landlord charges enough rent to cover all of the aforementioned costs. Perhaps the biggest difference between a rental property and other investments is the amount money, time and work you have to devote to maintaining your investment.
- **Real Estate Investment Groups:** Real estate investment groups are sort of like small mutual funds for rental properties. A company will buy or build a set of apartment blocks or condos and then allow investors to buy them through the company.

FINRA
Financial Industry
REGULATORY
FOUNDATION

ASPIRA

Slide 60

INVESTMENTS
Real Estate Investment Strategies (2)
A RESOURCE TO REACH THE AMERICAN DREAM

- **Real Estate Trading:** Real estate traders buy properties with the intention of holding them for a short period of time (often no more than three to four months), whereupon they hope to sell them for a profit.
- **REITs:** A real estate investment trust (REIT) is created when a corporation (or trust) uses investors' money to purchase and operate income properties. REITs are bought and sold on the major exchanges just like any other stock. A corporation must pay out 90% of its taxable profits in the form of dividends to keep its status as an REIT.

FINRA
Financial Industry
REGULATORY
FOUNDATION

ASPIRA

Slide 61

INVESTMENTS
A RESOURCES DREAM

Issues to Consider When Investing in Real Estate

- You may think that investing in real estate is simple, but you first must decide what your investment objectives are.
- Sample Investment Objective Questions:
 - Are you sheltering income and need losses to write off against it?
 - Are you building your assets with an objective to break even or generate cash flow?
 - Do you need the cash flow to live on?
 - Are you a real estate agent?
 - Are you actively involved in managing/developing your real estate assets?

FINRA
Financial Industry
REGULATORY
EDUCATION

ASPIRA
