

2 INVESTMENT OPTIONS

KISS Rule of Investing

Keep it _____, _____!

Never invest purely for _____.

Never invest using _____ money.

Diversification

_____ means to spread around.

Diversification _____ risk.

END OF VIDEO PART 1

\$ MONEY FACTS

\$12,356 trillion—the combined assets of the Investment Company Institute's 8,015 mutual funds as of October 2007.

Investment Company Institute

Only **22%** of teens say they know how to invest money to make it grow.

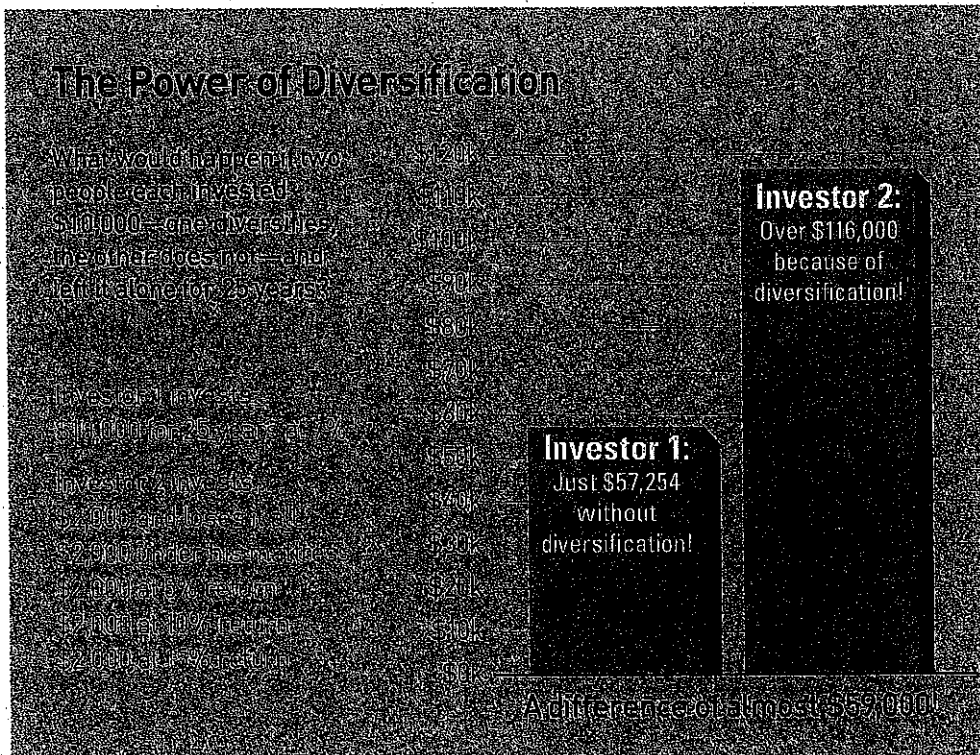
Charles Schwab Survey

51% of teens report that their main reason for saving is to have enough money for long-term future plans, like college or a car.

Charles Schwab Survey

12% of teens have stocks and investments in an account that is held in their name.

Charles Schwab Survey



+ MORE INFO

Throughout the stock market's history:

- ▶ 97% of five-year periods made money
- ▶ 100% of 10-year periods made money.

MORE INFO

The Securities Exchange Commission (SEC) is the government agency responsible for regulating the stock market. It was created in 1934 to increase public trust after the 1929 stock market crash and the years of the Great Depression.

Risk Return Ratio and Liquidity

With virtually all investments, as the _____ goes up, so does the potential return.

When discussing investments, _____ is availability.

As there is more liquidity, there is typically _____ return.

END OF VIDEO PART 2

Types of Investments

1. Money Markets

A C.D. is a _____, typically at a bank.

I am 19 years old and working in my family's business. I live at home with my parents and my car is completely paid for. How should I start saving for a house and retirement? I want to make sure I am doing everything I can to avoid financial problems in the future. What do I need to do?"

DAVE'S ANSWER: Your first goal should be to save 3-6 months of your income (since you don't really have any expenses). This will be your full emergency fund. Then you should save for anything you plan on doing in the next few years, like getting married or buying a home.

On top of that, you should invest into a Roth IRA. The contribution limit for 2008 is \$5,000 per year, which comes out to about \$416 per month. You can do less than that, but not more. If you start that now, you will be extremely wealthy when you retire.

Money market mutual funds are _____ risk money market accounts with check writing privileges. These are great for _____.

2. Single Stocks

Single stock investing carries an extremely _____ degree of risk.

When you buy stock, you are buying a small piece of _____ in the company.

Your return comes as the company increases in _____ or pays you, its owner, some of the profits (_____).

3. Bonds

A bond is a _____ instrument by which the company owes _____ money.

Your return is the fluctuation in price and the _____ rate paid. Few individuals do well with _____ purchases. **END OF VIDEO PART 3**

4. Mutual Funds

Investors pool their _____ to invest.

Portfolio managers manage the pool or _____.

Your _____ comes as the _____ of the fund is increased. **END OF VIDEO PART 4**

REAL LIFE

Harry was a bright young man who was in need of college money. Bob offered him an investment opportunity that sounded too good to pass up.

“I’ve got some property on a potential oil field,” Bob said. “For only \$750 you can buy a share of it. It won’t be easy to get a return, but I’ve made Bob, an expert salesman, promise that Harry would become rich and sealed the deal with a simple check. Harry took a great way to diversify your portfolio.”

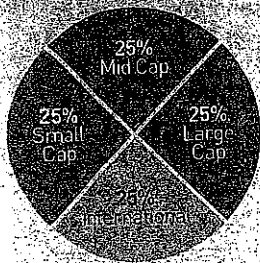
Thirty years later, after all the oil was pumped out, Harry still hadn’t seen any money from his investment. It was one of the many traps that Bob was setting out for him. To be on the safe side, Harry never had the right to sell, so he couldn’t get any money out of it. He would now have \$22,769.

What would have happened if interest had gone up in a mutual fund at 12% interest instead? He would now have \$22,769.

+ MORE INFO

Mutual funds that are properly diversified will have investment dollars spread equally among four different classes of financial assets.

- 25% International
- 25% Aggressive Growth (Small Cap)
- 25% Growth (Mid Cap)
- 25% Growth and Income (Large Cap)



W WISE GUYS

October. This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February.

Mark Twain

Mutual funds are good _____
term investments.

END OF VIDEO PART 5

5. Real Estate

Least _____ consumer investment.

You should have lots of _____ before using real estate as an _____.

6. Annuities

Annuities are _____ accounts with an _____ company.

_____ annuities are at a low interest rate of around 5%, aren't really fixed, and are a _____ investment.

_____ annuities are mutual funds sheltered by the annuity covering, thereby allowing the mutual fund to grow tax-deferred.

Horrible Investments

Gold

_____ & Futures

Day _____

Viaticals

END OF VIDEO PART 6