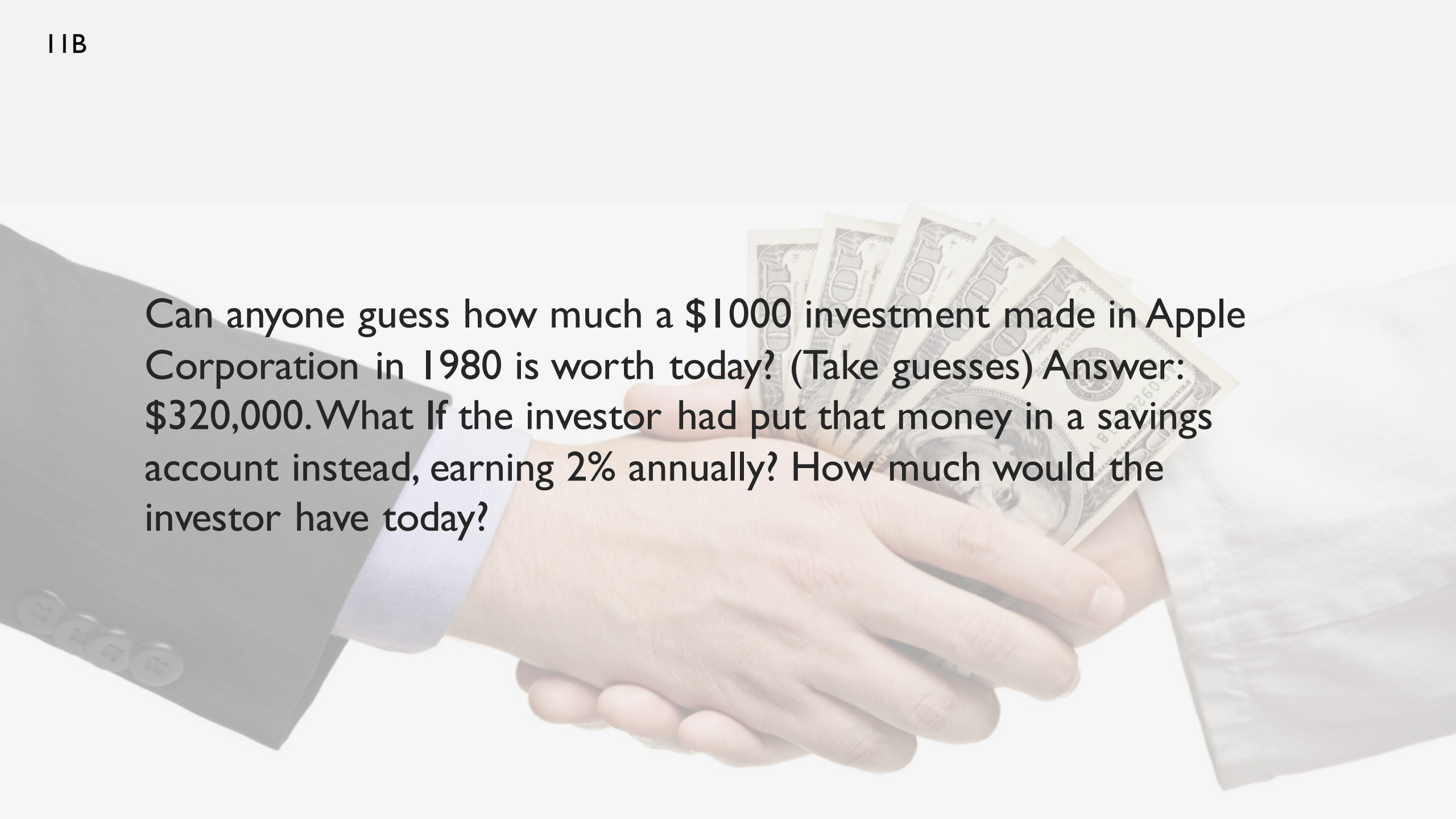


INVESTING 101

Lesson 11

A hand holding a fan of US dollar bills, with another hand shaking it. The background is a light gray gradient.

Can anyone guess how much a \$1000 investment made in Apple Corporation in 1980 is worth today? (Take guesses) Answer: \$320,000. What If the investor had put that money in a savings account instead, earning 2% annually? How much would the investor have today?

I. INVESTING

- **Building Wealth.**
 - Through investing.
- **Set Financial Goals.**
 - Personal short term and long term financial goals
 - Acquiring assets which will potentially provide a profitable return over time.
- **Getting Started Investing.**
 - Retirement funds and IRAs are off limits for most things until you reach the age of 59 ½

II. TYPES OF INVESTMENTS

Asset Class: Equities

1. Asset Class.
2. Stock.
3. How Equities Build Wealth.
4. Common vs. Preferred.
5. Ratings on Stocks.

Asset Class: Debt

1. Bonds.
2. Bonds and Debentures.
3. Corporates, Munis, and Treasuries.
4. How Bonds Build Wealth
5. Yield to Maturity.
6. Bond Ratings.

Asset Class: Real Estate

1. Residential Real Estate.
2. Commercial Real Estate.
3. Real Estate Investment Trust
4. How Real Estate Builds Wealth

Asset Class: Other

1. Collectibles

IV. CAPITAL GAIN

- The IRS Cut
- **capital gain:** when the value of an asset (investment) increases
 - When you sell the asset, the Internal Revenue Service (IRS) takes a share of the profit by imposing a capital gains tax.
- Watch Your Timing!

THE BIG PICTURE

- Investing is the best means for pursuing long term financial goals. While investing is riskier than putting money in a savings account, it has the potential to bring a much higher rate of return. There are endless ways to invest: stocks, bonds, residential or commercial real estate, mutual funds, and collections. Risk and return are closely associated. Generally, the higher the potential return on an investment (ROI), the higher the risk. The lower the return, the lower the risk. Experts advise diversifying an investment portfolio to provide a balance that hedges against loss. When you become an investor, read all of the disclosures you are given. Investigate your investments! Learn as much as you can about wealth building and consult with investment professionals to increase your ability to achieve your long term financial goals.

PONDER & PREDICT

- America is a very entrepreneurial country. New businesses start up every day! For many people, owning and managing their own business is a tool for building wealth. Would you like to own your own company? What product or service would you offer? What does it take to get a business up and running and how do you build wealth through a small business?