

# Which equity investment best satisfies your objective of long-term growth?

*Stocks*  
**Mutual funds**  
**Oil leases**  
**Commodities**  
**Business**  
**Limited partnerships**  
**Silver**  
**Land**  
**Options**  
**Diamonds**  
*Time share condos*  
**Gold**  
*Coins*  
**Real estate**  
**Feed lot**

# Keys to Investing

## Time is on your side

- The earlier the better.

## You CAN lose money

- High returns – high risk.
- Understand your risk tolerance.
- Diversification limits risk.



# STOCKS

- What are stocks, and how do they work?
- Considerations & Resources.
- Costs.
- Advantages & Disadvantages.





# How to Buy Stocks

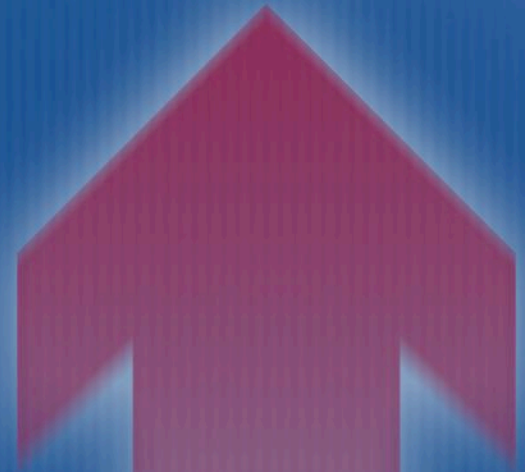
- Brokers
  - Full Service
  - Discount
- Brokerage Firm





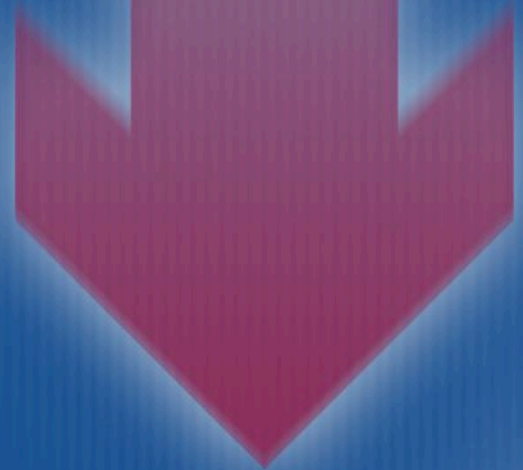
# Stocks Advantages

- Stocks have higher potential growth and reward than fixed investments.
- Long-term growth of stocks has out-paced interest paid on fixed investments.



# Stocks Disadvantages

- Stocks have higher risk than fixed investments.
- Single stock investment is particularly risky due to lack of diversification.
- Requires Research and Knowledge.



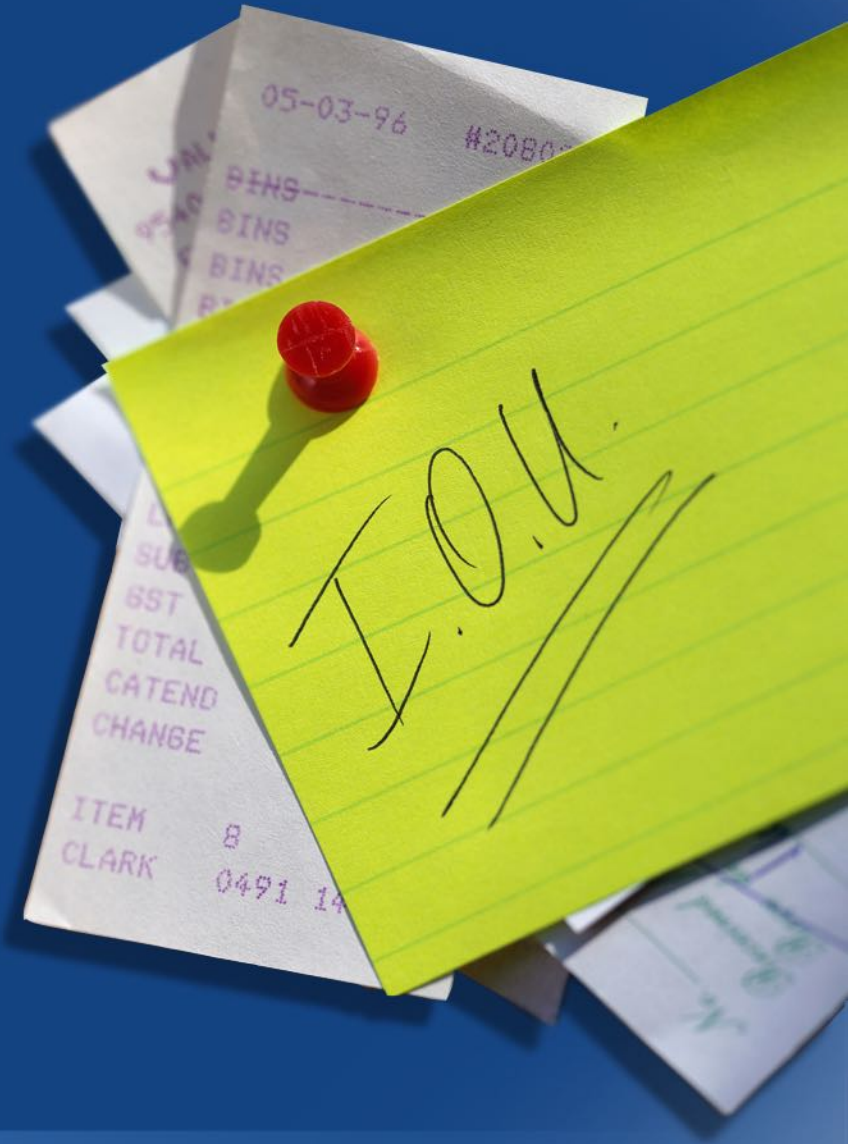


# Bonds

- What are bonds, and how do they work?
- Types of bonds.
- Considerations.
- Advantages & Disadvantages.

# What are bonds?

- IOUs issued by corporations or governments.
- “Fixed income” investments.





# Types of Bonds

- Corporate bond
- Municipal bond
- Treasury bond
- Treasury note
- Treasury bill
- U.S. Savings Bond
- Zero coupon bond



# Selecting a Bond - Consider...

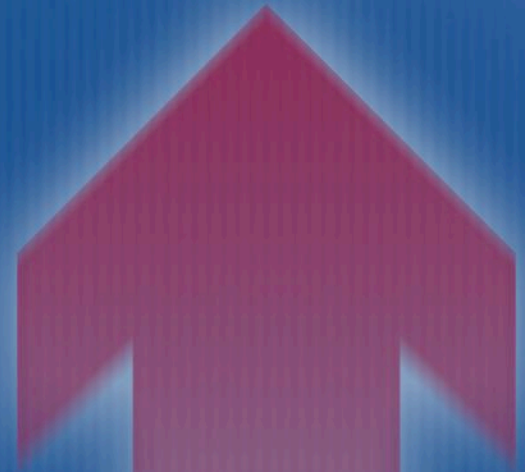
- Issuer
- Maturity
- Credit Quality
- Risks





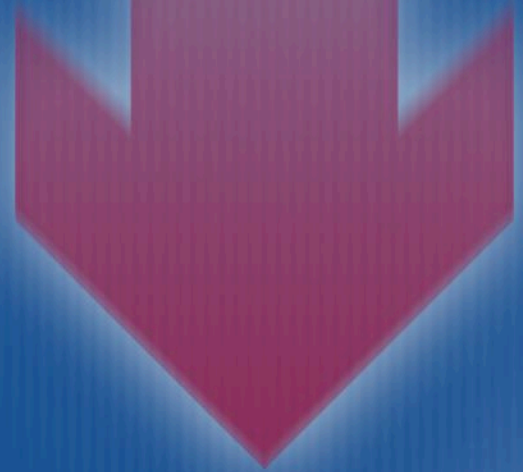
# Bond Advantages

- Predictability-fixed income for defined period of time.
- Higher source of income than cash investments or stocks.
- Inclusion in portfolio provides diversification.
- Income from some bonds is tax-exempt.



# Bond Disadvantages

- Fluctuations in interest rates.
- Call risk.
- Risk of issuer default.
- Value of interest affected by inflation.
- Corporate decisions may affect credit quality and/or market value.





# How to Buy Bonds

- [www.publicdebt.treas.gov/](http://www.publicdebt.treas.gov/)



# A Mutual Fund

- Combines investment dollars of people with similar objectives.
- Provides continuous professional management and supervision.
- Invests in a broadly diversified group of securities.





# Evaluating a Mutual Fund

- Value
- Performance
- Distributions





# Index Funds

- Own stocks that represent a specific market as a whole.
- Generally mid to high risk.
- Earn average stock market gains and losses.
- For those who don't try to beat the market.
- Generally have lower fees and lower capital gains.
- Some sample indexes:
  - S&P 500 ~ Large companies.
  - Wilshire 5000 ~ Large and small companies.
  - Russell 2000 ~ Traded over the counter.
  - EAFE ~ Europe, Australia, and Far East.
- Have frequently beaten managed funds.

# Pitfalls

- Performance chasing.
- Selling out when market or fund goes down.
- Following media hype.



# Follow the media?



## San Francisco's Morning Paper September 1, 1998

Did some people sell out  
of the market?

## San Francisco's Evening Paper September 1, 1998



**The lesson?**  
Stick with a  
long term strategy

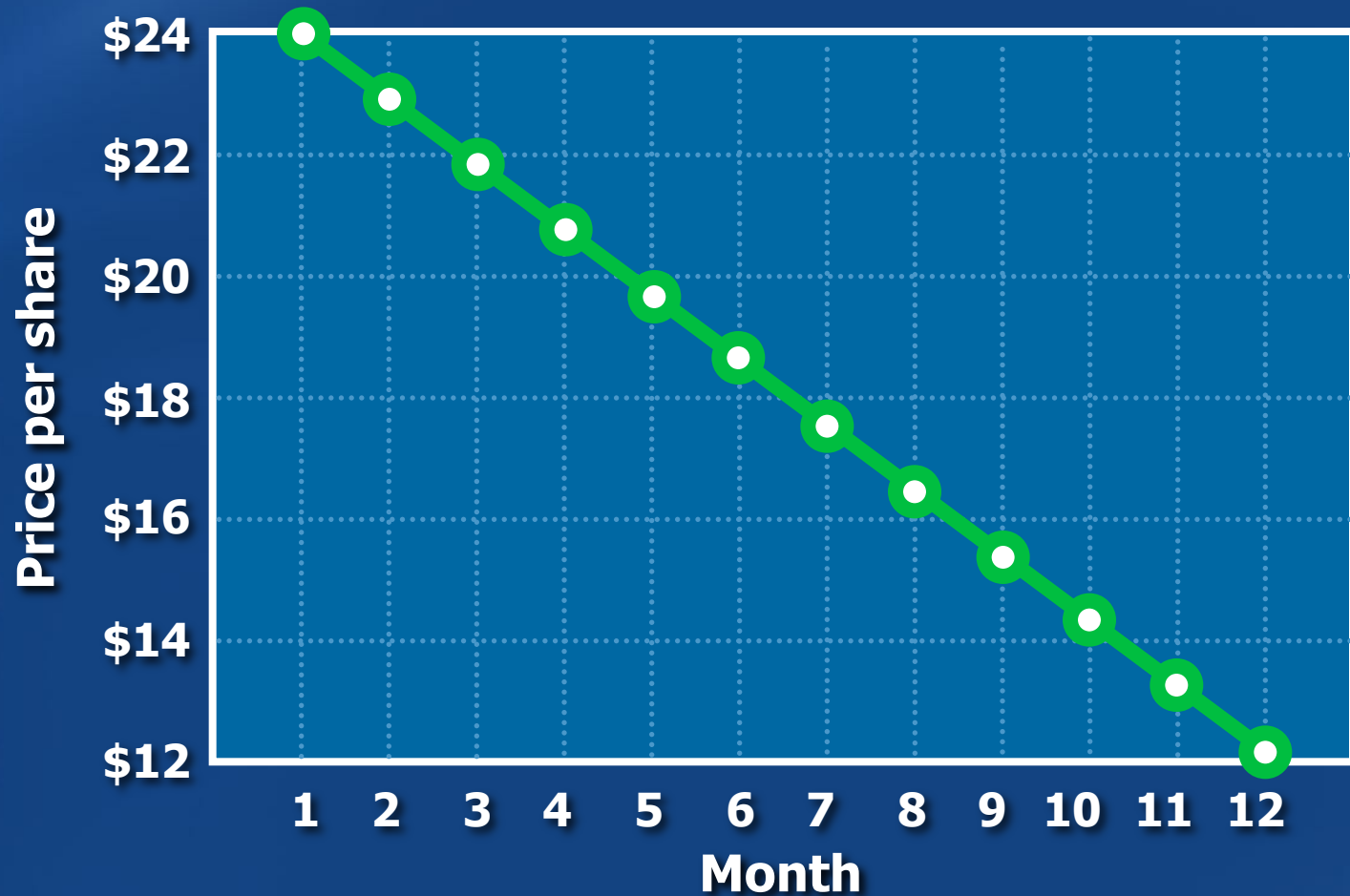


# Dollar Cost Averaging



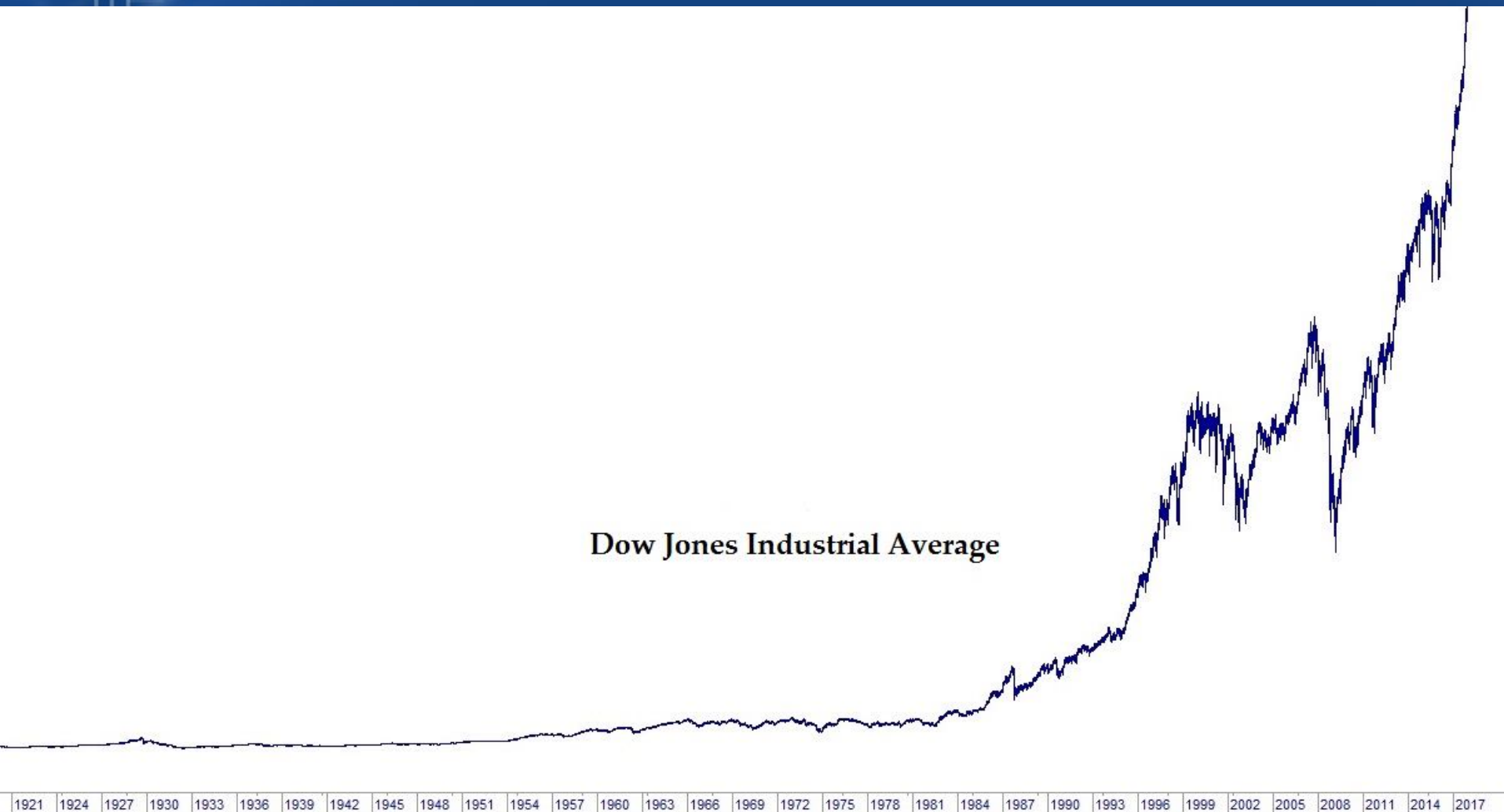
Dollar cost averaging does not assure a profit and does not protect against a loss in a declining market. Since dollar cost averaging involves continuous investments in securities regardless of fluctuating price levels, investors should consider their financial ability to continue their purchases through periods of low price levels. Rates of return and investment performance cannot be predicted.

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# Dow Jones Industrial Average 1918 - 2018





# Dollar Cost Averaging

Illustration of investment of \$300 per month



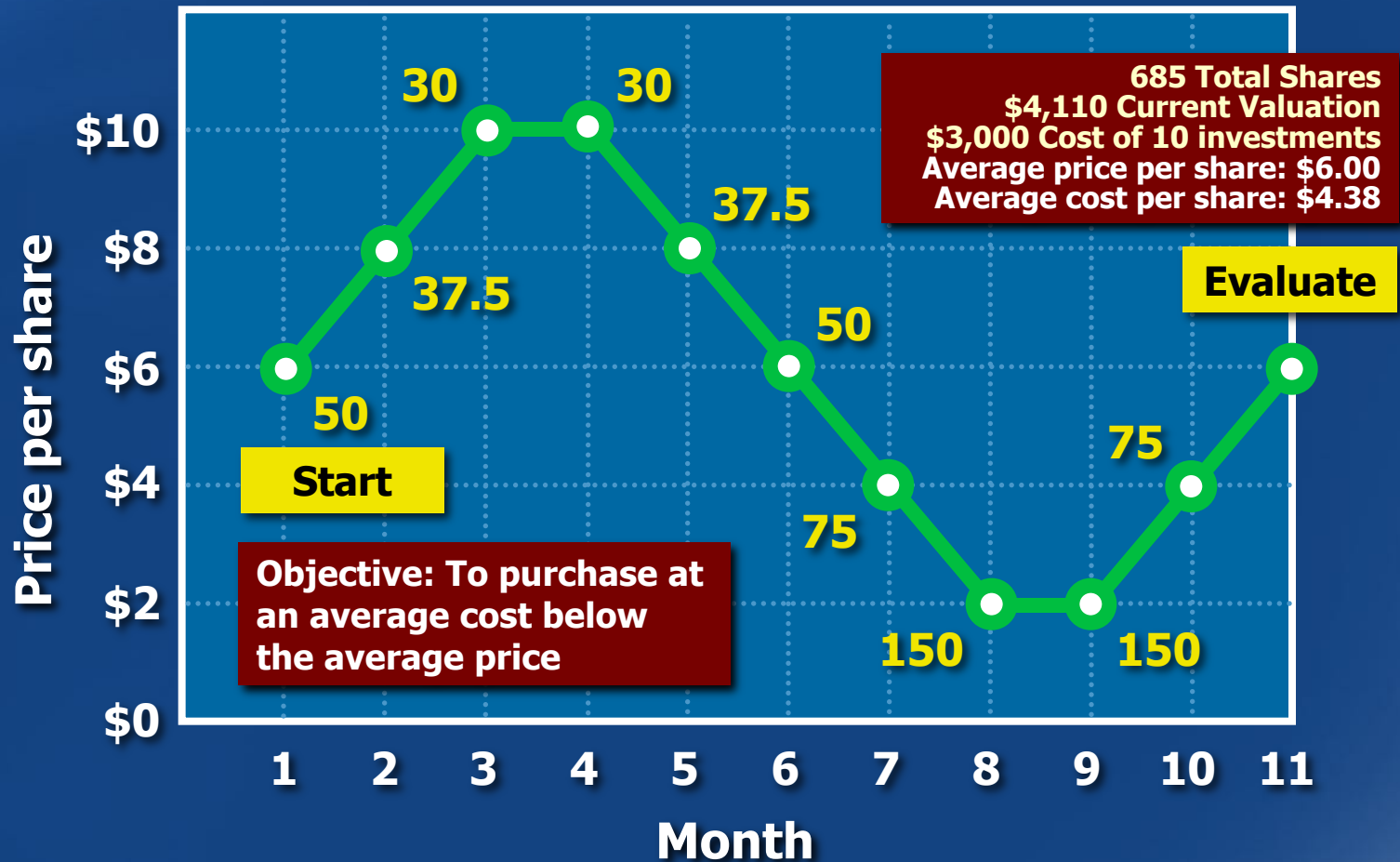
# Dollar Cost Averaging

Illustration of investment of \$300 per month



# Dollar Cost Averaging

Illustration of investment of \$300 per month





# \$300 per month compounding annually

YR	5	10	15	20	25	30
1%	18,463	37,868	58,262	79,697	102,225	125,903
2%	18,937	39,845	62,929	88,415	116,554	147,622
3%	19,422	41,938	68,039	98,298	133,377	174,042
4%	19,919	44,153	73,637	109,510	153,154	206,254
5%	20,427	46,498	79,771	122,237	176,436	245,609
6%	20,947	48,979	86,493	136,694	203,874	293,777
7%	21,480	51,606	93,859	153,122	236,241	352,819
8%	22,024	54,385	101,934	171,798	274,452	425,284
9%	22,581	57,326	110,784	193,037	319,593	514,314
10%	23,152	60,437	120,486	217,196	372,948	623,788
11%	23,735	63,729	131,122	244,682	436,038	758,485
12%	24,331	67,211	142,779	275,957	510,662	924,292

This illustration is for hypothetical purposes only and does not represent specific investments. Equity investments fluctuate in value with market condition.

# IRA

## What is an Individual Retirement Account?

- Roth or Traditional IRA?
- Deductibility
- Withdrawals
- Rollovers of an IRA
- Borrowing from and IRA

# Fully Deductible IRA

	5 yrs	10 yrs	15 yrs	20 yrs	25 yrs	30 yrs
4%	\$21,999	\$48,999	\$81,665	\$121,665	\$170,331	\$229,331
6%	\$23,333	\$54,332	\$95,999	\$151,998	\$226,664	\$326,330
8%	\$24,333	\$60,332	\$113,332	\$190,998	\$304,996	\$472,661
10%	\$25,666	\$66,999	\$133,998	\$241,330	\$414,329	\$692,993
12%	\$26,999	\$74,665	\$158,665	\$306,663	\$567,327	\$1,026,989



# Nondeductible IRA

	5 yrs	10 yrs	15 yrs	20 yrs	25 yrs	30 yrs
4%	\$16,499	\$36,749	\$61,249	\$91,249	\$127,748	\$171,998
6%	\$17,499	\$40,749	\$71,999	\$113,998	\$169,998	\$244,747
8%	\$18,249	\$45,249	\$84,999	\$143,248	\$228,747	\$354,496
10%	\$19,249	\$50,249	\$100,498	\$180,998	\$310,746	\$519,744
12%	\$20,249	\$55,999	\$118,998	\$229,997	\$425,495	\$770,242

# Investment without an IRA

	5 yrs	10 yrs	15 yrs	20 yrs	25 yrs	30 yrs
4%	\$16,249	\$34,749	\$56,249	\$81,249	\$109,998	\$229,331
6%	\$16,749	\$37,499	\$63,249	\$95,249	\$134,748	\$183,498
8%	\$17,499	\$40,499	\$71,249	\$111,998	\$165,998	\$237,747
10%	\$17,999	\$43,749	\$80,249	\$131,998	\$205,747	\$310,746
12%	\$18,749	\$47,249	\$90,499	\$156,498	\$256,747	\$409,245

# IRA Growth

