

# Types of Investments



- .Stocks
- .Bonds
- .Mutual Funds
- .Real Estate
- .Savings/Certificates of Deposit
- .Collectibles

# Types of Investments



## Stocks

- An investment that represents ownership in a company or corporation.



## Bonds

- A security representing a loan of money from a lender to a borrower for a set time period, which pays a fixed rate of interest.



## Mutual Funds

- An investment that pools money from several investors to buy a particular type of investment, such as stocks.



## Real Estate

- An investor buys pieces of property, such as land or a building, in hopes of generating a profit.



## Savings/Certificates of Deposits

- A deposit that earns a fixed interest rate for a specified length of time.
  - The longer the time period the greater the rate of return.
  - There is a substantial penalty for early withdrawal.



## Collectibles

- Unique items that are relatively rare or highly valued.
  - Art work, Baseball trading cards, Coins, Automobiles, Antiques

# SAVINGS VS. INVESTING

**Savings:** is the portion of current income not spent on consumption.

**Investments:** Investing is the purchase of assets with the goal of increasing future income.

**Risk:** The chance that the value of an investment will decrease.

**Return:** The profit or yield from an investment.

**Liquidity:** The ability of an investment to be converted into cash quickly without loss of value.

# Short Term Investing Strategies

**Buying on margin:** is where an investor borrows part of the money needed to invest in a stock from a brokerage firm.

- There is a 50% margin requirement.
- Example: If you want to purchase \$2,000 worth of stock you can borrow up to \$1,000 to make the purchase.

**Short selling:** is when an investor sells shares of stock that they do not own with the intent to buy them back later at a lower price.



Example:

- You want some rollerblades....
- Your friend buys new rollerblades for \$80.
- You borrow them and sell them for \$80.
- The price at the stores has been lowered to \$45.
- You buy a new pair for \$45 and give them to your friend.
- You made \$35!!!

# Long Term Investing Strategies

**Diversification:** is spreading your assets among different types of investments to reduce risk



(aka “Not putting all your eggs in one basket”)

**Dollar Cost Averaging:** is buying an equal amount of the same stock at equal intervals.

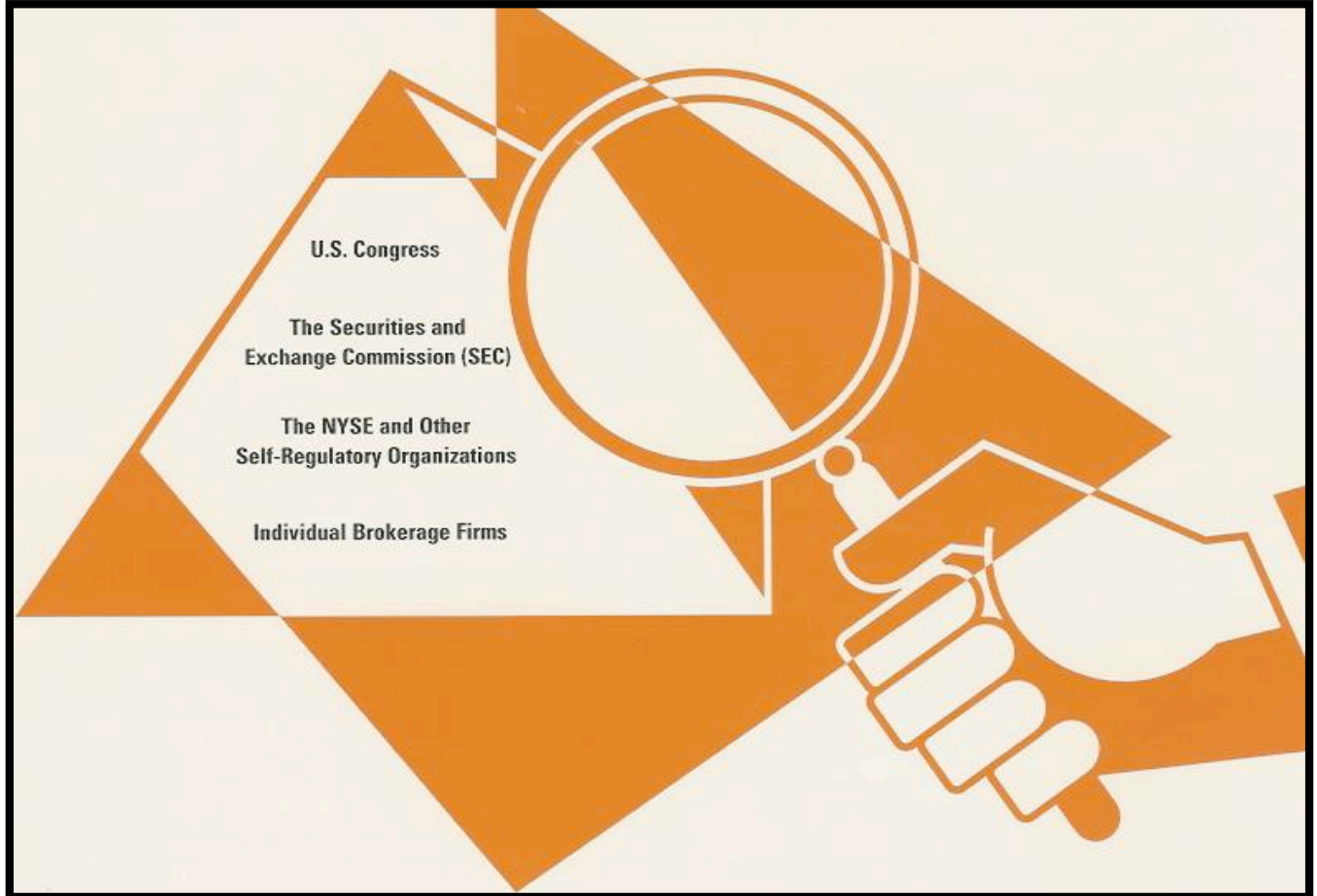
- Example: Invest \$100 in E-bay every month. The price you pay for the stock averages out over time.

**Buy and Hold Technique:** is where an investor buys stock and holds on to it for a number of years.

- During that time you are paid dividends and the price of the stock may go up (Common Method)

# Protecting Investors

**Regulatory Pyramid:** a Network of safeguards that surround the securities industry- from the individual brokerages all the way up to the US Congress.



[www.nyse.com](http://www.nyse.com)

# So Where Do You Find The Information?



You can look in ....

**A Prospectus:** A formal written offer to sell securities that sets forth a plan for a proposed business enterprise. A prospectus should contain the facts that an investor needs to make an informed decision.

**An Annual Report:** a document detailing the business activity of a company over the previous year, and containing an income statement, cash flow statement, and balance sheet.

**A Financial Publication** such as the Wall Street Journal or Fortune Magazine

**Online**

**Examples:**

– <http://finance.yahoo.com>

– <http://moneycentral.msn.com>

# How Do You Buy and Sell Investments?

**.Full-service broker**

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**.Discount broker**

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**.Investment advisors**