1. **REVIEW of the six steps to take for financial peace of mind (Handout 0.06)**

   INVESTING IN STOCKS & BONDS SHOULD BEGIN ONLY AFTER YOU HAVE
   - **ESTABLISHED YOUR EMERGENCY FUND AND**
   - **ELIMINATED HIGH-INTEREST DEBT.**

2. **SET ASIDE YOUR PILES of MONEY/INVESTMENTS – based on their purpose.**

   PILE #1 – CASH for DAILY LIVING—Most working individuals deposit their paychecks or business income into a checking account and use that flow to pay routine bills. The checking account balance should cover one to two months' routine expenses.

   PILE #2 – CASH for an EMERGENCY FUND—This is savings to tide you over in case of a loss of income or unexpected expenses. Individuals differ on how much they want to keep in this account, but the range is 3 to 12 months' expenses.
   - Employed W-2 individuals with good job security can aim for an emergency fund on the low side
   - Retirees, those with unstable employment, and entrepreneurs should aim for an emergency fund on the high side.

   An emergency fund can be held at the same institution where an individual maintains their cash for daily living (pile #1), so it is easy to transfer amounts between accounts. However, a financially prudent choice is to seek an institution with the best interest rate.

   If your emergency fund exceeds four months of savings, you can put the excess in a one-year Certificate of Deposit if it offers superior interest rates.

   Piles # 1 and #2 should be in CASH and at an FDIC-insured institution.

   PILE # 3 STOCK & BOND FUNDS for your RETIREMENT:
   If you are a W-2 employee, you may have the option to enroll in the company's 401K or 403B retirement plan. This is a significant employment benefit, especially if your employer offers to match your contributions. When enrolled, you will have options for directing your investments; this segment will help you make an informed choice.

   If you are self-employed or have extra funds beyond those you contribute to your employer-sponsored plan, you can establish an IRA (Individual Retirement Account). The amount you can contribute annually is limited, as these accounts have special treatment. The amount you can contribute is based on your earned income and age.

Regardless of whether your retirement account was established through an employer or is an IRA, there are two types of plans.

- **A Traditional Retirement Account** allows you to deduct your contributions and reduce your taxable income. However, when you withdraw money from the plan (generally at retirement), you will pay ordinary income tax on the withdrawals. A Traditional Retirement Account is best selected if you are in a higher tax bracket now than the tax bracket you will be in when you withdraw your money.

- **A ROTH Retirement Account** does not give you a tax break when you contribute but is tax-free upon withdrawal. A ROTH account is better if you are in a lower tax bracket now than you anticipate when you withdraw your money.

Money 101 Handout 7.01 answers most questions related to Retirement Plans.
Money 101 Handout 7.02 compares the growth of a Traditional plan vs. a Roth Plan under different income tax scenarios.

PILE #4 LIFE ENHANCEMENT ACCOUNT — (often called TAXABLE investment account) Money to enhance your pre-retirement life (buy big stuff, furniture, car, house, or fund a vacation) or, more importantly, lets you sleep at night knowing you have a larger cushion to fall back on. The value of sleeping at night cannot be overemphasized.

********AND IF APPLICABLE **********

PILE # 5 - EDUCATIONAL SAVINGS ACCOUNT, aka COLLEGE FUND—This pile of money is separate and distinct because, like a Retirement Account, the government allows it to escape taxes on growth and distributions provided the proceeds are used for education. It is set up for beneficiaries, including yourself, children, or grandchildren. Funds can be transferred to different beneficiaries.
Money 101 Handout 10.07 explains how a 529 educational savings plan works and gets special tax treatment.

PILE #6 INHERITED Traditional 401K or IRA— Those funds must be kept separate if you are fortunate enough to inherit a Traditional 401K or an IRA. CAUTION – If it is a traditional IRA or 401K, any proceeds taken will be taxed, so instead of taking the proceeds upon inheritance, roll the account over to an "inherited IRA account" to postpone paying taxes. However, note that IRS regulations require that you remove a portion annually – called a Required Minimum Distribution (RMD). The amount to be withdrawn is based on when the person died, your age, and the account balance at the end of the prior year.

3. WHERE SHOULD YOU KEEP YOUR PILES? HOW MANY BANKING RELATIONSHIPS DO YOU NEED?

Keeping things simple will help you keep on top of your finances.

Pile #1 and #2 should be with a local bank with a convenient branch office, access to accessible ATMs, and no fees. AVOID MULTIPLE CHECKING AND SAVINGS ACCOUNTS.

If you are an entrepreneur, remember that establishing a relationship with a bank branch and getting to know the personnel can be helpful if one day you want to apply for a loan. Regarding #2 (emergency funds), the key is to get the best interest rate and be assured that it is FDIC-insured.

Piles # 3, 4, 5, and 6 – should be with ONE institution, a FINANCIAL CUSTODIAN.
Money 101 Handout 12.31 discusses how to select a financial custodian.

Although you will have only one financial custodian, you may have multiple accounts with them, including:

- Taxable Account – for your life enhancement account
- Retirement - IRA Traditional
- Retirement - IRA Roth
- Inherited Retirement - IRA Traditional
- Inherited Retirement - IRA ROTH
- 529 Savings plan (can have multiple accounts if you have different beneficiaries)

HAVING ONLY ONE FINANCIAL CUSTODIAN
WILL HELP YOU SEE THE BIG PICTURE EFFORTLESSLY

NOW TO DISCUSS INVESTMENTS

The financial community breaks investments into five asset groups.

- Cash
- Stocks = Equities
- Bonds = Loans
- Real Property = for rental value = REIT. Real Estate Investment Trusts
- Commodities = STUFF = gold/silver, sugar/corn/wheat, virtual currency,

4. CASH – can be kept in a

- Checking Account,
- Savings Account,
- Money Market Account – discuss how this is different than a savings account.
- Certificate of Deposit

- Cash should be held in an insured Federal Deposit Insurance Corp (FDIC) institution. If the institution offers FDIC coverage, the FEDERAL government covers up to $250,000 per person per institution. (discuss the "run on the banks")
- Cash usually earns less interest than the inflation rate; thus, the buying power of money decreases over time.
- Discuss: Can you have too much cash? - yes, if you have more cash than you need in your emergency fund, it means losing out on growth because the interest earned on a savings account rarely keeps up with inflation. Once you have enough cash for your emergency fund, start investing.

5. STOCKS = Equity– Ownership in a part of a company

How do companies raise money to cover their startup costs and grow?

- **BOOTSTRAPPING** – where the owner uses their funds for startup expenses
- **FRIENDS AND FAMILY** – where the owner asks friends and family to either lend them money or give part ownership in the company to fund operations
- **ANGEL INVESTORS –** where the owner asks non-family to either lend them money or give them funds in exchange for ownership in the company.
- **PRIVATE EQUITY (HEDGE FUNDS) –** where the owner approaches an investment group whose purpose is to fund new ventures and asks for financing in exchange for a stake in the company. This often includes the Owner giving the Private Equity group a seat on the Board and giving up some control over the company operations.
- **INITIAL PUBLIC OFFERING** (IPO) – After the company has been in business for several years, it can apply to the Securities and Exchange Committee (SEC) to "go public. The SEC has tremendous requirements governing the process, including timely reporting of all financial information. However, when approved, the company will sell shares to the public, called an Initial Public Offering (IPO). This usually brings a large infusion of cash the company uses to grow. While the company sets the "initial price" for their shares, once they have been sold – the public can sell (and buy) those shares on the stock exchange. The price after the IPO is based on the public's "PERCEPTION" of value. It often fluctuates widely. When the public buys and sells shares, the company does NOT get those proceeds.

What rights/benefits do you have if you purchase stock?

- Participation in profits (and loss) – by getting payouts called DIVIDENDS -but not all companies that have profits pay Dividends (discuss dividends vs. retained earnings)

- Ability to elect a Board of Directors who hires the company's officers.
- Potential to gain (or lose) money IF the stock/company value rises (or falls) – but only if you SELL your holdings.

<u>How many companies are public?</u>

- Forty-three thousand companies are "public," meaning investors can purchase their shares.
- Four thousand are in the United States, which is approximately 10%.
- Thirty-nine thousand are outside of the United States (called International or X-US)

Public companies are grouped into categories based on specific characteristics, making it easier for investors to know what they buy and how to diversify their holdings. Typical factors that differentiate companies include:

DOMICILE

Where is the company based, and where does it conduct most of its operations?
There are two categories –

- United States
- Outside of the United States, aka International or X-US.
    - A subset of X-US companies are those based in an emerging market. An emerging market is one where the country's economy is rapidly changing – aka a developing country.

MARKET CAPITALIZATION = Size of the Company

- The company's size is NOT based on its sales, book value, or the value set when it made its initial public offering (IPO) but on "Market Capitalization."

- Market Capitalization equals the number of outstanding shares times the <u>current</u> share price. Therefore, Market Capitalization changes minute by minute as shareholders buy and sell shares at different values.

- Public companies are grouped by CAPITALIZATION size and are called.
    - Mega Cap - when the share price times outstanding shares = $200 billion.
    - Large Cap- when the share price times outstanding shares = $10-200 billion.
    - Mid Cap - when the share price times outstanding shares = $ 2-10 billion.
    - Small- when the share price times outstanding shares = $ 300 million – $2 billion.
    - Micro - when the share price times outstanding shares = $50-300 million

PROSPECTS /Outlook of Company = Growth vs. Value

- A growth company is one in a field that is rapidly changing and where there is a lot of innovation. Technology companies are usually considered Growth. Profits are rarely paid to shareholders but are plowed back into the company to fuel more growth.

- A value company is in a less dramatically changing field but produces a product or service that is in demand. It has a steadier income stream and a longer track record as profitable. They are often "undervalued" as they are less glitzy than a Growth company. Value companies usually pay shareholders dividends.

A fun way to distinguish between Value and Growth is to think of the Tortoise and the Hare. Growth companies are the hare, and the value companies are the tortoise.

  - Growth companies = Netflix, Amazon, Alphabet, Facebook, Tesla

  - Value companies = General Motors, Bank of America, Proctor & Gamble

When funds are made up of BOTH Growth and Value companies, they are described as "Blend funds."

SECTOR

A sector means an "industry". The financial world has divided companies into eleven sectors.

1. Communication Services
2. Consumer Discretionary
3. Consumer Stables
4. Energy
5. Financials
6. Healthcare
7. Industrials
8. Information Technology
9. Materials
10. Real Estate
11. Utilities

SEE: https://www.fool.com/investing/stock-market/market-sectors/

A diversified portfolio should cover all sectors,

QUESTIONS -

- What countries would be considered emerging markets?
- What drives up or down share prices after the IPO?
- Who gets the money from the share price rising or falling after an IPO?
- Why does the Board of Directors care about the stock price?
- What are the options?
- What happens if a company needs more funds to grow?

CLASS # 1 ENDS HERE

6. BONDS = Fixed Income Security

A loan to an entity for a guaranteed interest rate with the promise to pay back the loan on a specific date. (the investor is the lender)

Bonds are classified based on four factors:

- Who is the borrower? (federal or municipal government or Corporation)
- What is the borrowers' credit rating AAA, AA, A, BBB, BB, B, etc.?
- For how long are you lending the money = TERM (short term = 1 month to 3 years, Mid Term = 3-6 years, Long Term 7 plus years)
- Is the interest paid taxable vs. tax exempt? At the federal and state levels.

  Discuss
  - What happens when interest rates change?

TERMS

Bond—A bond is a written document given by an entity (usually a government or corporation) that they are borrowing a specific amount of money but will be repaid on a particular date and that, in the interim, it will pay specified interest periodically. In essence, it is an IOU.

Bond Coupon - A bond coupon or coupon payment is the annual interest rate paid on a bond, expressed as a percentage of the face value and paid from the issue date until maturity.

Face Value = Par Value - A bond's face value refers to how much it will be worth on its maturity date. In other words, it's the value that the bondholder will receive when their investment fully matures.

Bond discount is the amount by which the market price of a bond is lower than its principal amount due at maturity. A bond issued at a discount has its market price below the face value, creating a capital appreciation upon maturity since the higher face value is paid when the bond matures.

Bond Term: The bond term is the time between bond issuance and maturity. On the maturity date of a term bond, the bond's face value, the principal amount, must be repaid to the bondholder. Term bonds can be contrasted with serial bonds, which mature in installments over time.

7. REIT = Real Estate Investment Trust

- Ownership of real estate for rental flow – commercial, office buildings, warehouses, restaurant fast food buildings – secured by a LEASE – steady income.
- REITs are classified based on the property location - Domestic vs. International.
- They are counted as part of an Equity portfolio when discussing diversification.
- Discuss valuation, which is inverse to the current interest rate.

8. COMMODITIES = Stuff that has value and can be traded

Commodities include a vast number of items, but popular commodities are

- Gold or Silver
- Corn, Wheat, Sugar, Barley,
- Electronic Currency (Bitcoin)

IN THIS INVESTMENT CLASS, WE WILL NOT EXPLORE COMMODITIES – they are too volatile to be a significant part of a prudent investor's portfolio. We will explore Stocks, Bonds, and REITS.

9. ASSET DIVERSIFICATION - GETTING TO KNOW THE LINGO

While we have mentioned five groups of assets, the industry generally focuses on two groups: Stocks and Bonds, because:

- Cash is not considered "invested."
- When real estate is purchased through a REIT (Real Estate Investment Trust), it is counted as part of a stock portfolio because the investor owns something tangible.
- Commodities are so volatile that most financial advisors will not recommend that their clients invest in them, or if they do, they suggest that commodities make up less than 3% of their portfolio (holdings.)

Stocks and Bonds have alternative names, which can be confusing:

- Stocks are also called Equities.
- Bonds are also called Fixed Income or Fixed Income Securities.

If a person is asked, "What is your Diversification Ratio?" or "What is your Asset Allocation ratio?" and responds 60/40, they have invested 60% in stock funds and 40% in bond funds.

Discuss.

- Is it better to purchase stocks from Individual companies or bonds from one borrower or funds that own thousands of stocks and bonds? (needle in the haystack)

REVIEW 12.03 HANDOUT – which includes a comparison of returns and volatility (Cash, Stocks, and Bonds)

10. Determining your Stock/Bond ratio is an investor's most crucial decision.

Your stock/bond diversification ratio should be based on WHEN DO YOU NEED THE MONEY?

While stocks over time have a superior return (investors often cite an 8% average return over time), they are very volatile – meaning they go up and down a lot.

While bonds over time have a lesser return (investors often cite a 3% average return over time), they are less volatile – so the rollercoaster of investing is not so dramatic.

Therefore, If you have a very long horizon, you can invest more in stocks because you have time to recover from big dips, but if you have a shorter time horizon, you should invest more in bonds.

Deciding on your stock/bond ratio is the MOST critical decision for any investor because that will drive both risk and return.

REVIEW Money 101 HANDOUT 12.02 Stock/Bond Diversification Chart

12.02a = Retirement Savings,
12.02b = College Savings
12.02c = Life Enhancement account

CLASS # 2 ENDS HERE

11.WHAT IS A FUND?

- What is a Fund? - a fund is a combination of stocks and bonds that have been chosen either by a Fund Manager or by a mathematical formula

- What Types of Funds Exist? - There are thousands of funds. The financial world (primarily Morningstar, a respected research entity) has grouped them into 64 different categories to distinguish between them.

  See Money 101 HANDOUT 12.44 – What is a Morningstar Category?

12. CREATING A PORTFOLIO

An Investor should decide how many CATEGORIES they want in their portfolio and the percentage in each.

- Multi-fund approach— Most professional advisors adopt a strategy to have 15 or more funds to offer diversification. Typical fund categories would include:

	Domicile	Size	Outlook
1	United States	Large/Mega	Growth
2	United States	Large/Mega	Value
3	United States	Mid Sized	Growth
4	United States	Mid Sized	Value
5	United States	Small	Blend
6	International	Large/Mega	Value
7	International	Large/Mega	Growth
8	International	Small/Mid	Blend
9	Emerging Market	Large/Mega	Blend
10	United States	REAL ESTATE	
11	International	REAL ESTATE	
12	Bonds	Government	Long term
13	Bonds	Government	Intermediate
14	Bonds	Government	Short Term
15	Bonds	Corporate	Mixed Term

The above does not distinguish between taxable and non-taxable bonds. Depending on the circumstances, investors might prefer some of each. Commodities are also NOT included.

- Three Fund approach:

Count	Domicile	Capitalization	Outlook
1	Stock - United States	Mid-Mega	Blend
2	Stock - International -	Mid-Mega	Blend
3	Bond -United States	Government primarily but with some corporate	Various Terms and Various Credit ratings

- One Fund approach –
    - **ASSET ALLOCATION fund or BLENDED FUNDS** whereby the stock/bond ratio stays fixed. As individual stocks and bonds change in value, the fund manager is responsible for rebalancing, so the ratio remains unchanged. The investor does not need to rebalance. When individual stocks change in value, the fund manager or a mathematical program automatically sells and buys funds to keep the fund "in balance." Typical Asset Allocation funds might have an 80/20 portfolio, a 60/40 portfolio, a 40/60 portfolio, or a 20/80 portfolio.

    - **TARGET DATE FUNDS** – generally used for retirement planning - whereby the stock/bond ratio changes and becomes more conservative over time as the target date approaches. That means that over time, the stocks decrease, and the bonds increase. The target date is presumed to be when the individual starts withdrawing funds. The ratio at the target date is typically 50/50, meaning 50% stocks and 50% bonds, although some funds are different. The investor can thus choose one fund early in their working career and keep investing in the same fund throughout their career and into retirement. They do not need to make any changes, provided they like how the fund manager changes the diversification.

    - **529 PLANS** – funds explicitly created for College Savings – 529 plans are like the Target Date funds in that the ratio of stocks and bonds shifts and becomes more conservative over time. The main difference is that since it is assumed ALL the funds will need to be withdrawn over four years to pay college tuition, a few years before the beneficiary turns 18, the fund converts some of the stocks and bonds into CASH. 529 Plans are typically set up based on the birth year of the beneficiary. The investor does not need to rebalance.

Discuss

- What are the challenges with a multi-fund approach?
    - Rebalancing
    - Fees
    - Capital Gains for taxable accounts

- Buy and Hold philosophy.

13. Use Morningstar for Fund research.

Morningstar is a research tool used by the investment community. One of the benefits is that information on fund performance is displayed in a consistent format, which makes it easy to follow. Most of the critical data Morningstar offers is FREE, so there is no need to pay or subscribe.

Sign on to Morningstar – and learn how their pages are set up – review the different tabs.

- Quote tab –
  - Expense Ratio – how much does it cost to run the fund?
  - Length of time management is in place
  - Morningstar Star rating

- Performance –
  - How much would a $10,000 investment have grown to over ten years
  - What increase/rate of return did the fund have over 5, 10, and 15 years?
  - Did it beat the category?

- Risk Tab
  - Risk compared to CATEGORY/BENCHMARK –
  - Performance compared to CATEGORY/BENCHMARK

- Portfolio –
  - What type of holdings does the fund have? And what is the percentage?
    - Us stocks,
    - International stocks,
    - Fixed Income=Bonds,
    - Cash & Other.
  - Price/Earnings ratio
  - Dividend Yield- How much dividend is paid out per $100 value?
  - Holdings – the number of companies or bonds and the specific entitles

CLASS # 3 ENDS HERE

Completing the HOMEWORK assignment is critical.

Class #4 will start by reviewing the homework and having students explain why they chose their asset allocation fund or target date fund – then doing some actual trading.

14. Next Step – Choosing a Financial Custodian

A financial custodian is an institution that holds your investments. Companies such as Schwab, Vanguard, and Fidelity are examples of Financial Custodians.

These companies ALSO have departments that put together and manage funds. However, just because you use a financial custodian does not mean you have to buy their "house brand funds." For example, you could have an account with Schwab and buy Vanguard funds to keep in the Schwab account.

Therefore, think of the financial custodian as a pocketbook that holds stuff—and you can put in it whatever you want.

See HANDOUT 12.31 What a financial custodian is and how to choose one.

CHOOSING A FINANCIAL CUSTODIAN SHOULD BE BASED ON CUSTOMER SERVICE

Knowing which financial custodian to use is hard if you have never worked with one before, but customer service is critical. Therefore, you want to evaluate:

- **Customer Service:** Do they answer the phone promptly? Are they helpful in getting you to the correct department? Are they courteous? Do they answer your questions? Are you on hold for long periods? Do they get back to you? Do they have a branch office near you?

- **Technology** – Can you open an account online, or do you have to go to a branch? Do they have an app that you can download to your phone? Can you see your accounts online? Do they offer the ability to transfer funds between your branch bank account and their entity? Can you set up automatic and repeat withdrawals? Will they invest the money automatically once they receive it, or must you do it manually? Is buying funds online easy? Can you turn on and off dividend reinvestments by yourself?

- **Statements—**Are their statements easy to read? Can you see the cost basis for any purchase, your holdings' current value, and the gain amount?

- **Minimum**s – Do they have a minimum dollar amount to open an account? Do they have a minimum dollar amount for purchases of mutual funds or ETFs? Can you buy partial shares of a mutual fund or ETF?

TYPES OF RELATIONSHIPS WITH FINANCIAL CUSTODIANS

- **Self-directed accounts:** You pick the funds you want and buy and sell funds online. There are no account maintenance fees, but when you buy or sell a mutual fund or ETF, there may be a fee.

  Often, a way to avoid trading fees in a self-directed account is to buy funds the financial custodian offers. However, if you maintain a "Buy and Hold" philosophy, you will rarely make new purchases. Therefore, evaluate which is better: to buy the superior fund and pay the fee or buy a lesser one and avoid the fee. To a certain extent, it depends on the transaction amount. It is best.

- Managed accounts – this is where you work with a Certified Financial Planner who puts together a fund portfolio for you. They can charge in different ways:
  - Commission-based trades (previously common but no longer)
  - Asset Under Management fees – a percentage of your investments – ranging from .25% to 1.5% of your portfolio ANNUALLY. (most common)
  - Flat annual fee (rare but possible) –
  - Hourly fee-paying by the hour or to review your holdings and give advice (not a bad idea if you have significant sums invested)

BEST ACTION - TEST THEM OUT

- Open an account.
- Send them an opening deposit and make your first purchase.
- After the fund settles, assuming you only own one fund, elect to REINVEST dividends/interest…. Or the cash will start piling up.
- Suppose you have multiple funds and want to rebalance them occasionally. In that case, you should avoid electing dividend reinvestment so that the cash accumulates and you can use it to rebalance periodically.

THE KEY TO SUCCESS

- Choose your funds based on performance.
- Choose our financial custodian based on customer service.
- Set up AUTOMATIC investing – you can do this by having the Custodian withdraw a fixed amount from your checking account WEEKLY. – THIS IS THE MOST IMPORTANT STEP TO BUILDING WEALTH!!!!

15. OTHER COSTS: how the industry charges and options to reduce expenses

- Fund fees = Expense Ratio cost to run the fund,
- Load Fund fees = Entrance & Exit fees – front load, end load – AVOID THEM.

CLASS # 4 ENDS HERE

16. TAX ISSUES – understanding a 1099 issued by a financial custodian.

- 1099 from fiduciaries for taxable accounts are generally available in mid-February.
- 1099 from fiduciaries are often "corrected," so a second one can arrive in March; the revised 1099 may change the information to be reported on your tax return

REVIEW A FORM 1099

- A 1099 – for TAXABLE accounts (not your 401K or IRA) reports interest, dividends, short and long-term capital gains.
- Discuss - Why is their capital gain income even if you did not sell anything?
- Discuss - What is the difference between Qualified vs. Non-Qualified Dividends, and what is the tax consequence?
- What happens with tax-exempt interest?

REQUIRED MINIMUM DISTRIBUTIONS -

If you have a traditional IRA account and are 72 years or older, you must take a Required Minimum Distribution (RMD) annually. https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions

- What is an RMD?
- How are RMDs calculated?
- Strategies to minimize taxes: If you are going to claim the standard investment AND are subject to an RMD, consider making your charitable contributions through your IRA. This will reduce your taxable income without requiring you to itemize.

17. FOLLOW THE ROLLERCOASTER - DOWNLOAD A STOCK MARKET APP

Enter the TICKER symbol for any fund in which you have holdings or are considering purchasing PLUS the following three funds:

- **VTI = VANGUARD US stock fund** – over 4,000 United States companies with Mid-Meg Capitalization and Blend outlook. This gives a broad picture of the US stock market – but does not include a lot of smaller firms.

- **VTIAX = VANGUARDAn international stock fund with over 7,000 international companies, with a Mid-Mega Capitalization and Blend outlook,** gives a broad picture of the global stock market. However, it does not include many smaller firms, which is probably OK for the international selections.

- **BND = VANGUARD - Total Bond fund—**over 17.000 bonds, with a slant towards AAA-rated bonds, although some are rated as low as BBB. The fund includes both government and corporate bonds (approx. 25%). It includes bonds with a mix of terms (short, mid, and long); the average term is 6-7 years.

Do not look at the number change; watch the percentage change daily. Understand that market fluctuations are NORMAL.

- A flat day would be anything less than O.3% change.
- Routine trading 0.3-.75% change
- Volatile day - more than .75% - 1.50% change
- Very Volatile day - anything more than 1.5% change

18. Where do I get FREE investment information?

FINRA https://www.finra.org/about

Financial Industry Regulatory Authority—is a government-authorized not-for-profit organization that oversees U.S. broker-dealers. There is a section on their website dedicated to Investor training.

PaulMerriman.com https://paulmerriman.com/

A former investment manager who has dedicated the past 20 years to providing free investor information through books, podcasts, and a website – frequent lecturer.

19. MORE INFORMATION -– if there is time.

- What's the deal with commission-free trading? https://www.investopedia.com/investing/free-stock-trading-whats-catch/#:~:text=Robinhood%20pioneered%20commission%2Dfree%20trading,flow%20rose%20rapidly%20during%202020.
- What is a margin account?
- What is an Annuity?
- What is Whole Life Insurance, and is it a good deal compared to making my self-directed investments?

REVIEW 12.99 - INVESTMENT VOCABULARY WORDS
Review student questions

CLASS # 5 ENDS HERE – mention post-class test