

Investing Fundamentals

Three Main Asset Classes

Stocks

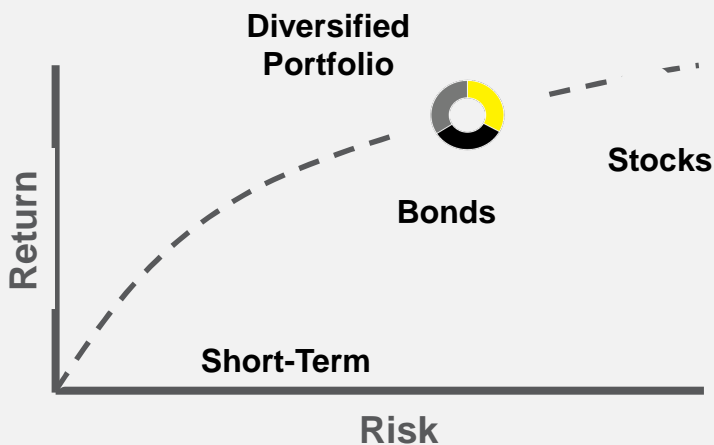
- Represents ownership in a company
- Fluctuate in value daily
- Highest risk, potentially highest return

Bonds

- Represents a loan to an entity
- Most provide regular interest payments
- Moderate risk, potentially moderate return

Short-Term Investments

- Like cash, CDs, money markets
- Provide a stable value over time
- Lower risk, potentially low return



Asset Allocation

- The process of diversifying your portfolio over many different types of investments
- Goal is to reduce unnecessary risk
- Allocation mix determined by your:
 - Investment objectives
 - Risk tolerance
 - Time horizon
- Rebalance periodically to maintain mix
- Reconsider mix if you have a change in goals, risk tolerance or time horizon

What Is a Fund?



- A fund is like owning a piece of the shopping cart instead of the individual grocery items
- Professionally managed based on objective
- Provides some level of diversification
- Typically, lower cost than building diversified portfolio from individual securities
- Many investors use funds instead of owning individual asset classes
- Funds in a 401(k) may have lower fees than in an IRA



Target Retirement Funds

- Offer professional diversification across asset classes based on target retirement date, for example: 2045 Target Date Fund
- Over time, as fund gradually approaches target-date, allocation becomes more conservative (less stock, more bonds)

Core Funds

- You can choose from individual “core” funds, generally covering all the major asset classes, to create your own diversified allocation mix
- Remember to monitor your mix and rebalance

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