Investing Fundamentals

Learn how to evaluate your investments.

Three Basic Asset Classes

Stocks

- Ownership in a company
- Fluctuates in value daily
- Highest risk of loss

Bonds

- Represents a loan to a government or corporation
- Legal obligation, provides regular interest payments

Short-term

- Cash or other instruments with short-term maturities such as CDs and Money Markets

Sub-Asset Classes

Stocks

Size
- Large-cap
- Mid-cap
- Small-cap

Type
- Growth
- Value

Location
- Domestic
- International

Bonds

Issuer
- Government
- Corporate

Duration
- Long
- Intermediate
- Short

Interest
- Fixed
- Variable

Short-term

Issuer
- Government
- Corporate
- Bank
- Insurance Co.

Instrument
- Cash
- Notes
- Certificates

Asset Allocation

- The process of diversifying your portfolio over different types of investments such as stocks, bonds and short-term securities
- Goal is to maximize return and minimize risk for each investor
- Allocation mix determined by your:
  - Investment objectives
  - Risk tolerance, and
  - Time horizon
- Rebalance periodically to maintain mix
- Reconsider mix if you have a change in goals, risk tolerance or time horizon

Fund Selection

- 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

Benefits website: www.CatBenefitsCenter.com
Benefits Center: 877-228-4010 Mon-Fri, 8AM – 6PM CT

Information here is provided solely to supplement the Investing Fundamentals presentation. This information should not be considered advice, and your information may warrant consideration of other alternatives. Please speak with your financial advisor and/or tax advisor.

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