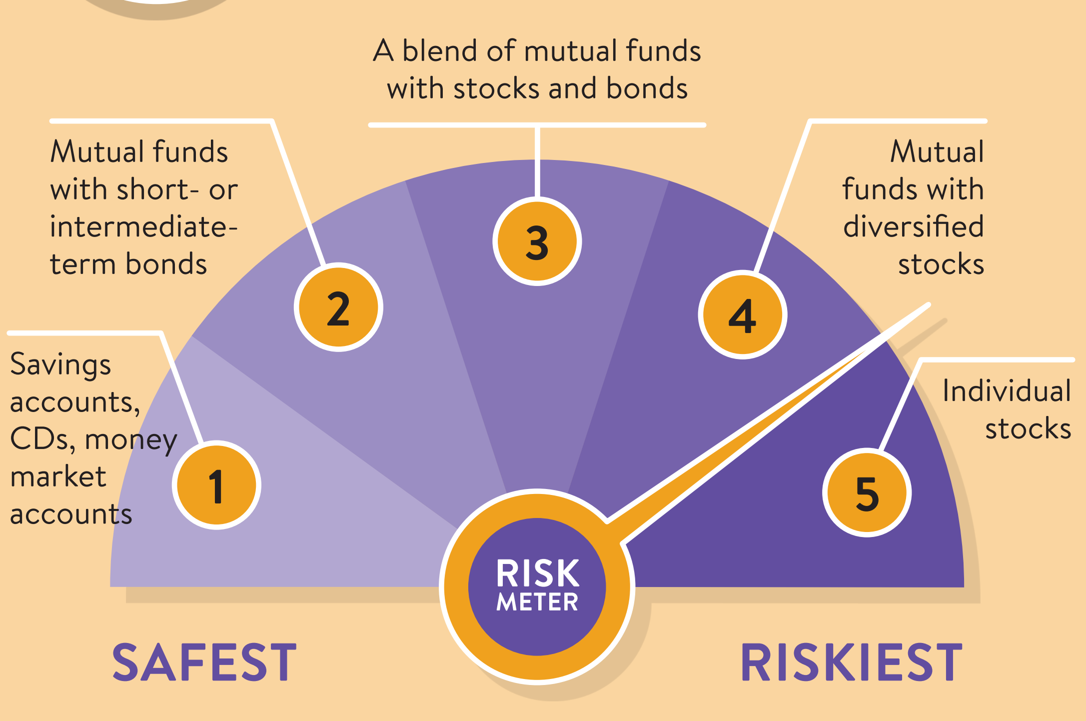
Investment VEHICLES

First-time investor? Do your homework before investing your hard-earned cash.

Unless you can predict the future, investing is a risky business. Know your goals, your needs and your tolerance for risk before you put your money at stake.

STEP 1 » UNDERSTAND THE RISKS OF DIFFERENT TYPES OF INVESTMENTS



Stocks and bonds are the two main vehicles that you are likely to invest in

BONDS	STOCKS
A bond is a debt security—the issuer owes the holders a debt, and is obliged to repay the principal and interest	Stock is capital raised by a corporation through the issuance and distribution of shares through financial markets
More stable	**Less stable**
Lower potential gain	**Higher potential gain**
Risk of issuer not paying you back	**Risk of company failure**

If trading individual stocks and bonds feels too risky to you, investing in mutual funds is another option to consider

A mutual fund is a collection of stocks or bonds

MUTUAL FUNDS

Your money is pooled with the money of other investors into a fund that is invested in anywhere from a few dozen to hundreds of different securities

Managed by an expert fund manager who reports to a board of directors

Provides you with professional money management as well as instant diversification

STEP 2 » ESTABLISH YOUR GOAL TIMELINE

The time horizons of your goals will have an impact on where you put your money. With a shorter time span, a more conservative investment vehicle is typically in order. With a longer horizon, your investment has time to weather more risk.

3 YEARS — **NEW CAR FUND**
Savings account or a mutual fund with short-term bonds

15 YEARS — **KIDS COLLEGE**
Balanced mutual funds

30 YEARS — **RETIREMENT**
Stock-focused mutual funds

STEP 3 » START EARLY IN LIFE, START SMALL AND KEEP GOING

When you are starting to invest, it is best to start small and take risks only with money that you are prepared to lose—you'll have two main choices for actually investing your money

ADVISOR	DIY
Utilizing the services of a financial advisor at your bank, credit union or specialized investment firm is the traditional way to invest in stocks, bonds and mutual funds	Direct investing, do-it-yourself investing, self-directed investing—no matter how you describe it, investing on your own is a real option today, thanks to technology
Purchases and trades are facilitated through your advisor	**Trades are conducted by you through an online discount brokerage**
Broker commissions and maintenance fees can be expensive	**Typically lower fees and more transparency; you are closer to the process**
Educated professionals are guiding you	**Learning and research are totally up to you**
Less time on your part	**Can be time-consuming**
Less stressful, as you are relying on a proven coach	**Your emotions can get the best of you**
Even though you are relying on expert advice, there are no guarantees	**Your personal decisions and mistakes can be costly**

AVOID THESE FIRST-TIME INVESTOR MISTAKES

Diving in head first *The basics of investing are quite simple in theory—buy low and sell high. However, don't be fooled by this overly simplistic view of the financial markets. It is important to study up before jumping in.*

Playing penny stocks *At first glance, penny stocks seem like a great idea—with as little as $100, you can get a lot more shares in a penny stock than in a blue chip stock that might cost $50 a share. Unfortunately, what penny stocks offer in potential profitability has to be measured against the volatility that they face.*

Going all-in with one investment *Investing 100% of your money in a specific market, whether it's the stock market, commodity futures, foreign exchange or even bonds, is not a good move. It is better to diversify your risk by putting your dollars into a variety of investment vehicles.*

Investing all of your cash reserves *Studies have shown that cash put into the market in bulk, rather than incrementally, has a better overall return; however, this doesn't mean you should invest all of the money you have. You should always have cash available for emergencies and other opportunities.*

Chasing news *Investing based on news is a terrible move for first-time investors. Trying to guess what will be the next revolutionary product or basing a decision on a rumor of earth-shattering earnings is not a recipe for success. Rather than following rumors, the ideal first investments are in companies you understand and have personal experience with.*

INVESTING CAN BE RISKY

Investments made in stocks, bonds and mutual funds carry the risk of losing money, even when made through a financial advisor or financial institution

GUARANTEED MONEY GUARANTEED

BROUGHT TO YOU BY

Foothill credit union

Sources: AARP, *The New York Times*, Investopedia, Morningstar