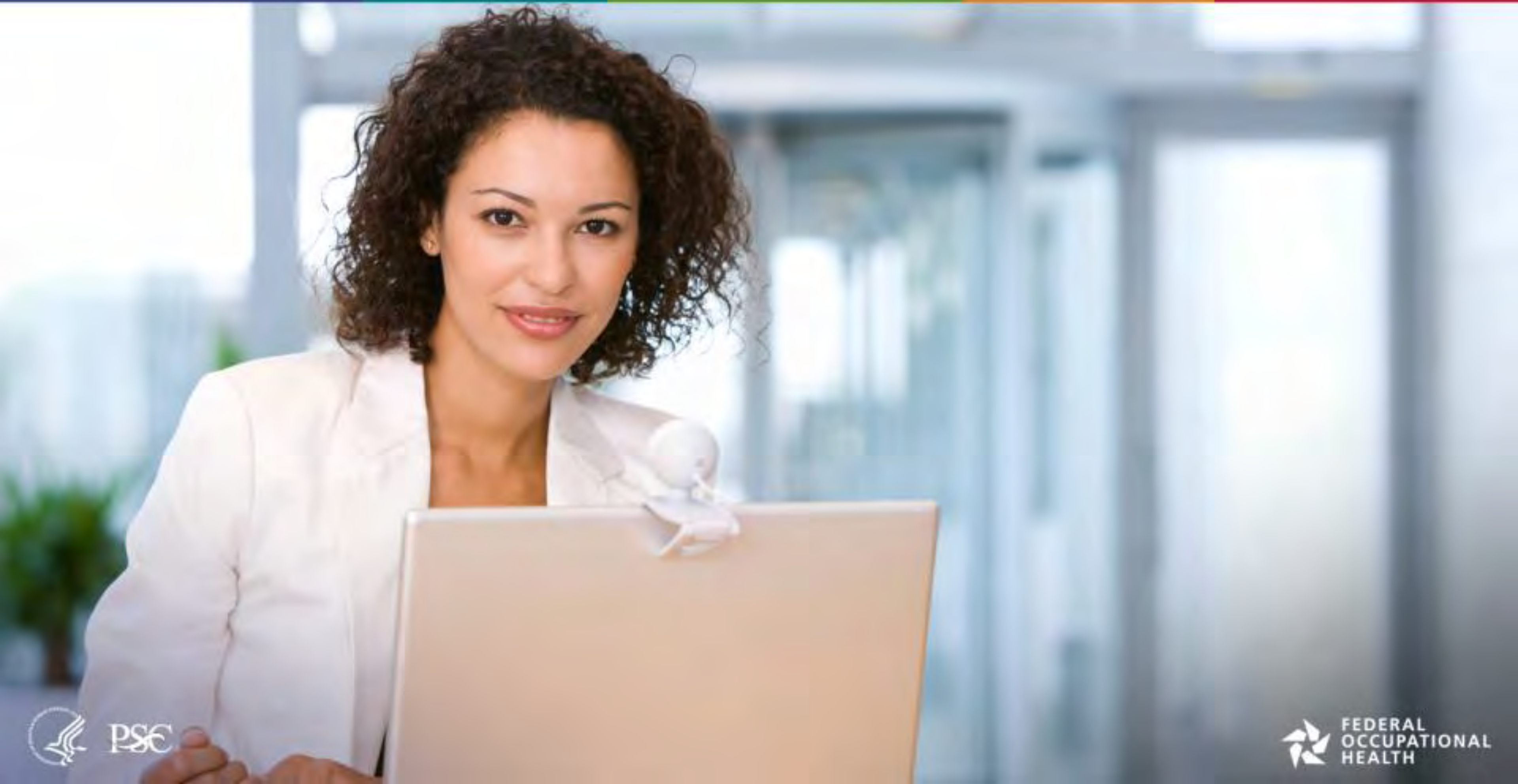
FEDERAL OCCUPATIONAL HEALTH

Basics of Investment



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FEDERAL OCCUPATIONAL HEALTH

Objectives

- Clarify the difference between saving and investing
- Know how to assess your financial health
- Understand Risk Tolerance
- Identify the parts of a financial plan
- Know what to ask yourself and your financial planner
- Learn the ways your money can work for you
- Understand the 5 Basic Principles of Investing

What to Know Before You Start:

Difference between Saving and Investing

SAVING

You save for a family vacation or a new car.

INVESTING

You invest for a college education or your retirement

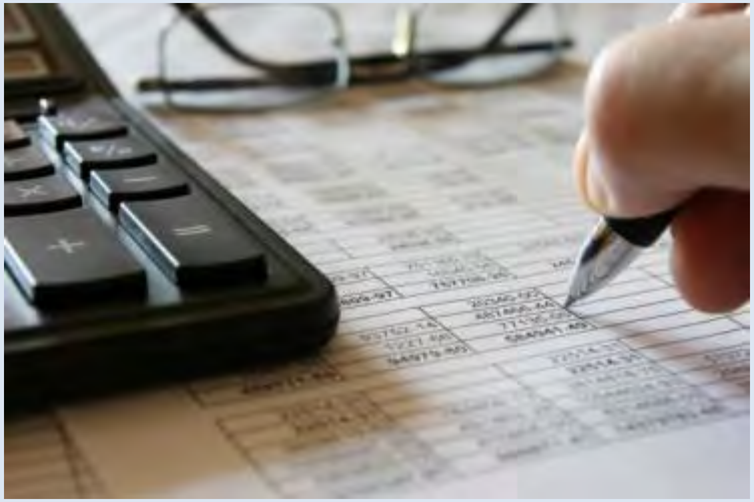
How is Your Financial Health?

- Do you know how much money comes in and how much goes out?
- Do you know what your debt is?
- Do you know what is your credit score is?
- Do you know how much cash you need for an emergency?

What are Your Goals?

Establishing clear "written" goals will help you and/or your financial advisor decide which investment strategies are the best for you and help you stick to them.

- ✓ Save for retirement?
- ✓ Start a business?
- ✓ Buy a home?



Determine Your Risk Tolerance

The types of investments you choose depends on what your risk tolerance is.

Risk tolerance is a combination of your goals, where you are in life, and the amount of risk you personally feel comfortable with.

Don't focus on getting the "highest" return – it is about getting the best average return on all your investments.

The Written Plan

- Take time to write down your plan
- Set time horizons for each goal
- Pick a realistic annual returns you’d like to achieve
- Decide what types of investments you would like to include
- Record what tax considerations you may have
- How much time you are willing to put in on your own

What do you need from your $$

SAFETY – Money Market funds, T-Bills, CD's

- Preserve capital but returns are lower
- Provides liquidity in the short term

INCOME – Preferred shares, AAA bonds

- A consistent rate of return is likely
- Principal does not grow but likely to be preserved.

GROWTH - Blue chip and common stocks

- Capital Gains are realized when the stock is sold at a higher price than when it was purchased. Your asset "grows"
- However stocks can also go down

5 Basic Principles of Investing

Establish a foundation for sound investing….

Avoid High Fees

Use Index Funds

Diversify, diversify, diversify

Review and Rebalance

Keep it Simple

Avoid High Fees

High Fees can impact your investment in two ways.

1. The value of the initial investment is reduced up front

2. The cost over the long term eats away at your investment's total return

Look for "Low Load" or "No Load" funds

Use Index Funds

Index Fund = a mutual fund made up of several stocks in one group whose performance is a general indicator of that group.

There are over 10,000 Mutual Funds!
How can this be simple??

Make sure you invest in a variety of index funds to be diversified.

Index Funds are good for Basic Investing because they are: Simple, low cost, diversified, reflect the market, tax advantageous.

Diversify, Diversify, Diversify

Diversify! It is the best way to protect yourself from downside market fluctuations

Diversify the types of investments you hold between owning assets (stocks or stock funds) and lending assets (CD's)

Diversify within similar vehicles such as Index Funds, so your investments are spread over different sectors of the market

Simply – Don't put all your eggs in one basket

Asset Allocation Ratio

Asset allocation is how your investment portfolio is divided between investment categories of stocks, bonds and cash etc.

Different market conditions, your goals and changes in life situations require different allocations.

In mid-life you may want 50% in stocks 40% in bonds and 10% in cash

In general, the sooner you need the funds the more conservative you need to be.

Review and Rebalance

Periodically review the performance of your investments.

As the value of some of your investments grow it will be necessary to "rebalance" their distribution to stay on track with your goals.

An unbalanced portfolio (heavy on the stock side) is a riskier portfolio. Too heavy in cash and you might not keep up with inflation or the cost of living.

TIP *Take profits when appropriate and look for new investment opportunities with room to grow.*

Keep It Simple

Make investment choices that you are comfortable with and that are appropriate for your goals

Futures, options, hedge funds are high risk investments that require close monitoring

A sound steady investment strategy can give you a solid, risk appropriate return on your investments

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