




**MIND your MONEY**  
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**MIND your MONEY**  
*Smart investing@your library*®

- Practical Steps to Building Wealth
- **Net Worth & Basic Investment Options**
- Principles of Investing
- Creating and Managing a Portfolio

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**Wealth to reach financial goals**



Wealth = Net Worth = Assets - Debt

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### Assets



- Monetary assets
- Financial assets
- Personal property
- Vehicles
- Retirement plans
- Real estate

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### Debt

How much do you owe right now?



- Bills
- Credit cards
- Loans
- Mortgage
- Other obligations

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### Tania Newman's net worth



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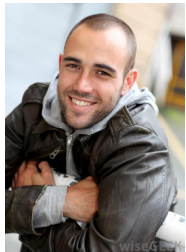
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### Your money tools...

- Net Worth Statement
- How Much Debt is Too Much Worksheet
- Debt Repayment Plan



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### Saving, investing, & speculating

- Saving
  - Short term
  - Low interest rate
  - Very safe
- Investing
  - Long term
  - Higher expected return
  - Can lose money
- Speculating
  - Short term
  - Very high risk
  - Hope for high return

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### Growth in savings & investments

*Let's look at how savings and investments can add up over time:*



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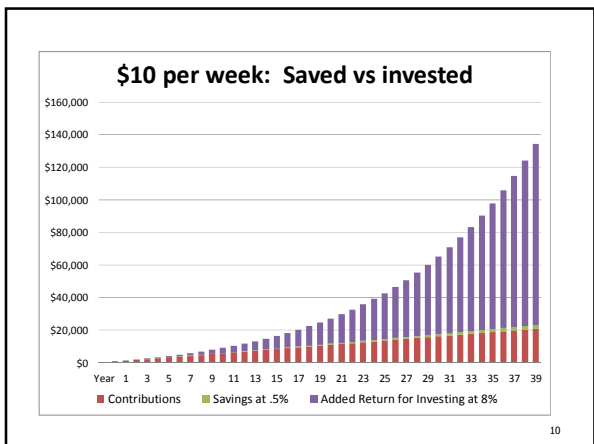
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## It adds up!

You contributed \$20,800 of your money over 40 years:

- At 0.5%, you earned \$2,225 in interest and have a total nest egg of \$23,025.
- At 8%, you earned \$113,450 in interest and have a nestegg of \$134,250.

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### Savings

Feature	Savings Account	Money Market Account	Certificates of Deposit (CDs)	Money Market Mutual Fund
Where?	Bank or credit union	Bank or credit union	Bank or credit union	Mutual fund
Minimum Balance	\$25 to \$100	\$1,000 to \$2,500	\$500 to \$1,000	\$500 to \$3,000
Compound Period	Typically quarterly	Typically daily	Typically monthly	Typically daily
Fees	None	\$15 for too many withdrawals	Penalty for early withdrawal of principal	Check for load, expense ratio, minimum check size, check fee
Rate	0.25%	0.35%	0.66%	1.00%
Insured	Yes	Yes	Yes	No

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### Where to keep your emergency fund?

#### 1-2 months' savings

- Savings account
- Money market account (at bank)

#### 3-6 months' savings

- Bank short-term CD
- Money market mutual fund



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### Where do you find information?

#### • Banks/Credit Unions

- Go to website
- Click on rates
- Click on deposits
- Compare different rates and features of accounts

#### • Mutual Fund Company

- Use search option to look for money market funds
- Select choices to compare historical performance, fees, and features

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### Where do you find information?

#### • [www.bankrate.com](http://www.bankrate.com)

- Click on “bank accounts”
- Click on “type of account”
- Click on “sort by”
- Compare different rates and features of accounts

#### • FINRA

- <http://apps.finra.org/fundanalyzer/1/fa.aspx>
- Search “money market funds”
- Click on options or compare the options

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**Investing**  
*Think long-term*



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**Types of investments**

- Money market mutual funds
- Bonds
- Stocks
- Real estate
- Precious metals

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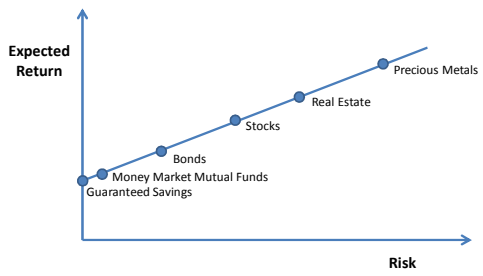
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**Risk and expected return**



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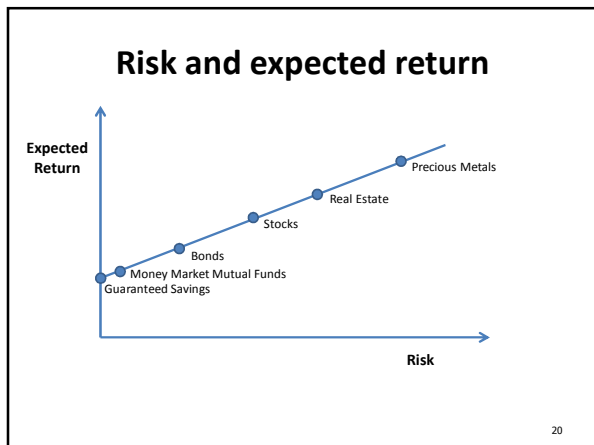
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## IBM Bond

IBM will pay 6% annually to the bearer of this bond every March 31. The principal of \$1,000 will be repaid on March 31, 2027.

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### Investing in bonds

- Earn interest  $\$1,000 \times 6\% = \$60$
- Gain/loss in value of bond
  - Was worth \$1,000; now worth \$1,100
- Payable regardless of firm's financial condition
- In financial distress, bondholders are paid first

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### Bond coupons and yields

- Bonds pay interest so investors talk more about rates than prices.
- Coupon rate
  - Annual interest rate paid by the company or government; stated on bond.
- Yield to maturity
  - Rate of return investor earns on bond if he pays current market price and holds until maturity.

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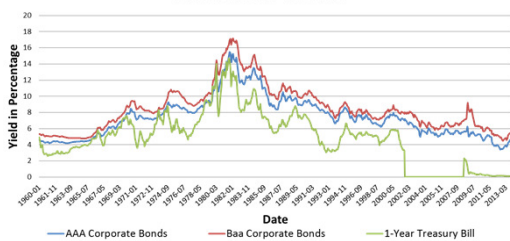
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### Bonds and interest rates

Historical Yields



<http://www.federalreserve.gov/releases/h15/data.htm>

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### Bond ratings

Moody's Ratings	S&P's Ratings
Investment Grade	
Aaa	AAA
Aa	AA
A	A
Baa	BBB
Speculative Grade	
Ba	BB
B	B
Caa	CCC
Ca	CC

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### 100 shares of stock in IBM

Ownership in IBM with rights to vote on members of the Board of Directors.

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### Types of stock

- Blue Chips
- Growth
- Tech Stocks
- Income v. Speculative
- Cyclical v. Defensive
- Large-Cap, Mid-Cap, Small-Cap



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### Stock value

- Percentage ownership
- Performance



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### Stock valuation methods



- Technical Analysis
- Fundamental Analysis

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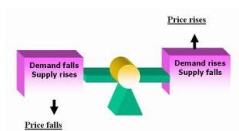
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### Technical analysis



- Study patterns
- Supply and demand
- Trade frequently

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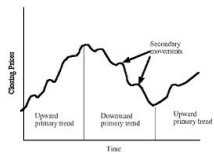
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### Rules can be



quite simple to ... quite complex

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### Fundamental analysis

- Security has a value at any time, which is a function of underlying economic variables
- Forecast the cash flows and estimate a return appropriate for the risk
- Put data into models and apply judgment to results

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### Framework for fundamental analysis



- Economy
  - Explains 30%
- Industry
  - Explains 12%
- Company
  - Explains 58%

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### Stock decision

Stock's "True" Value	Stock's Current Market Price	Decision
\$40	\$35	BUY
\$40	\$45	DON'T BUY (OR SELL)

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### Stock information on-line

**Costco Wholesale Corporation** COST \*\*\*

Quote | Chart | Stock Analysis | Performance | Key Ratios | Financials | Valuation | Insider | Shareholders | Transcripts | Filings | Bonds

Overview | Dribble | Low Profile | Industry Peers

Last Price: **\$117.55** ↑ **+0.45** -0.38%

52-Week High: \$121.16  
52-Week Low: \$81.47

Volume: 1,17,768  
Avg Vol: 1.8M

Market Cap: \$6,511,126.52  
P/E: 23.4

Dividend Yield: 3.03%  
Annual Div: \$3.48

**Stock Price** COST View

**Dividends** COST View

Declared Date	10/29/2013
Ex-Dividend Date	11/12/2013
Latest Declared Dividend Amount	0.3100
Yield	1.03%
Projected Yield	1.03%

**Recent Dividends**

Date	Type	Amount
11/13/2013	Cash Dividend	0.3100
08/07/2013	Cash Dividend	0.3100
05/13/2013	Cash Dividend	0.3100
02/08/2013	Cash Dividend	0.3750

**Financial Options**

Dividend Reinvestment Plan: Yes

Dividend Accumulation Plan: Yes

**Competitors** COST View

Name	Price	% Chg	PE Ratio
Wal-Mart Stores	\$117.05	-0.31	18.114
Wal-Mart Stores Int.	\$71.25	-0.42	47.4870
Target Corp	\$51.45	-0.59	13.807
Walmart Mexico	\$27.08	0.74	32.408
Walmart de Mexico S.A.B. de C.V. Class A	\$27.1	0.75	32.408
Walmart de Mexico S.A.B. de C.V. Class B	\$27.1	0.75	32.408
Dollar General Corporation	\$39.03	-0.77	17.218

**Manager's Take** COST View

Costco offers investors the highest near-term cash flow visibility in our defensive coverage sector. The company tracks nearly all its profits 12 months in advance. Membership renewal, although deferred over the life of the annual membership, is paid at the beginning, and accounts for nearly all of Costco's operating profits. Furthermore, even after fee increases and in recession, member renewal rates have remained steady, around the 95% level in North America, and 96% on a global basis. Therefore, our near-term financial forecast carries a high level of certainty. Moreover, such a debt load, or an American

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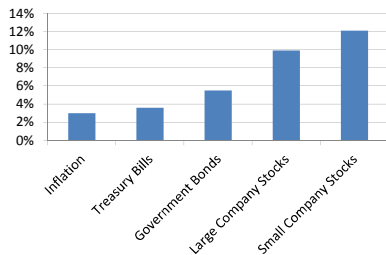
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### Total returns from 1926-2010



[https://www.am-3.com/prospectus/edhttp://www.raymondjames.com/melvillewealthmanagement/pdfs/Long\\_Term\\_Investment\\_Performance.pdf](https://www.am-3.com/prospectus/edhttp://www.raymondjames.com/melvillewealthmanagement/pdfs/Long_Term_Investment_Performance.pdf)

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## Next lesson

### Investment Principles



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<https://www.facebook.com/mindyourmoneyhmcpl>



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