

# Investing Fundamentals

## Three Main Asset Classes

### Stocks

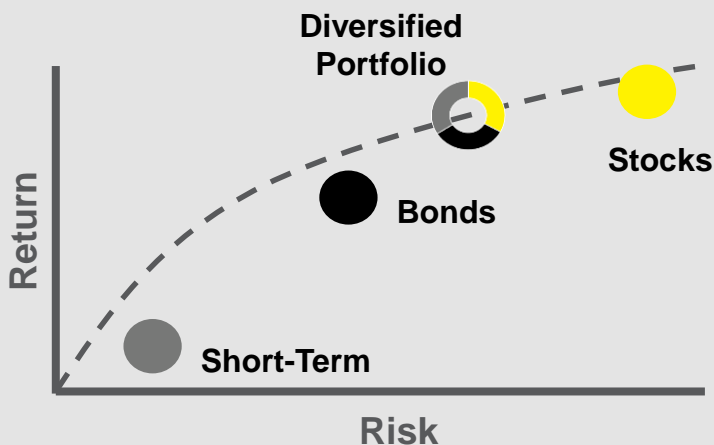
- Represents ownership in a company
- Fluctuates in value daily
- Highest risk, potentially highest return

### Bonds

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

### Short-Term Investments

- Like Cash, CD's, Money Markets
- Provides 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, and
  - 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-Date 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

UPoint website: <http://CatBenefitsCenter.com>

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