

A SALUTE TO SMART INVESTING

explains the keys to financial success that are useful whether you're just getting started or are a veteran investor. It provides an overview of savings, using credit wisely, basic investing strategies, common types of fraud, and danger signs that all investors should be aware of. It's arming yourself from the start with information you need to make smart decisions.



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**THE FINANCIAL
 EDUCATION COMPANY**

A SALUTE TO SMART INVESTING

Prepared especially for the Armed Forces

- Investment Scams
- Risk & Return
- Savings Plans
- Investment Strategies
- Asset Allocation
- Saving for Retirement

VIRGINIA B. MORRIS AND KENNETH M. MORRIS
LIGHTBULB PRESS®



Kevin Miller
President/CEO

To: Our Veterans and Active Military Service Members,

On Behalf of the Travis Credit Union Foundation and Travis Credit Union, we would like to take this opportunity to express our sincere gratitude for your selfless service to our nation. As an expression of our appreciation, we are pleased to provide you this Military and Veterans Financial Handbook to serve as a resource to help you navigate through life's financial transitions and ensure a secure financial future for yourself and your family.

Travis Credit Union Foundation's mission is to build financially empowered communities. We believe that financial wellness is a vital component of your health and happiness, which is critical to the welfare and readiness of the military mission.

We encourage you to visit our Travis Credit Union Foundation (<https://www.tcufund.org/>) to see how you can help support our Community Financial Wellness mission, as well as our Financial Wellness Hub (<https://www.traviscu.org/webinars/>) to access our other financial education resources.

Best wishes, and again, thank you for your steadfast commitment and courageous service to our nation!

Yours Respectfully,

Kevin Miller
President & CEO
Travis Credit Union

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DCUC
DEFENSE CREDIT UNION COUNCIL

A Salute To Smart Investing was developed in collaboration with and funded by the Defense Credit Union Council, a non-profit, niche trade association supporting credit unions operating on military installations worldwide.

As a chartered member of the Department of Defense Financial Readiness Campaign, the DCUC maintains a close and constant liaison with the DoD, coordinating on matters impacting financial quality of life, financial capability, and financial products and services, including financial education offered by on-base credit unions to military and DoD civilian personnel and their families.

DCUC is the primary spokesperson at DoD for federal and state chartered credit unions operating on base, functioning in this capacity and serving in this role since 1963.

www.d cuc.org

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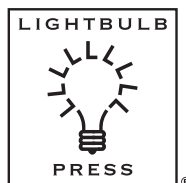
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A SALUTE TO SMART INVESTING

C O N T E N T S

- | | |
|---|--|
| 2 Basic Training | 20 The Rules of Engagement |
| 4 Managing Your Money | 22 Where You Invest |
| 6 Using Credit Wisely | 24 Avoiding Inappropriate Investments |
| 8 Saving | 26 Red Flags |
| 10 Savings Strategies | 28 Scams That Target the Military |
| 12 Saving for Retirement | 30 Keep Your Eyes and Ears Open |
| 14 Maximizing Retirement Savings | 32 Help When and Where You Need It |
| 16 Investing | 34 Glossary |
| 18 Balancing Risk and Return | 36 Resources |



Basic Training

Learn the basics to keep your finances in line.

When you're in the military, life can change quickly. You could be deployed or relocated to a new duty base or assigned to temporary duty. You could be promoted, with an increase in pay grade. You could marry, have children, or get divorced.

The more you expect things to change, the more important it is to be in good shape, personally, professionally, and financially. Being financially fit is what this guide is about—how the choices you make about spending, saving, and investing your money can mean a huge difference in your life, now and in the future.

MANAGING YOUR MONEY

If you're in control of your money, there's a balance between the amount coming into your accounts and the amount you spend. When your cash flow is positive, you have money left over at the end of each pay period. If it's negative, and you're short of cash each month, something has to change or you'll find yourself in debt.

There are two solutions: earn more or spend less. As you move up through the ranks and have more years of service, you will earn more. But for now, the best course of action may be to cut back wherever you can.

USING CREDIT WISELY

While using credit is convenient—it lets you buy things when you don't have the cash on hand to pay for them—credit can also undermine your financial security. That's because it's easy to lose track of how much you've spent and not realize how much fees and interest charges can add to the amount you owe.

If you're paying off large credit card bills or making several loan payments, it's hard to put aside the money you need for emergencies and rainy days, or equally important, for meeting your short-term goals. That's why it's so important to understand how credit works and to control how you use it. And if you are struggling with debt, you'll need a strategy—and maybe some help—to work out a repayment plan you can manage.

Borrowing more than you can afford to repay, missing payments, or paying late can also hurt your credit score, making it harder and more expensive to borrow for important things like a home of your own.

BUDGET BARRACKS

All military installations have personal financial managers and counselors at the Family Center Office who can help you create a budget and a savings strategy that works for you and your family.

THIS WAY



SAVING AND INVESTING

Saving is an important part of smart financial management. Money in the bank or credit union can help you meet your short-term goals, pay for emergencies, and avoid borrowing more than you can afford. But it's also forward-looking. If you make a habit of saving for specific goals, including a secure retirement, you're much more likely to accomplish them.

Saving regularly can also let you accumulate money to invest. When you invest you buy stocks, bonds, mutual funds, exchange traded funds (ETFs) and other products that typically provide stronger earnings than your savings accounts. That's why people invest to meet more expensive, longer-term goals. In fact, if you're investing for retirement or higher education, you can take advantage of accounts that let you defer income taxes or withdraw totally tax-free earnings.

But every investment carries some degree of risk—including the risk of losing money. That's why it's essential to learn about how different types of investments work and how to manage risk before you commit your money.

BUYING INSURANCE

No matter how well you plan, the unexpected can always happen. **Insurance policies** can help protect you in case it does. The US government offers low-cost health and life insurance options exclusively to servicemembers, veterans, and their families. To find out more about these plans, visit www.tricare.mil for health coverage and visit the VA's Insurance website at www.insurance.va.gov for life insurance.

If you own a home or a car, you'll need insurance to cover loss and liability. Some insurers are more reputable than others, so get impartial advice before you select an insurer.

AVOIDING DEALS

You have lots of choices about what to do with your money. Most are legitimate, but some can trip you up. But, if you know what to expect—whether it's what you'll pay to use credit, or the particulars of an investment opportunity—you'll be better able to avoid the people trying to separate you from your money.



Managing Your Money

Being financially prepared is part planning and part action.

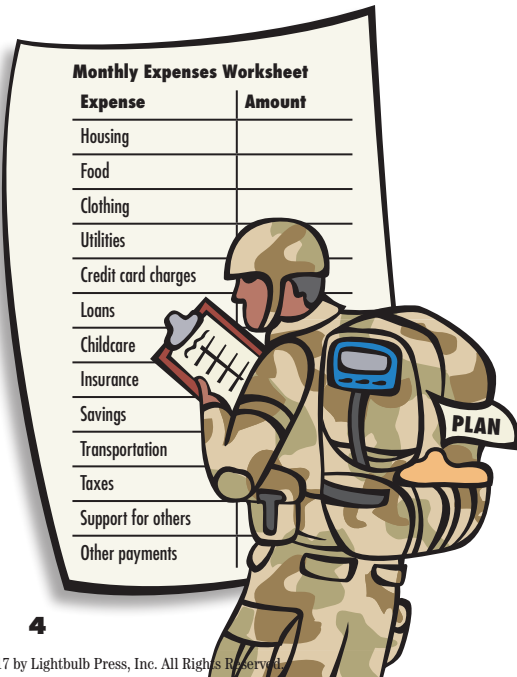
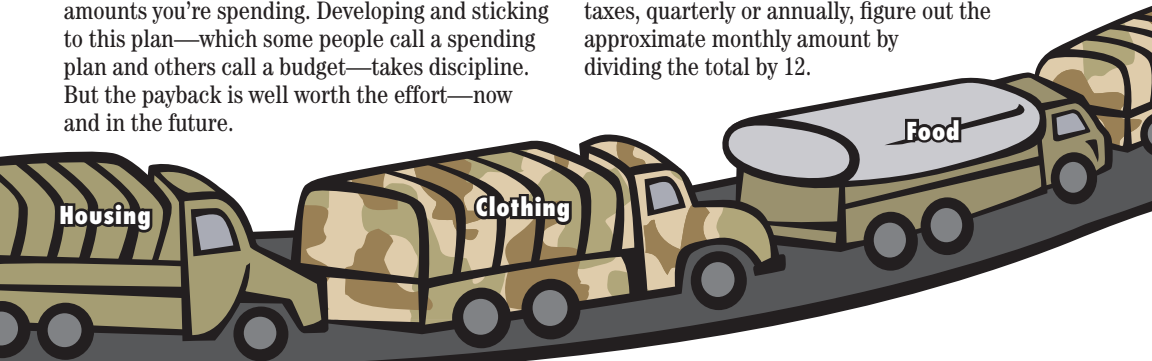
There's a lot more to managing your money than checking your account balance, getting cash from the ATM, and making credit card and loan payments.

In the broadest sense, managing money is about creating a plan that strikes a balance between the money you have coming in and the amounts you're spending. Developing and sticking to this plan—which some people call a spending plan and others call a budget—takes discipline. But the payback is well worth the effort—now and in the future.

GETTING STARTED

The first step in managing your money is to know where you stand. One way to find out is to set up a simple worksheet that lists your expenses and what they're costing you. It's easy to do online, and that makes it easier to update.

If you pay some bills, such as insurance or taxes, quarterly or annually, figure out the approximate monthly amount by dividing the total by 12.



NUMBER GAMES

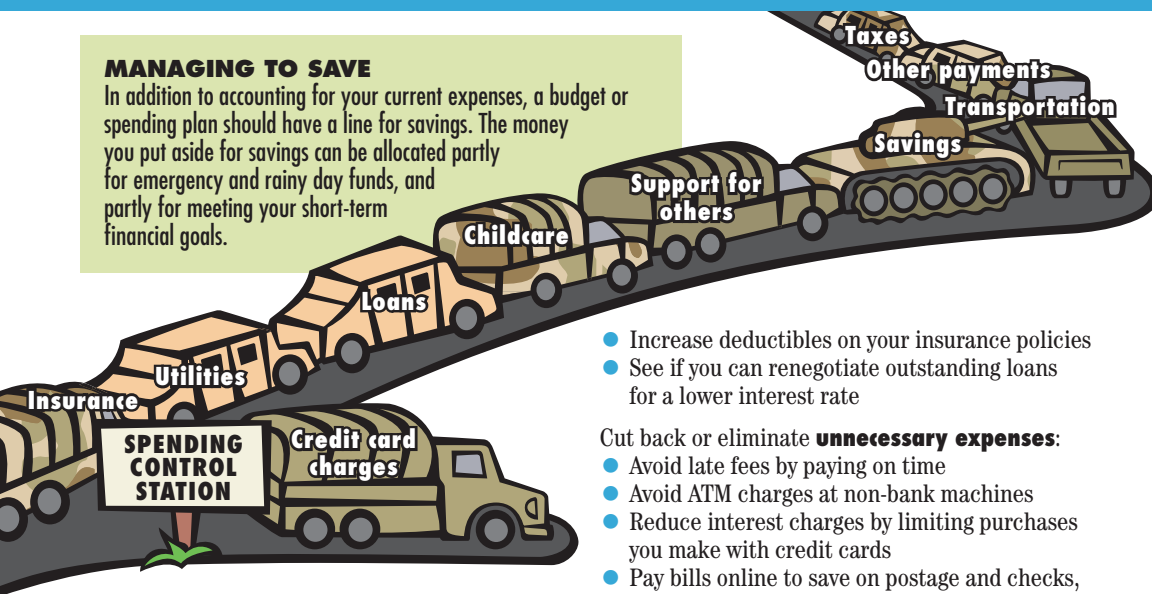
The next step is gathering the records of payments you've made over the last two or three months—your checkbook register, bank statements with details of the checks you wrote and amounts debited from your account, and credit card statements. Your records may show other costs you overlooked when you created your expense sheet, which you should include. If you pay for things with cash, make an effort in the future to keep receipts of the amounts you spend. It's handy to use a smart phone or small notebook to keep track.

When you have an entry for every category, add what you're spending and subtract it from your monthly income. Once you know where your money is going, and what things actually cost, you can start to figure out ways to cut back if you need to. If fact, you can add an extra column to your worksheet where you write down what you plan to spend in the future in each category.

The goal is to have money left over so you can increase your savings, pay down your debt, or both.

MANAGING TO SAVE

In addition to accounting for your current expenses, a budget or spending plan should have a line for savings. The money you put aside for savings can be allocated partly for emergency and rainy day funds, and partly for meeting your short-term financial goals.



TRIMMING YOUR EXPENSES

There are a number of ways to get your spending under control. Some involve knowing what your choices are and choosing those that cost less. Others focus on timing—making purchases when things you need are on sale. Still others mean eliminating things you can live without, at least for now.

You can also start to cut back on certain **variable costs**:

- Control food costs by making shopping lists, buying on sale, and avoiding high-priced prepackaged foods
- Track sales on clothing, appliances, home furnishings, and other purchases that are often scheduled for major holidays or store events
- Consider car purchases at year end or during special promotions
- Turn down your thermostat
- Do some home repairs yourself
- Limit travel and transportation costs where possible (consider a car pool)
- Reduce your entertainment expenses

Get a handle on **fixed costs** that you can reduce:

- Check around for the most economical phone, internet, and TV services
- Do the same for banking services

- Increase deductibles on your insurance policies
- See if you can renegotiate outstanding loans for a lower interest rate

Cut back or eliminate **unnecessary expenses**:

- Avoid late fees by paying on time
- Avoid ATM charges at non-bank machines
- Reduce interest charges by limiting purchases you make with credit cards
- Pay bills online to save on postage and checks, and ensure the payment is on time
- Plan ahead to avoid paying more for last minute purchases
- Review all services—such as credit monitoring services—and eliminate those you can do without

A FAMILY MATTER

Every family handles its financial matters in its own way. For example, couples have many different ways of sharing household expenses and determining who pays for what. Yet working as a team—knowing what the overall expenses will be and having a plan in place to pay them—is always an essential ingredient in smart money management and controlling expenses.

While some people are shy or uncomfortable about discussing money, when the family has a clear sense of its financial situation, everyone can do his or her part to support the spending plan and contribute new ideas for keeping costs in check.

You might also consider working with financial support counselors at your installation. They can suggest ways that the whole family can participate in making and sticking to a budget that will work to everyone's benefit.

Using Credit Wisely

Controlling your credit expenses is a must do.

When you don't have enough cash on hand, you may be tempted to borrow to pay for the things you need or want. When you borrow—whether by taking a loan or charging a purchase—you're using **credit**.

But while credit is convenient, it comes at a price, sometimes a steep one. That's because, in addition to repaying the money you owe, you'll also have to pay a **finance charge** that's primarily interest.

The more money you borrow, the higher the interest rate, and the longer you take to repay, the more borrowing costs. And the larger your debt, the less you can save.

NAILING DOWN YOUR APR

When you take a loan or use a credit card, the interest you'll pay is typically quoted as an annual percentage rate (APR). APRs vary, depending on the lender, the type of credit you're using, and how you've handled credit in the past.

If you have a credit card that offers a grace period, no finance charges apply if you pay your outstanding balance in full by the time it's due. That's the smartest possible use of credit.

But if there's no grace period or if you pay only part of the total due, the finance charge is applied to the remaining balance plus the new purchases. For example, if you still owe \$700 and charge \$500 in new purchases, the finance charge will be applied to \$1,200.

Sometimes creditors quote a monthly rate or even a weekly rate, which can make an interest rate seem more reasonable. While a 3% monthly rate sounds pretty good, it's actually 36% per year or \$36 interest for every \$100 you borrow.

CHECK YOUR CHARGES

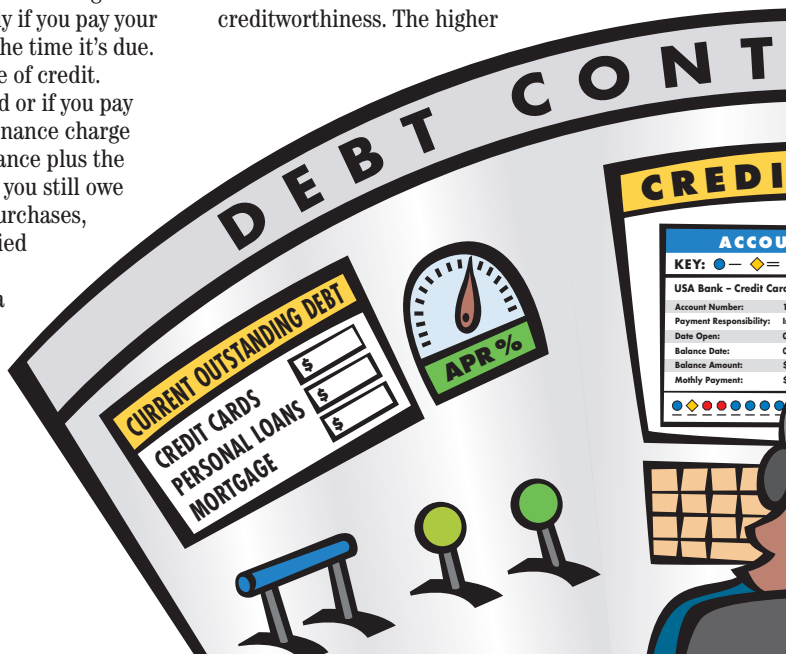
Always check each month's credit card statement carefully, comparing the charges to the receipts you've saved. Call the customer service number on the bill to resolve any questions or errors.

NO CREDIT SECRETS

Everyone who uses credit has a credit history that's summarized in **credit reports** compiled by the three national credit bureaus—Equifax, Experian, and TransUnion.

A credit report is a detailed picture of the way you use credit that potential lenders, insurance companies, and landlords routinely check before making a decision about you. Potential employers can check your credit report, too, but they need your permission.

The better your credit report, the higher your FICO® **credit score**. That's a number between 300 and 850 that's shorthand for creditworthiness. The higher



your score is, the stronger a candidate you are. Five factors determine this score.

The first two are the most important:

- The way you've repaid credit in the past
- How much of your available credit you're using
- How long you've had credit
- The types of credit you use
- How much new credit you've applied for

For a small fee, you can get your FICO score from any of the credit bureaus or by visiting www.myfico.com. You may be able to sign up online for a free FICO score during Military Saves week. And, if you are rejected for a loan or if the terms you're offered are not the best available, the lender must tell you why and what your credit score is.

CHECKING YOUR CREDIT

Everyone is entitled to one free **credit report** each year from each of the national credit reporting agencies. But the only way to get it for free is by going to www.annualcreditreport.com or calling 877-322-8228. Any other source, even if

HANDLING REJECTIONS

If you're turned down for credit or anything else based on your credit score, you have the right to a free copy of the score. You should also ask for the name of the credit agency that provided it and request a free copy of your credit report so you can identify the problem. Of course, if you consistently pay late or regularly borrow up to your credit limit, you probably have a pretty good idea what the issue is.

it claims to be free, almost always includes a fee of some sort.

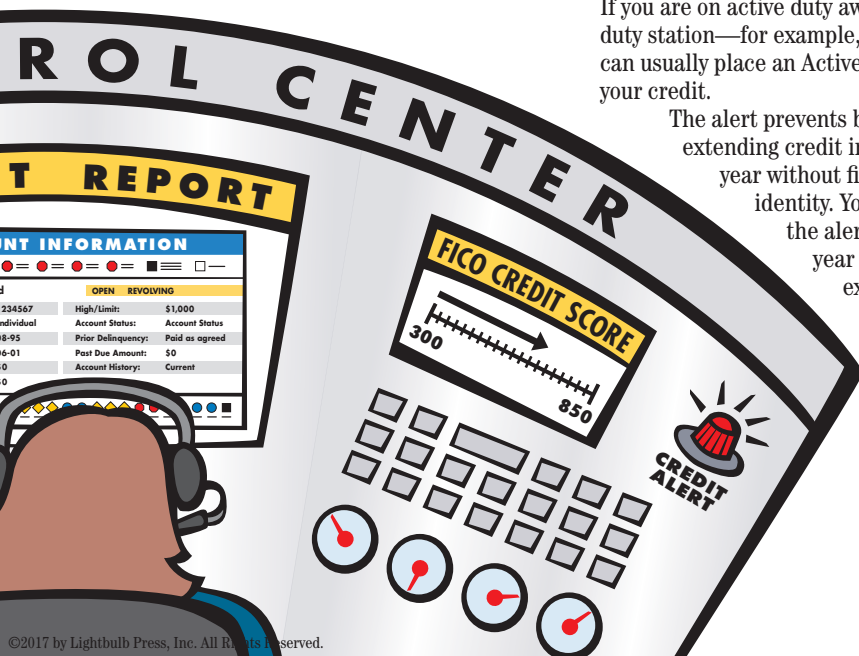
It's smart to check at least once a year since the reports often contain errors that could affect whether you qualify to borrow and what it will cost. If you discover something wrong, you should notify the creditor and the agency, in writing, asking that the error be corrected. The agency must respond but doesn't have to agree with you. If it doesn't, you have the right to add a 100-word explanation that must be included in your report each time it is sent out.

BEING ALERT TO YOUR CREDIT

If you are on active duty away from your normal duty station—for example, on deployment—you can usually place an Active Duty alert on your credit.

The alert prevents businesses from extending credit in your name for one year without first verifying your identity. You can usually extend the alert for an additional year if your deployment is extended. You can also rescind the alert at any time.

You can find more information about Active Duty alerts on the Federal Trade Commission (FTC) website at www.ftc.gov.



Saving

Saving now means you'll have money to spend when you need it.

Saving is essential to smart money management. With money in the bank you can meet your financial goals and pay for unexpected costs without getting into debt.

TIME TO SAVE

Most banks and credit unions offer **savings accounts**, where you earn **interest**, or a percentage of your account balance, at a specific rate on a regular schedule.

Banks and credit unions on military installations are selected after rigorous screening and you can be confident doing business with them. You might also want to compare rates and services other institutions offer. Just be sure any one you select is insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). The insurance protects deposits up to \$250,000 in bank or credit union accounts.

Savings accounts make it easy to deposit and withdraw your money either in person or by electronic transfer. **Money market accounts** usually pay higher interest than regular savings accounts and may offer check writing privileges as well. However, you may be limited to writing no more than three checks a month.

There's one caution with both types of accounts, though. You may be charged a service fee or forfeit interest if your account balance falls below the bank's or credit union's minimum. So be sure to check those rules.

WAYS TO SAVE

Some investments, known as **cash equivalents**, can also be great ways to save for short-term goals or unexpected expenses. One benefit is that they generally pay higher interest rates than savings accounts.

They're called cash equivalents because they are highly **liquid**, which means you can easily



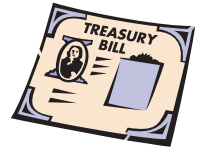
convert them to cash with little or no loss in value. The only thing you might lose if you cashed out early is some interest.

Certificates of deposit (CDs) are time deposits, which means you commit the money for a specific term—typically ranging from six months to five years—before you can withdraw it without penalty or roll it into a new CD.



Like other bank or credit union deposits, these CDs are FDIC—or NCUA—insured.

Treasury bills are government debt securities available in 4-, 13-, 26-, or 52-week terms. You buy them at a discount to their full price of \$100, and receive interest plus purchase price back at maturity. The easiest way to buy T-bills is directly from the government through a TreasuryDirect account you set up online at www.treasurydirect.gov. They aren't insured by FDIC or NCUA, but they're backed by the federal government.



CREATING AN EMERGENCY FUND

One important reason to save is to create an emergency fund that you set up specifically for unexpected expenses, such as loss of income if your spouse becomes ill or disabled and can't work, or a major repair to your car or home. A common rule of thumb is to keep the equivalent of three to six months' worth of living expenses in your emergency account—and use it only for real emergencies.



SAVE FOR A RAINY DAY

In addition to an emergency fund for major unexpected expenses, it's also important to save for a rainy day—those occasional costs that you didn't

SMART INVESTING

plan for. You may suddenly need a new set of tires, your air conditioner conks out, or you need to travel to handle a family issue. Having a small fund you can draw on in these situations can help you stick to your spending plan and stay on budget, rather than incurring debt.

SAVING TO INVEST

You also need to save to meet your financial goals. If they're short-term, like buying a car this year, you can keep the money in a savings account, money market account, or CD. If your goals are longer-term, like a down payment on a home, funds for college education, or a secure retirement, you'll probably want to invest some of the money you save. Investments have more potential to make your money grow over time than savings accounts do.

Investor A
Starting at
AGE 20
invests \$100
a month for
40 YEARS

Total invested
\$48,000

\$200,145

Account
value
at age
60
at 6%
average
annual
return

Investor B
Starting at
AGE 40
invests \$200
a month for
20 YEARS

Total invested
\$48,000

\$92,870

COMPOUNDING

The earlier you get started saving, the better off you'll be. This is because of a phenomenon known as **compounding**. Compounding occurs when your investment earnings are added to your investment principal, forming a larger base upon which future earnings can grow. This helps any account to grow faster, though it's sometimes hard to see on small amounts. But look for savings accounts that offer an **annual percentage yield (APY)** that's larger than the interest rate on the account. That's evidence your earnings are compounding.

Over time, this difference really adds up. Say Investor A begins investing at age 20, contributing \$100 each month to a tax-deferred account earning an average annual return of 6%. Investor B, on the other hand, doesn't start investing until age 40, but contributes \$200 each month to a similar account that also earns an average annual return of 6%. By age 60, both investors will have contributed \$48,000, but Investor A's account will have grown to \$200,145, while Investor B's account will only have grown to \$92,870. That's because Investor A was able to take advantage of the effects of compounding for 20 additional years.

Savings Strategies

There are smart ways to boost your savings and protect your family.

Saving regularly is essential to smart money management, but it can be a challenge. Immediate needs have a way of interfering with your spending plan, even in the best of times.

One way to make saving easier is by having part of every paycheck deposited directly into a designated savings account, with the rest going into your checking account. All you have to do is sign up at MyPay (mypay.dfas.mil). The savings account can be either in the same bank or credit union where the rest of your pay is deposited or with another institution you select.

Upfront saving does mean you'll have less to allocate for other expenses. That can be tough, at least initially. But the satisfaction of knowing you're doing the right thing can make the struggle worth it. You'll be grateful you have savings available if you need extra cash unexpectedly. Better yet, you'll be able to afford something you really need or want.

There's no "right" amount to save. You might want to start with 10% and adjust up or down from there. You can change the allotment easily, also at MyPay.

SEPARATE ACCOUNTS

As your savings balance grows, you may want to divide your primary account into accounts for specific goals: a rainy day fund, an emergency fund, a short-term goal fund, and a saving-to-invest fund. Though subdividing isn't essential, the advantage of separate accounts is that you know what's available for each use.

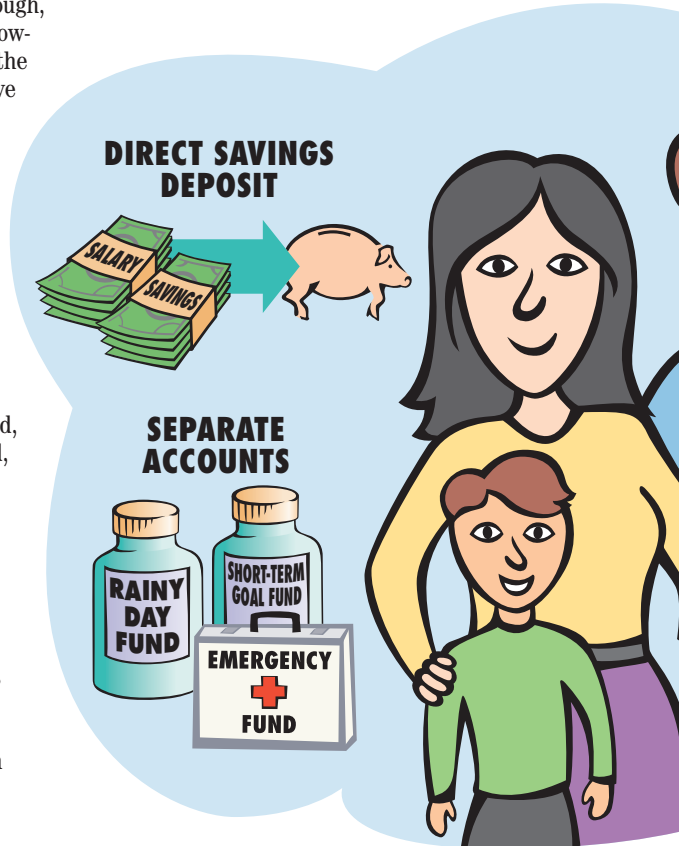
For example, when your emergency fund balance equals six months pay, you could increase what you allocate to other accounts, such as short-term goals. And as you accumulate more savings you can use some of the money to buy a CD, which will probably pay interest at a higher rate than ordinary accounts.

There's no additional charge for multiple accounts, and if they're at the same bank or credit union, you'll get just one monthly statement. So recordkeeping isn't any harder either.

Another plus of accumulating savings is that it may make it easier to borrow at a lower rate when you're ready for a major purchase, like buying a home.

SAVING AND DEPLOYMENT

If you're deployed, you may be eligible to participate in the Savings Deposit Program (SDP). This government savings program pays a guaranteed



10% interest rate on account balances of up to \$10,000. To learn more about SDP, you can go to the Defense Finance and Accounting Service website (www.dfas.mil/militarymembers/payentitlements/sdp.html) or ask your disbursing, pay, or personnel office for more information.

If you're deployed to a designated Combat Zone Tax Exclusion (CZTE) area, some or even all of your normal pay may be tax-free while you are on duty there, based on your rank. Because no tax is withheld, you'll have more take-home pay. That will let you increase the percentage you're saving.

Similarly, if you re-enlist while you're in a combat area and are entitled to a re-enlistment bonus, that bonus may also be tax-free. Adding the bonus to your savings account is a smart way to kick-start it or give it a big boost.

INSURANCE FOR YOUR SPOUSE

If you have small children, it's a good idea for your spouse to have life insurance even if you're the primary breadwinner. If your spouse dies, the death benefit can pay for extra help you'll need at home to cover the responsibilities he or she handled.

INSURING THE FUTURE

If you have dependents, one of the reasons you're saving is to meet the financial goals you have for your family. Another essential way to provide for their future is with adequate life insurance that would pay a benefit if you were to die.

You and your family are eligible to buy low-cost life insurance that the US government offers exclusively to members of the armed forces—Servicemember's Group Life Insurance (SGLI) and Family Servicemember's Group Life Insurance (FSGLI). It's worth taking full advantage of this special coverage.

You're automatically enrolled for SGLI when you join the military and must opt out to decline the coverage or to pay for less than the maximum death benefit. Currently, the maximum SGLI coverage is \$400,000.

With SGLI, you are also covered by Traumatic Servicemember's Group Life Insurance (TSGLI), which can provide a lump-sum payment of \$25,000 to \$100,000 to you or your designated beneficiary if you sustain severe injuries while in service. In addition, if you're severely wounded while on active duty, you may also be eligible for continuing SGLI coverage after you're discharged.

If you're enrolled in SGLI before separating from the service, your coverage will automatically continue for 120 days without charge following your date of discharge or separation. As a veteran, you have 240 days to convert to Veteran's Group Life Insurance (VGLI), which is similar to SGLI, without needing a physical exam. Or you can buy commercial life insurance.

You can find more about all of the insurance coverage the military provides on the Veterans Affairs website at www.insurance.va.gov.

SAVINGS DEPOSIT PROGRAM



INSURANCE



Saving for Retirement

An early start makes a big difference.

Being able to afford retirement may be the last thing on your mind. But the sooner you start saving to provide long-term financial security for yourself and your family, the better the chance you'll have of meeting this critical goal.

Equally important is taking full advantage of designated retirement accounts where your earnings accumulate tax deferred. That means you don't pay taxes on earnings until you begin withdrawing, so there's more money in your account with the potential to grow.

THE ARMED FORCES SYSTEM

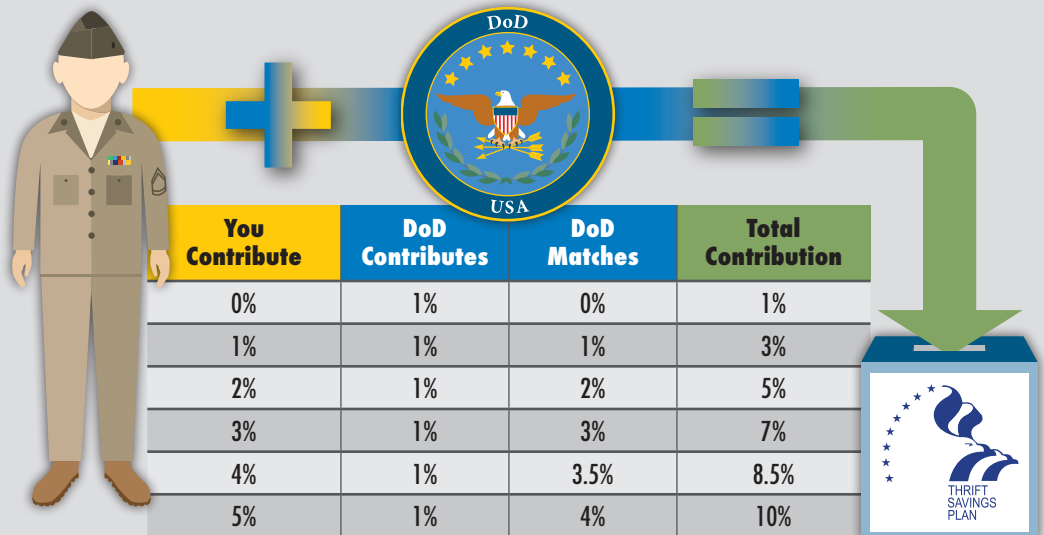
The best way to save for retirement is also the easiest. All you have to do is participate actively in the DoD's Blended Retirement System (BRS).

Here's a brief summary of how it works:

- You'll have an account in the federal government's Thrift Savings Plan (TSP) to which you contribute part of your base pay every pay period.
- The DoD automatically contributes 1% of your base pay to your account each year you serve.
- After you've completed two years of service, DoD matches your contributions, up to 5% of your base pay, effectively doubling the amount going into your account. But you do have to be contributing to qualify for the matching money.

HOW MATCHING WORKS

The DoD matches 100% of the first 3% of base pay that a member contributes to a TSP account, plus 50% of additional contributions, up to 5% of base pay. That's the same match available to civilian employees in the Federal Employee Retirement System (FERS).



- Your account benefits from compounding, which means earnings are added to your contributions to increase the base on which new earnings are figured.

The TSP is a defined contribution plan, which means that the income you receive from the plan after you retire will depend on how much you contribute, the investments you make, and how those investments perform.

Time is also important. The longer your account is open, the more time your investments have to compound. That's a strong argument for starting to contribute as soon as you can.

INVESTMENT CHOICES

When you save in a TSP account you have a choice of investments. There are five individual mutual funds—three funds that invest in stocks and two that invest in bonds. Or you could choose a lifecycle, or L, fund that combines all five of the individual funds.

In fact, there are four L funds available: L2020, L2030, L2040, and L2050. You choose the one whose date is closest to the year you will turn 62. (Lifecycle funds are also known as target date funds because they aim at providing retirement income at a certain date.)

INVESTING MADE EASY

If you join the armed forces after January 1, 2018, you are automatically enrolled in the BRS. After 60 days, contributions will be added every pay period to a TSP account that's been set up in your name. Part of the money will come from the DoD and the rest will come from you, as a deduction from your pay.

When you're automatically enrolled, your money is invested in an L fund and you contribute 3% of your base pay. Having these choices made for you eliminates some of the biggest challenges facing new investors—how much to save and where to save it.

The good news is that you're not locked into the L fund or the 3% rate. If, as you learn more about investing, you would rather put your money into other funds offered in the TSP, you can make the switch easily. And you have the right to contribute at a higher or lower rate. If you want your account value to grow larger, higher is the way to go.

CONSIDER A ROTH

One change you may want to consider immediately is making your contributions to a tax-free Roth account available in the TSP rather than the tax-deferred account.

Roth contributions don't reduce your current taxable income the way tax-deferred contributions do. But what they let you do is take tax-free withdrawals after you turn 59½ if your account has been open at least five years. Since chances are that your tax rate will be higher later on than it is now, you may actually save money in the long run.

One heads-up: If you make tax-free Roth contributions, the DoD matching amounts will go into a parallel tax-deferred account. It's no inconvenience now, and it should be a very minor one when you eventually withdraw from your accounts.

THE BRS WINDOW

If you joined the armed forces between January 1, 2006, and December 31, 2017, you must opt-in to be part of the BRS. If you don't—or if you let the December 31, 2018 deadline for opting-in slip by—you remain part of the Uniformed Services Retirement System, or what's known as the legacy system.

This is a defined benefit plan that pays you a pension only if you serve 20 years or more. You're encouraged to save using a tax-deferred TSP account, but the DoD doesn't match your contributions.

For more about the Thrift Savings Plan, including how much you can contribute each year, check out www.fsp.gov

If you joined between
Jan. 1, 2006 and
Dec. 31, 2017
you must **opt-in** by



Maximizing Retirement Savings

The BRS offers something for everyone.

The new DoD retirement plan really is blended. It combines the legacy promise of a lifetime pension with the financial incentive of matching contributions to encourage you to save in a TSP account. In addition, the BRS offers the promise of a bonus, officially known as career continuation pay, to everyone who stays in the military for at least eight years.

HOW THE PENSION WORKS

The BRS pension you'll be eligible for if you stay in the armed forces for at least 20 years has much in common with the legacy pension. The amount you're entitled to still depends on the number of years you serve and your retirement pay base. The difference is if you retire after 20 years under BRS, your retirement income will be 40% of your retirement pay base rather than 50%.

But that reduction could be offset and potentially dwarfed by the retirement savings you accumulate in your TSP account and eventually withdraw to supplement your pension.

If you do qualify for either a legacy or BRS pension, the amount you're entitled to will be paid out in regular monthly installments starting when you retire from the military.

BEING VESTED

If you're vested, it means you're entitled to the money you have saved for retirement or are qualified to receive under the terms of your employer's plan. In a DoD pension, vesting takes 20 years.

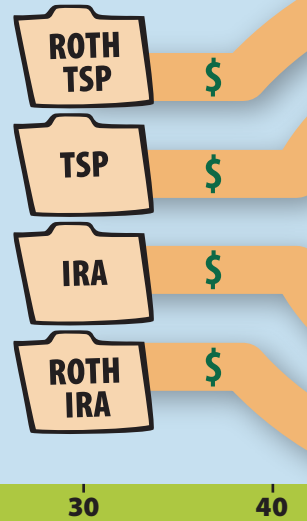
But you are always vested in the money you contribute to your TSP account and the earnings on those contributions. You are vested in the contributions the DoD makes to your account during your first two years of service once you begin your third year. And you're vested immediately in any matching contributions



TAKING MONEY OUT

When you put money in a tax-deferred account, you postpone paying taxes. But those taxes are due when you eventually must start taking that money out after you turn 70½. There is a minimum you must take each year, based on your age and your account balance at the end of the previous year. The same is true for money in tax-deferred IRAs.

There's an exception for Roth TSP and Roth IRA accounts, though the rules aren't identical. Withdrawals are required from Roth TSP accounts as they are from all employer-sponsored retirement savings plans. But no tax is due on the amounts you take out.



the DoD makes to your TSP account, beginning at the start of your third year of service.

Vested savings are **portable**. This means you can take them with you if you want when you leave the armed forces. For example, you might want to move your savings to a new employer's plan if that plan accepts rollovers. Or you might move them to an **individual retirement account (IRA)**.

Often, the best option when you leave the military is simply to leave your retirement savings in your TSP account because of its investment choices and low fees.

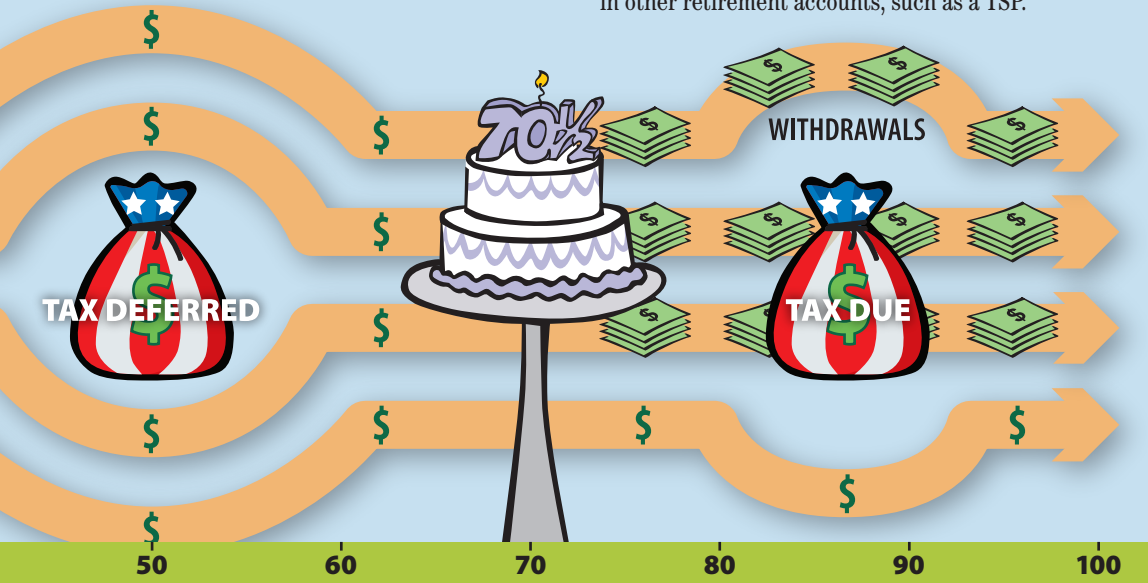
With a Roth IRA, though, not only is no tax due but no withdrawals are required. That's one reason some people decide to roll over their Roth assets in an employer plan to a Roth IRA before they reach 70½.

OTHER WAYS TO SAVE

While you're contributing to your TSP account, you can also contribute to a tax-deferred IRA or a Roth IRA.

To open an IRA, you choose a custodian, which is a financial institution such as a bank, brokerage firm, or mutual fund company that offers these accounts. The custodian acts on your instructions to buy and sell investments you select and provides regular statements that detail your holdings and account value.

You may find IRAs attractive as an additional way to build your financial security while you are earning income. IRAs are also a way to maintain the tax-deferred status of assets you accumulate in other retirement accounts, such as a TSP.



BONUS TIME

The career continuation pay that the DoD offers is available to everyone enrolled in the BRS who stays in the military at least eight years. The only condition for accepting the bonus is that you must agree to serve for three additional years.

The size of your bonus, in the range of 2.5 to 13 times your base pay, is determined by the Secretary of your branch. What you receive reflects how valuable your particular skills are to the force, and so how committed they are to retaining you.

Ideally you'll contribute your continuation pay plus any other bonuses or supplemental payments you receive to your TSP account. It's a good way to build your retirement savings even faster.

TAX EXEMPT CONTRIBUTIONS

If you're in a combat zone or qualified hazardous duty area, the contributions you make to your TSP account are tax exempt. To be sure you get the full benefit of this exemption, it's important to consult an accredited military financial counselor or an experienced tax professional.

Investing

Investing can take your savings to new heights.

Saving is a great way to make sure you have money when you need it most. But, over the long term, the interest you earn probably won't beat the rate of **inflation**, which is the gradual rise in the price of goods and services. That's why it's smart to invest the money you'll need to meet your longer-term goals.

When you invest, you buy things of value that have the potential to increase your **principal**, or the original amount you invested, by providing a **return**, or gain, higher than the rate of inflation. This helps you meet your financial goals.

Remember, though, that investment returns aren't guaranteed and your account could lose value, especially in the short term.

BASIC INVESTMENT PRODUCTS

You invest by purchasing financial products. The basic types include stocks, bonds, and the mutual funds that invest in them.

STOCKS

When you buy stock, you buy partial ownership in a company. If the company does well, you may make money by receiving a portion of its profits, known as a **dividend**. If the stock price goes up, you may want to sell your shares in the **secondary market** for more than you paid for them and reinvest your profit. Or, you may hold onto them, which can increase your **net worth**.

A stock doesn't have a fixed price. Instead, the price changes all the time, based on whether investors are buying or selling it. If the company doesn't do well or the stock market drops, and you sell when the stock price is down, you could lose some of your original investment.

EXCHANGE TRADED FUNDS

An exchange traded fund (ETF) resembles stocks in some ways and mutual funds in others. You buy shares in a fund that is invested in a basket of securities, often those tracked by a particular index.



BONDS

When you buy a bond, you're making a loan to an issuer, which could be the US government, a government agency, a state or city, or a corporation. The borrower promises to pay your money back when the bond reaches **maturity** at the end of its **term**.

In exchange for letting the issuer borrow your money, you typically receive regular interest payments until the bond reaches maturity. That's why these debt securities are also known as fixed-income investments.

You may hold a bond to maturity or sell during its term. Bond prices move up and down because of investor demand and changes in market interest rates and credit ratings.

TSP INVESTMENTS

Three of the individual TSP mutual funds are stock funds and two are bond funds. Each lifecycle (L) fund holds all five funds. The 2020 fund emphasizes bonds while the 2030, 2040, and 2050 funds emphasize stocks.

ASSET CLASSES

Stocks, bonds, and cash are categories of investments, known as **asset classes**. In talking about how stocks have tended to behave over time, for example, it's the entire asset class that's being discussed, not any one stock in particular. Mutual funds and ETFs are investment products that own securities in one or more asset classes and are not asset classes themselves.

BONDS

You are a lender

STOCKS

You own part of a company

MUTUAL FUNDS

You own shares in a fund that invests

ACTIVE OR PASSIVE

In an **actively managed mutual fund**, the manager buys and sells securities to try to achieve the fund's objective. The manager also wants to do better than other similar funds.

Index funds and most ETFs are **passively managed**, which means that a fund's investments change only when the securities in the underlying index change. The goal of an **index fund** is to achieve the same return as the specific index it's linked to. All the mutual funds available in the Thrift Savings Plan (TSP) are index funds.

MUTUAL FUNDS

A mutual fund owns a group of individual investments, usually stocks or bonds or both, which are chosen to help meet the fund's **objectives**, or goals. If the fund's objective is long-term growth, it's likely to be invested in stocks. If it's current income, the fund is likely to be invested in bonds.

When you buy shares in a fund, you are investing indirectly in the securities the fund owns, which are called the fund's underlying investments. It can be easier and less expensive than buying all the securities on your own. Professional managers run the funds, which means you don't have to worry about when or what to buy and sell. But, there are fees for owning funds that reduce your return.

US SAVINGS BONDS

The federal government also issues **US savings bonds**. They're like most other bonds because they pay regular interest and can be redeemed for cash at maturity. But unlike most other bonds, they're **nonnegotiable**, which means you can't sell them to another investor or trade them in a secondary market.

There are two kinds: Series I and Series EE. The interest on Series I bonds is adjusted for inflation, while Series EE bonds pay interest at a fixed rate, and are guaranteed to double in value in 20 years. Both pay interest for up to 30 years. But, if you cash in a savings bond before it reaches maturity, you may forfeit some interest, depending on how long you've held the bond.

Balancing Risk and Return

Investing has lots of return potential, but risk comes with the territory.

Successful investing requires taking some risk. But that doesn't mean you should avoid it. Smart investing can make the difference between achieving your financial goals and having to postpone or abandon them.

If you're wondering what risk means in this context, it's basically one of two things: losing money or losing buying power.

MAKING MONEY

When you invest, you're interested in **total return**. This is the amount your principal increases or decreases in value, plus any earnings you receive.

Say you spend \$1,000 on shares of a stock and receive \$50 in dividends. If you sell your shares for \$1,200, your return is \$250 ($\$200 + \$50 = \$250$). But, if the stock

loses value and you have to sell for \$800, you have a negative return of \$150 ($\$50 - \$200 = -\150).

When you want to compare how one investment is performing compared to another, you look at **percent return**. You find this number by dividing your total return by the amount you invested. In this case, it's 25% ($\$250 \div \$1,000 = 0.250$). Next consider **annualized return**. If you owned this stock for three years before selling, your annualized return would be 8.3%. To find this number, divide your percent return by the appropriate number of years ($0.250 \div 3 = 0.083$).

KEEPING TRACK

While there's no reason to check the return on your investments every day or every week, it's smart to keep track of how they're doing overall. If one or two consistently provide weaker returns than their peers, you may want to replace them.

A NO-GO OPTION

If you're offered a **guaranteed**, or **no-risk, investment** that isn't an insured bank deposit, it's not legitimate. Investment results can never be guaranteed.

TAKING RISKS

Even though risk is always a factor, risk levels vary. In general, the more potential an investment has to provide a high return, the more risks the investment poses.

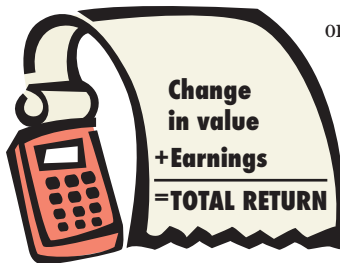
But, that doesn't mean you should buy only the lowest-risk investments. In fact, one of the biggest risks you can take is not taking enough risk. Investing only in the safest products, such as CDs, is likely to mean your return won't be high enough to outpace inflation over the long term, leaving you with less than you need or expected to have.

For example, if inflation is 3% and you earn an annualized 8.3% return on a stock investment, your **real return**, or your return after inflation, is 5.3%. But if you're earning 2.5% in a money market account, your real return is a negative 0.5%.

The key is seeking a balance between risk and potential return that suits your goals and your tolerance for risk. For example, you might emphasize insured savings for short-term goals and buy stocks, stock ETFs, or stock mutual funds for longer-term goals.

GOING TO MARKET

The investment markets aren't predictable, and you can never be sure what will happen a year from now—or even tomorrow. That may make you uneasy. But, time has shown that prices and returns tend to move up and down in a recurring pattern. Moving from a peak of strong perfor-



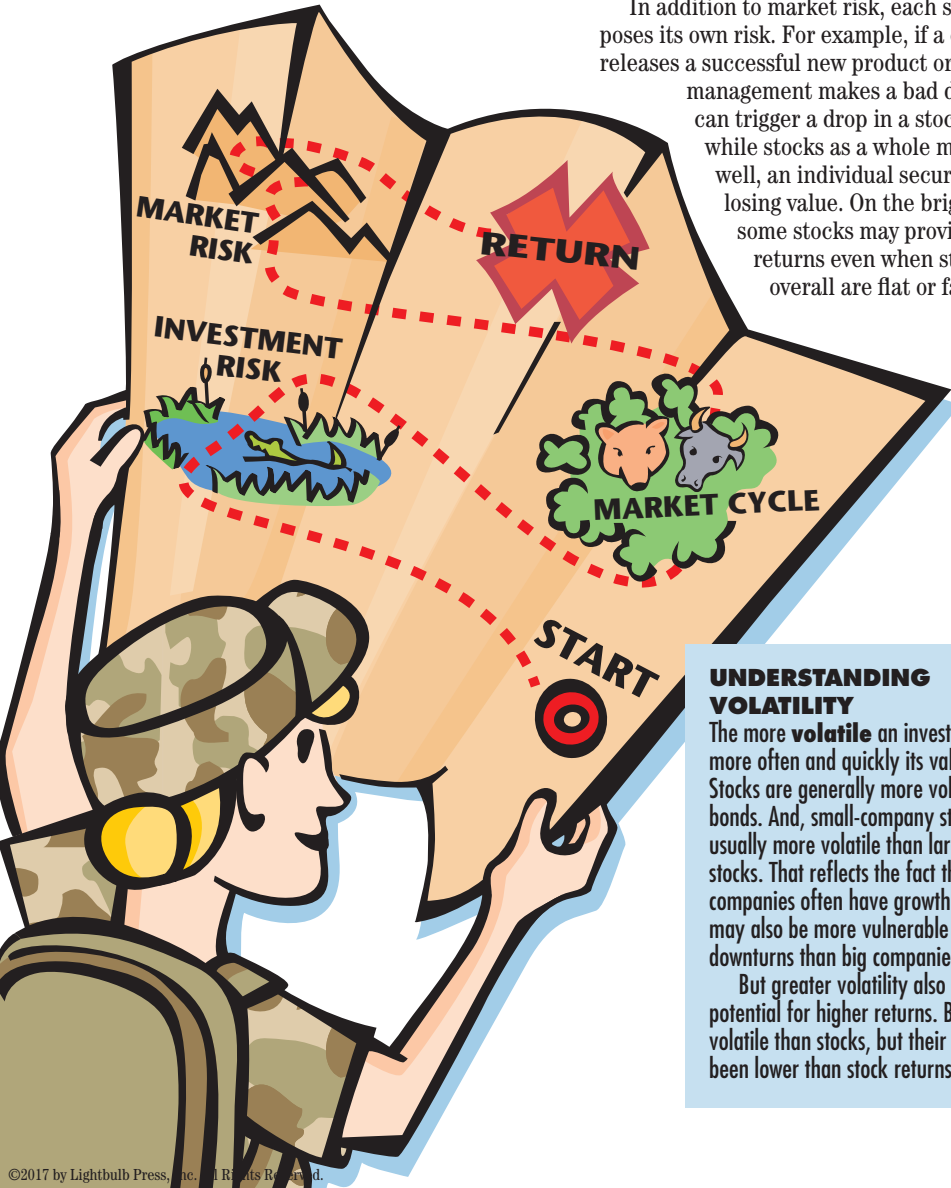
mance down through a valley of losses and back to another high is known as a full **market cycle**.

When prices rise for a prolonged period, it's called a **bull market**. Bull markets don't last for a specific amount of time, and prices don't increase at the same rate or to the same extent from one bull market to the next. **Bear markets**, on the other hand, occur when prices reflected in a broad

market index fall 20% or more from the most recent peak and remain flat or fall some more.

There is always the possibility that the market as a whole, or a particular asset class, will experience a gain or a decline. With stocks, bear markets typically occur when investors sell their shares because they anticipate worsening economic conditions.

In addition to market risk, each security poses its own risk. For example, if a competitor releases a successful new product or a company's management makes a bad decision, that can trigger a drop in a stock's price. So, while stocks as a whole might be doing well, an individual security could be losing value. On the brighter side, some stocks may provide strong returns even when stock prices overall are flat or falling.



UNDERSTANDING VOLATILITY

The more **volatile** an investment is, the more often and quickly its value changes. Stocks are generally more volatile than bonds. And, small-company stocks are usually more volatile than large-company stocks. That reflects the fact that small companies often have growth spurts but may also be more vulnerable to economic downturns than big companies.

But greater volatility also means the potential for higher returns. Bonds are less volatile than stocks, but their returns have been lower than stock returns over time.

The Rules of Engagement

The key to a successful investment portfolio is the way you put it together.

The amount you invest and the investments you select are key factors in determining whether you're able to meet your financial goals in the time frame you've set. It's important to choose securities that you think will increase in value or provide income. But, it's just as important to select investments that will interact well with the others you already own.

Putting a portfolio together doesn't mean randomly buying a stock here and a mutual fund there. If you don't have a strategy, you could end up taking on more—or less—risk than you intend. To make smarter choices, try to learn as much as you can about investing basics and consult an investment professional on your base or at your credit union or bank.

ASSET ALLOCATION

Asset allocation means investing in several asset classes at the same time, assigning a specific percentage of your principal to each class. For example, you might invest 60% of your money in stocks and stock funds, 30% in bonds and bond funds, and the rest in CDs.

Asset allocation works because each asset class tends to respond differently to what's happening in the economy. So when one class

is performing poorly another may provide an above average performance that offsets those losses. But allocation doesn't guarantee a profit or totally insulate you if the market is falling.

PUTTING STRATEGY INTO PRACTICE

There isn't a right or wrong way to allocate your assets. But the way you do it should always be based on the amount of time you have to invest to meet your goals and how much risk you can tolerate without selling in a panic.

If you're investing for the long term, you generally have the time to take more risk. So you might select a more **aggressive** allocation and concentrate your portfolio in stocks or stock mutual funds.

If you're closer to reaching a financial milestone, or if several people depend on you financially, you might prefer a more **conservative** allocation. This might mean putting an emphasis on government bonds and cash equivalent investments to help preserve capital.

Many investors use a **moderate** allocation, striving to achieve a balance between what would be too much risk or too much safety to suit their goals.



INTEREST RATE



DOLLAR COST AVERAGING



INFLATION



DIVERSIFICATION

DIVERSIFICATION

Diversification is a strategy that involves selecting a variety of individual investments, mutual funds, or exchange traded funds (ETFs) within each asset class. The reason, as you'll discover, is that some investments are successful and others, which seemed to have similar potential, are not—often for reasons no one could predict.

If you invest in a variety of stocks or bonds, you'll help protect your portfolio from losses from any one investment and enhance the potential for a strong overall return.

GO SOLO OR IN A POOL?

Mutual funds or ETFs can simplify the diversification process for all investors, and new investors in particular. That's because each fund is already diversified since it holds a number of individual investments chosen from a particular segment of the investment market.

In choosing these pooled investments, though, you should keep in mind that funds with narrowly focused objectives, such as a sector fund that invests in one slice of the economy, are less diversified than funds that invest in a broader cross section. You can research how a fund invests by checking the fact sheet provided on the fund company's website or reading its prospectus.

AS TIMES CHANGE

As you grow older, or meet some goals and develop others, you may need to **reallocate**, or modify your asset allocation, to better suit your situation. For instance, as you near retirement, you may move out of higher-risk stock investments into more stable options, like highly rated bonds, to protect the assets you've accumulated.

If you do buy several mutual funds to diversify your portfolio, you'll want to ensure that each invests differently. Owning two funds that invest in many of the same securities won't help you get the diversification you seek.

DOLLAR COST AVERAGING

Dollar cost averaging is another strategy that can help you build your investment account. To use this approach, you add a fixed amount of money on a regular schedule to a mutual fund or dividend reinvestment plan (DRIP).

This means that you'll be buying more shares when prices are low, and fewer shares when prices are high. If you invest on a regular basis, as the price goes up and down, the average price you pay will be lower than the average price per share. But it won't work if you stop buying when prices drop.

Dollar cost averaging will help you build your long-term portfolio, but it won't guarantee you'll make a profit, or that your investments won't lose value.

ALIKE OR DIFFERENT?

Correlation describes the extent to which different investments respond to changing market conditions. Positively correlated assets tend to react similarly, and negatively correlated assets usually move in opposite directions. In addition, some investments are noncorrelated. This means that different factors influence their performances, not that they have different reactions to the same factors.



Where You Invest

Investing safely starts by finding the right place to open an account.

When you invest, you buy and sell, or **trade**, securities through an intermediary, who places your order and confirms that it has been executed. The intermediary you choose will depend on the investments you want to make and whether you want financial advice as well.

You can buy almost any kind of investment by setting up an account at a securities **brokerage firm**. Brokerage firms, also called broker-dealers, must be registered, and the brokers, also known as registered representatives, who work there must be licensed. Brokers typically receive commissions on what they sell. Some brokerage firms operate only online, and others have offices you can visit as well as the online alternative. Many banks and credit unions have broker-dealer representatives on the premises, who sell investments, including stocks, bonds, and funds. These aren't bank products, so aren't federally insured.

An **investment adviser** provides advice, helping you develop a plan for meeting your financial needs and goals. Like securities broker-dealers, investment advisers and investment adviser representatives must be registered, though the rules governing their responsibilities differ. Most investment advisers are paid a fee, not commissions. Some don't trade investment products for you, but simply provide advice—so you also need a brokerage account through which you buy and sell investments.

To invest in mutual funds, you may open an account with a mutual fund **investment company** and purchase shares in its fund directly. Or you may buy funds through your broker or adviser. And if you want to buy insurance products, like annuities, you might work with an **insurance agent**. If you think it would be a helpful first step to assess your current situation, define your goals, and discuss how to reach them, you might work with a **certified financial planner** or **chartered financial consultant**.

DOING YOUR HOMEWORK

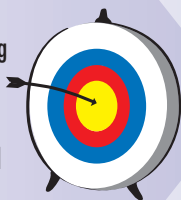
While most brokers, investment advisers, financial planners, and insurance agents are honest, some may sell fraudulent or inappropriate investments or try to pressure you into acting quickly. Unregistered brokers and investment advisers might appear to be legitimate and may even sell genuine products, but they operate without government authorization, which is illegal.

If you follow some basic rules, you can help protect yourself by checking an individual's or firm's credentials before you agree to work with him or her. There are several ways to check investment professionals' backgrounds. Start by asking for their office phone number and address and confirm they actually have a place of business. Then check that they're properly licensed and registered.

GETTING STARTED

Never invested before? It can be intimidating, but here's how to start:

Step 1: Identify your goal for investing and one type of investment that may help you reach it, such as a mutual fund or stock.



Step 2: Find an investment adviser or broker to help narrow your choice to a particular investment. Go with someone you are referred to rather than finding someone through the phone book or ads. Talk to friends, coworkers, on-base counselors, or bank managers. Never respond to strangers' solicitations to invest.



Brokers: All brokers must be registered in the states where they work and with the Financial Industry Regulatory Authority (FINRA). To see information on a particular broker, you can review records held in a national database called the **Central Registration Depository**, or CRD. The CRD contains information such as licensing status and disciplinary history. To obtain a CRD form, call your state securities bureau or visit FINRA at www.finra.org and click on BrokerCheck. You can find information for your state by contacting the North American Securities Administrators Association at www.nasaa.org, or 202-737-0900.

Investment advisers: A firm that is paid for providing investment advice must register as an investment adviser, either with the state or Securities and Exchange Commission (SEC). Registered investment advisers (RIAs) are required to file a document called **Form ADV**, which they will provide if you request it. To obtain background information on an investment adviser, contact your state securities regulator or the SEC at www.adviserinfo.sec.gov. One part

REPORT PROBLEMS

If you suspect a problem with your broker, investment adviser, or insurance agent, contact that person's supervisor. If you're not satisfied with the response, immediately report the situation to the state securities regulator in the state where the transaction occurred. The name of the office will vary from state to state.

of Form ADV lists any disciplinary actions against the adviser—but not current complaints, if there are any. The other part contains a summary of the adviser's background and fees.

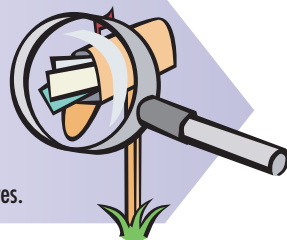
Insurance agents: Insurance agents are licensed by the state or states in which they sell their products. Independent insurance agents sell products for at least two different insurance companies, while exclusive insurance agents represent only one company. Most insurance agents are paid with commissions on the products they sell.



Step 3: Transfer money to pay for your initial investment to your brokerage or mutual fund account, never to an individual. You can sometimes invest as little as \$50 or \$100 with a direct deposit account, but getting started may require a certain minimum, such as \$1,000 or more.



Step 4: Track your investment by reading the information you get online or by mail. Ask your adviser for updates.



Avoiding Inappropriate Investments

There's outright fraud and there are inappropriate investments. Stay away from both.

It's essential to avoid doing business with dishonest salespeople selling fraudulent investments and those who pressure you for immediate decisions by insisting that an opportunity will evaporate. It's equally important, but it may be harder, to decide whether a legitimate investment product is right for you.

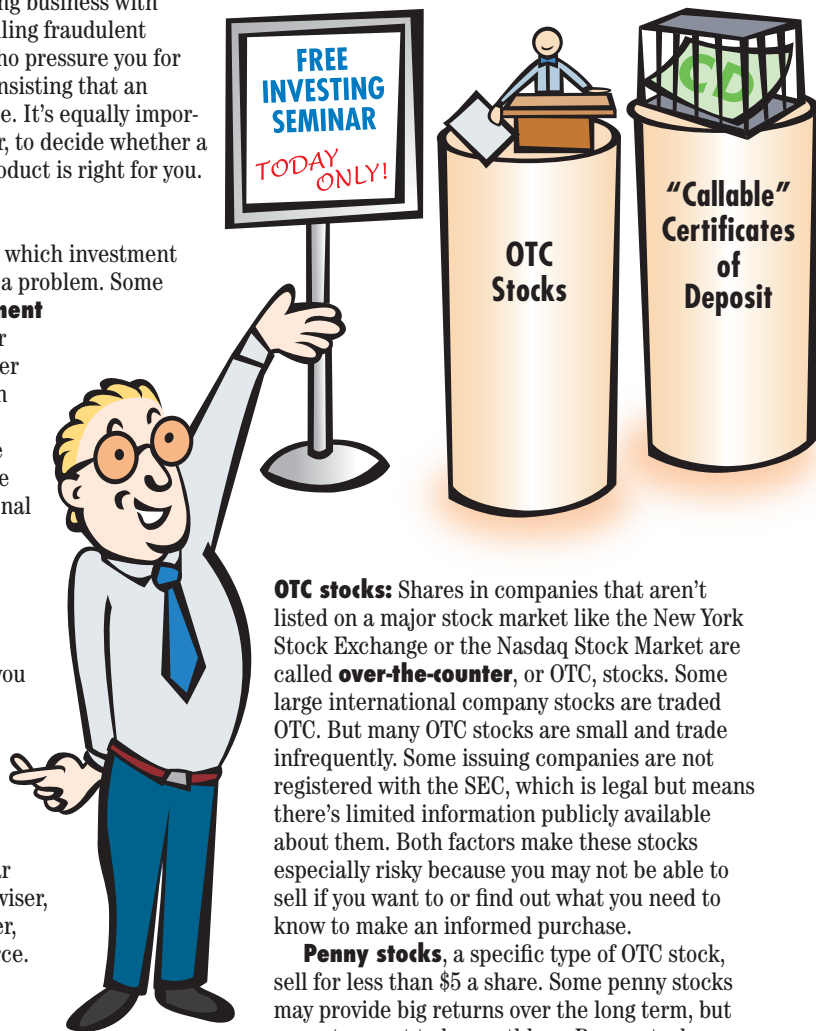
NO FREE LUNCH

In some cases, the way in which investment products are sold may be a problem. Some salespeople offer **investment seminars**—with lunch or dinner—at a hotel or other public facility, focusing on financial or retirement planning. Others promote living wills or trusts. Some seminars can be educational and useful, but many are primarily high-pressure sales pitches.

If you attend this type of seminar, it's unwise to buy anything there. And you shouldn't reveal detailed personal or financial information, such as your Social Security number. If you want to follow up on any of the ideas, contact the seminar leader later or, probably wiser, work with your own broker, adviser, or on-base resource.

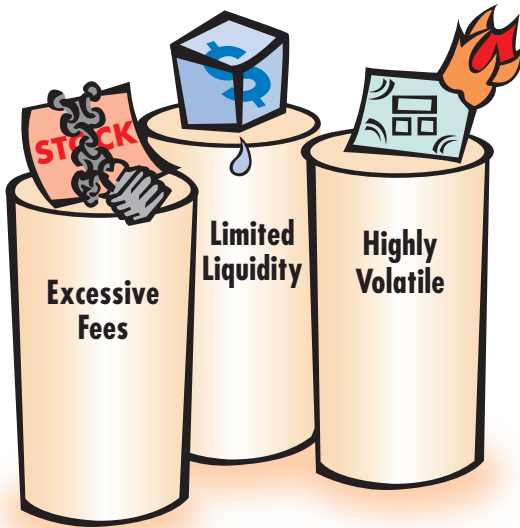
PROBLEMATIC INVESTMENTS

Certain types of investment products may be legitimate, but not right for most investors, including you.



OTC stocks: Shares in companies that aren't listed on a major stock market like the New York Stock Exchange or the Nasdaq Stock Market are called **over-the-counter**, or OTC, stocks. Some large international company stocks are traded OTC. But many OTC stocks are small and trade infrequently. Some issuing companies are not registered with the SEC, which is legal but means there's limited information publicly available about them. Both factors make these stocks especially risky because you may not be able to sell if you want to or find out what you need to know to make an informed purchase.

Penny stocks, a specific type of OTC stock, sell for less than \$5 a share. Some penny stocks may provide big returns over the long term, but many turn out to be worthless. Penny stocks are often falsely promoted to unsuspecting buyers, who are led to believe they are getting a bargain.



Investments with high fees: Many investments charge annual fees to cover management expenses and sales charges to compensate sellers. Some also charge fees if you sell or withdraw within a restricted period. You probably can't avoid fees entirely, but you should stay away from investments whose fees are higher than average for the type of investment it is.

Pay particular attention to the expense ratios and sales charges of annuities and mutual funds you are considering. Some states have mutual fund fee calculators on their securities regulator websites, and you can find one on the FINRA website at www.finra.org/fundalyzer.

Investments with limited liquidity: An illiquid investment can't be easily converted to cash. One example is a limited partnership, which pools people's money to invest in real estate or other ventures. Limited partnerships are not publicly traded, so if you need your money, you could have trouble finding someone to buy your portion of the partnership at the price you want. In fact, selling may not be allowed even if you could find a buyer.

Callable certificates of deposit (CDs): Unlike most conventional bank or credit union CDs, which mature within six months to five years, callable CDs may not mature for as long as 10 to 30 years. In that period, your money may be inaccessible unless you pay a steep penalty—an important fact that some dishonest salespeople conceal. Callable CDs may not be FDIC insured, so you should ask the salesperson for written verification.

Highly volatile investments: Investments like futures contracts and certain options contracts require constant monitoring to avoid potential losses. In fact, even if you do monitor them closely, you could be vulnerable to large losses. If you're a new investor, or can't check constantly on your accounts, these derivative investments may not be appropriate for you.

HOW TROUBLE FINDS YOU

Deceptive salespeople may track you down in a variety of ways:

- **Buying your information:** Many scam artists will call you, email you, or mail you letters, all unsolicited, offering unrealistic promises of guaranteed returns or no-risk investments. Some con artists buy names and addresses of people who subscribe to specific magazines to target potential new victims.
- **Luring you in:** Other scammers try to hook you in online investment chat rooms by raving about a hot stock that sparks your curiosity. Some place ads in newspapers often offering guaranteed returns on can't-miss investments. Even mainstream publications may carry these ads.
- **Talking to you:** You might meet a scam artist in person, because some go where they think their targets may congregate. Never discuss your personal financial situation with a stranger, even if he or she seems helpful or suggests you have friends or loyalties in common. If someone you don't know offers you an investment, turn it down.

Red Flags

Certain warning signs can help you spot trouble.

While investment scams and frauds are often the work of clever and determined con artists, you can often spot danger if you know what to look for. Although these warning signs aren't foolproof, watching for them can help you recognize a poor investment choice before you make it. In general, it's smart to avoid investing with anyone who makes you feel even slightly uncomfortable. Any legitimate sales agent will not mind if, before signing any documents, you consult your JAG officer.

BIG PROMISES

Steer clear of anyone who guarantees an investment's performance or promises unrealistically high returns. For example, if a salesperson insists that a certain investment will return, say, 25%, you'd be smart to walk away. He or she is at best misinformed and probably dishonest. Historically, very few securities have managed to produce such high returns consistently.

A realistic return depends on the specific type of investment, but, in general, an average annual return of 8% on a broadly allocated and well-diversified portfolio is relatively high. Over more than nine decades, since the end of 1925, the average annual total return of the S&P 500—an index that tracks large-company stock performance—has been around 10%. That's pretax and pre-inflation. Bond and cash returns have been lower—less than 6% for bonds and less than 4% for cash.



PUT IT IN WRITING

Keep track, in writing, of all your conversations and correspondence with your broker or financial adviser about your investment decisions, as well as any problems you experience. A record is essential if your relationship sours because you'll need the material to bolster your claims.

Any documentation you provide could help securities regulators investigate fraud or misconduct. The better and more complete the documentation is, the easier it could be for officials to prosecute lawbreakers.



SPOTTY STATEMENTS

When you open an investment account, you should receive copies of all completed forms and agreements. If you don't receive them promptly, it could be a sign that you're dealing with an illegitimate brokerage or advisory firm.

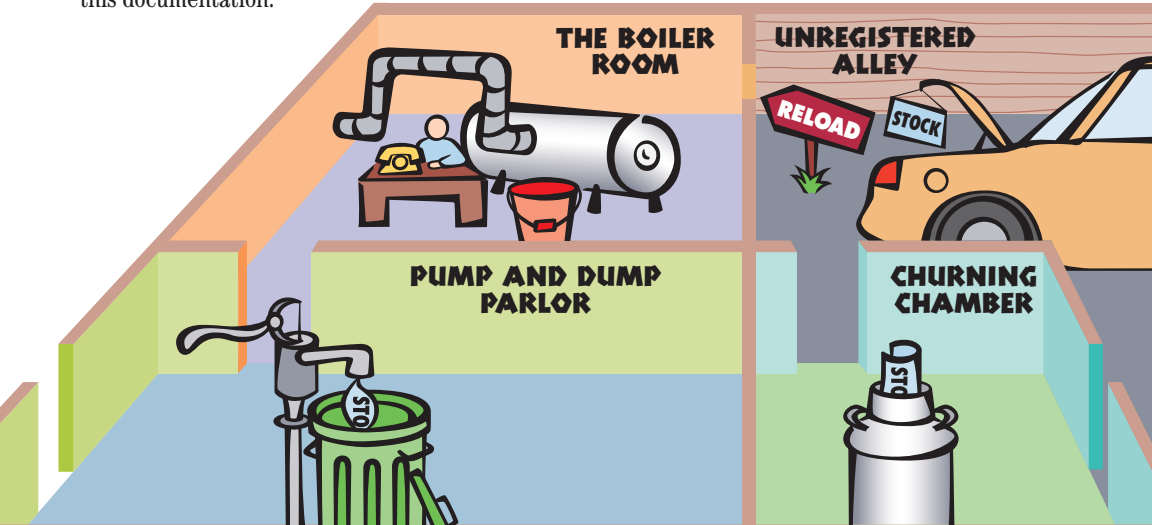
You should get monthly or quarterly investment account statements, which show how much money you have invested and how your investments have performed. Your statement may also show all recent transactions in your account, including dividend payments, purchases, and sales.

When you review the statements, look for **discrepancies**, such as purchases that haven't been credited, unauthorized transactions, or significant changes from the previous statement. While they could be errors, discrepancies could also indicate misconduct. Always ask immediately if information on your statement doesn't seem right and follow up with your broker or adviser's manager if you aren't satisfied with the answer.

CHECKING UNDER THE HOOD

While the information you should receive on legitimate investments varies by investment type, be sure you have the **prospectus** for a mutual fund or ETF, the **offering circular** for a corporate or municipal bond, and the **stock symbol** for a stock before you invest. It's a clear danger sign if the salesperson tells you it isn't ready yet or that it's a special investment that doesn't need this documentation.

Investments must be registered at the state level before they can be sold unless they're exempt from registration because they're listed on a national or regional stock exchange. You can check for a registration statement by accessing the free EDGAR database on the Securities and Exchange Commission website, at www.sec.gov/edgar/searchedgar/webusers.htm.



RECOGNIZING STOCK SCAMS

Recognizing common investment scams can help you avoid falling prey to them. Here are some common types of securities fraud:

Pump and dump scams usually occur in Internet chat rooms, where scammers spread false information about low-priced stocks of small companies in which they are invested. Once the scammers get enough people to invest, they sell at the new higher price, leaving everyone else with practically worthless shares.

Boiler rooms and **bucket shops** are locations from which con artists launch fraudulent stock scams or sell stocks illegally. A bucket shop, or illegal brokerage firm, may never buy the securities that you give an order to buy. Instead, the con artists pocket your money and then the entire operation disappears — sometimes literally overnight.

Churning is a type of fraud in which a stockbroker or investment adviser to whom you have given control of your account buys and sells securities primarily to generate commissions rather than in your best interest. As a result, you may end up paying more in commissions than you earn on your investments.

A **reload scam** occurs after you've been tricked on an investment. To recoup your money, you're encouraged to invest more or roll over your initial investment into a new one. That sets you up, or reloads you, for a second scam.

Scams That Target the Military

Don't be fooled by appearances. You can learn to detect scams and scammers.

Scams work because people are vulnerable and scammers are ruthless. Plus, the people who are trying to trick you are extremely clever. They refine their tactics, revise their stories, and create new schemes all the time. But if you understand the principles behind scamming, you'll be better able to avoid traps that may be set for you.

PLAYING ON EMOTIONS

Many scammers try to gain your trust by offering to help you. Here's a classic example:

A con artist claiming to be from the Red Cross calls the spouse of a deployed member of the

military to report that the servicemember has been injured and needs treatment. All that's needed to authorize help is his or her Social Security number or a cash payment.

In this example, the scammer deliberately tries to create emotional turmoil and then gain the spouse's trust by using the name of the Red Cross. What he or she wants is access to the family's money either directly or by using the Social Security number to access their accounts.


SOLVING PHONY PROBLEMS

In another example, a scammer calls a servicemember's home, claiming to work for the local court system. The caller says the servicemember failed to show up for jury duty and that there is now a warrant out for his or her arrest. The victim rightfully denies ever receiving a summons. And the scammer asks for a credit card or Social Security number, or other personal information, for verification purposes and generously offers to clear up the misunderstanding.

Here, the scammer uses intimidation by claiming to be a figure of authority. And, by threatening arrest, he or she hopes to scare the victim into giving away personal information in order to gain access to bank and other financial accounts.

GOING SOCIAL

Scammers are increasingly turning to social networking websites to get vital information they can use to steal your identity, your money, or both. So you'll want to be extra cautious about posting personal information like your address, date of birth, or



All I need is your credit card number to fix the problem!

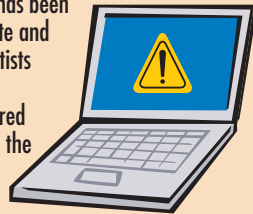
INTERNET SCAMS

The **Internet** can be a great source of credible information. But, it's also a perfect place for con artists to attract consumers to their fake prizes, phony products, or bogus corporate websites. You could be offered anything from a non-existent free vacation, to instant-cash rebates on excessively high-priced services, to investments in companies that don't actually exist.

You might also encounter Internet pop-up pages that appear once you're logged into a legitimate website.

These phony pages ask for personal information, hoping you'll believe the pop up has been launched by the company's website and supply the information the con artists who planted it are looking for.

Also be wary of anything offered via e-mail — or anywhere else on the Internet. If it's an investment opportunity, first check it out with your state securities regulator.



your pet's name—even if it seems like everyone is doing it.

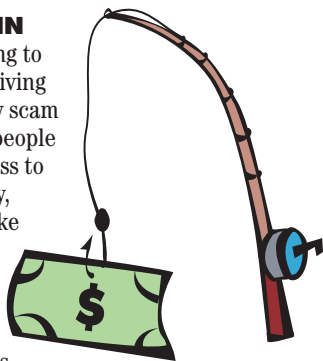
What may seem like an insignificant detail to you could help a scammer figure out your Social Security number, the password you use, or the answers to typical security questions like your mother's maiden name or where you went to high school.

Be sure to read the security policy of any social networking site you're thinking of using or have already joined to see what measures are being taken to protect your identity. The more public your information is, the greater the risk. You can also modify the privacy settings on networking sites to provide greater protection, but no system is foolproof.

LURING YOU IN

In addition to trying to trick people into giving them money, many scam artists try to lure people in by offering access to fast cash. Basically, they attempt to take advantage of anyone struggling to pay a bill or meet a payment.

Many use what's known as **affinity marketing**, which uses language, images, and people associated with a certain group or association to target individuals within that group. To target the military, con artists typically set up shop around the periphery



of military bases, name their stores using military or official-sounding language, and place ads in any of the military *Times* newspapers. Some have even hired ex-military personnel to sell their products.

The key is to be wary of any company or salesperson claiming to be affiliated with the military. Just because they sound official or lead you to believe they have official status doesn't mean it's true.

LEARNING SELF-DEFENSE

The important thing to take away from these examples is that you should be suspicious of *anyone* who contacts you asking for personal information or money—even if the person sounds legitimate or trustworthy. That's true whether the request is made in person, over the phone, by mail, or online.

If you're not sure of the legitimacy of any request or offer, or the action you're asked to take, talk to your base financial counselor or legal adviser. That's your JAG officer. And the help is free.

ONE IS NOT LIKE THE OTHER

When scammers take your cash, that's bad enough. But, if they get hold of your Social Security number, they can gain access to all of your financial accounts and open fraudulent ones using your name. It can take a long time to clear up the havoc that creates in your credit history.

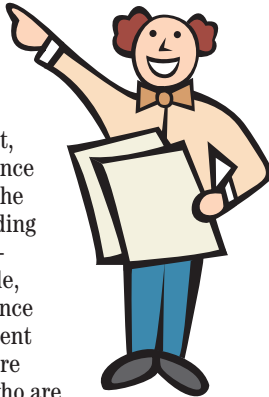
Keep Your Eyes and Ears Open

The goal is to stay on track by avoiding these traps.

Some of the most prevalent scams targeting the military include expensive life insurance policy pitches, lending and automobile-related scams, and veterans' benefits buyout deals. The details of these con games might change, or they might disappear and be replaced by new ones. But understanding what's out there today can help prepare you for the variations you may run into next week or next year.

LIFE INSURANCE POLICIES

Some irresponsible insurance agents try to sell excessively high-cost, and unnecessary, insurance policies to members of the military. Making misleading statements about advantages the policies provide, or combining life insurance with fraudulent investment schemes, these agents are able to sign up clients who are led to believe they are making a decision that is in their best interest, and that will make them a lot of money. Neither is true.



LOAN PROBLEMS

Con artists frequently use fast-cash loan scams to trap their victims, who are often in serious financial trouble and need money right away. Payday loans, vehicle title loans, and refund anticipation loans are three of the most common.

If you understand how they work, you'll also understand the risks they pose. At the same time, you can take comfort in knowing that the Federal Military Lending Act protects you and your dependents from some of the most dangerous features of these loans if you're on active duty as a member of the armed forces, National Guard, or reserves.

Among the Act's provisions are a 36% cap on the interest rate, fees, credit insurance premiums, and other credit-related fees combined, a ban on the use of checks or vehicle titles as loan security, a ban preventing a lender from refinancing the same loan, a ban on pre-payment penalties, and other credit protections.

Some states regulate these loans as well. But unregulated loans, which are often available online, are another story. Fees and charges are often 100% of the loan amount or more.

Payday loans advance you money if you authorize a debit from your bank or credit union for the amount due plus a service fee. When the loan is due, the lender automatically debits your account. If you still need money, you take a new loan for an additional fee.

If you take a **vehicle title loan**, you use your title and sometimes your keys as security to borrow less than half the car's value. Loan extensions are common and failure to repay could mean losing your car.

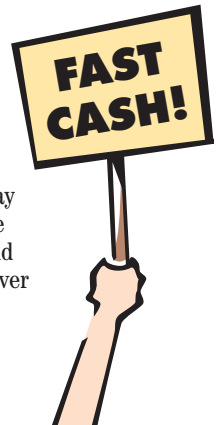
Refund anticipation loans are advances on income tax refunds. Because refunds generally arrive quite soon, the cost of the short-term loan can be very expensive.

OTHER PROBLEM LOANS

There are two other types of loans you'll want to avoid:

- **Advance fee loans**

Like many scams, advance fee loans are promoted as easy money for people with poor or no credit. With this type of scam, you're asked to pay an upfront fee in exchange for a loan. Usually, you send the money but the loan never comes through.



Or, in some cases, you're told that your application was denied. Then, the scammer tells you that, for another fee, you can qualify for a different loan program. Of course, you won't receive a loan in this case either.

● Pawnshop loans

At a pawnshop, you can use something of value, like a television or jewelry, as collateral for a short-term loan—though the amount the lender offers will be a fraction of the item's worth. Some—but not all—states regulate interest rates, typically imposing a cap from 2% to 6% a month. But, in addition, pawnbrokers may charge fees for handling, storage, or other services, so that the combined cost of borrowing can reach 100%.

The average loan is for 90 days, though it could be up to six months. If you can't repay the loan on time, which is often the case, the pawnshop can claim your property and sell it. In rare cases, you may be able to renew your arrangement with the lender at an additional cost.

Instead, contact the Family Center Office at your local installation for legitimate loan programs, call 800-342-9647, or log on to www.militaryonesource.mil.



AUTOMOBILE-RELATED SCAMS

If you need a new car, but don't have the money, any deal advertised as an easy, quick solution could look very appealing.

But, you could end up paying a lot more than you bargained for if you get caught in a car-related scam.



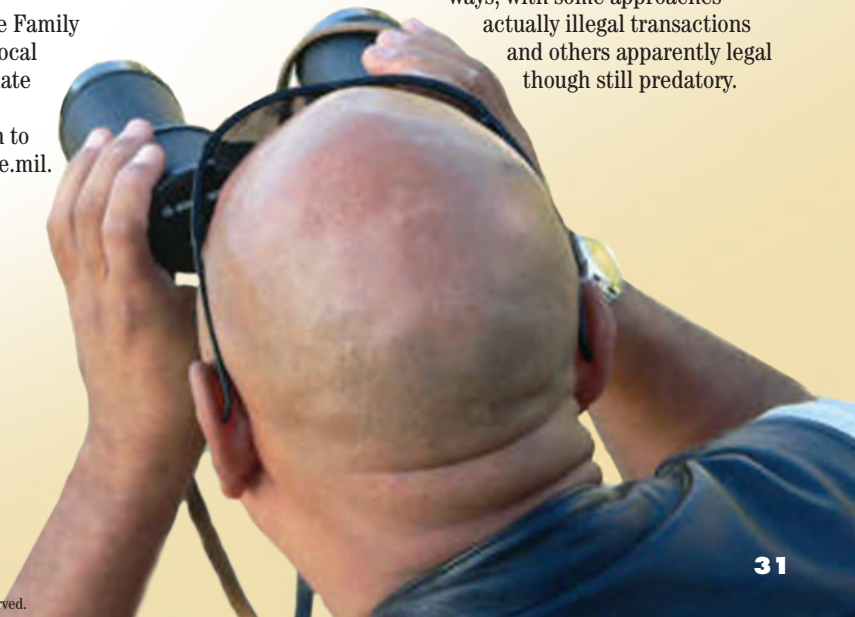
For example, you could be sold a car, only to be told—after you've made a down payment and driven the car away—that you've been denied credit. If you don't have the money to pay in full, the scammer can repossess the car and keep your down payment, too.

VETERANS' BENEFITS BUYOUTS

Active-duty servicemembers aren't the only ones who are targeted by schemes that prey on people who may be struggling financially. One example is a buyout plan that provides a lump-sum cash payment in exchange for a disabled veteran's future benefits or pension payments over a specific period.

The amount the veteran receives in cash is typically between 30% and 40% of the amount he or she is actually entitled to.

These buyouts can be structured in different ways, with some approaches actually illegal transactions and others apparently legal though still predatory.



Help When and Where You Need It

There are places you can go for help.

Managing your money carefully not only helps you reach your financial goals. It also helps protect you and your dependents by preventing many of the financial problems you could otherwise encounter. But most people, at one time or other, need help with challenges as straightforward as moving to a new duty station or as complex as finding solutions to situations it wasn't possible to avoid. Fortunately, there are many places to turn when you're a member of the armed forces.

RECOGNIZING PROBLEMS

The first step in getting the help you need is recognizing there's a potential problem and being willing to deal with it. Here are some of the warning signs:

- Constantly paying late fees on loans and bills
- Skipping payments
- Being unable to pay more than the minimum due on your credit cards
- Having no money available for emergencies
- Putting off important purchases because you can't pay for them
- Depending on short-term loans to get by

MILITARY AID SOCIETIES

There are four **military aid societies**: Army Emergency Relief, Air Force Aid Society, the Navy-Marine Corps Relief Society, and Coast Guard Mutual Assistance. These organizations offer interest-free loans to cover emergency situations including food, rent, utilities, medical expenses, car repair, emergency travel, and more. If a loan would cause undue financial hardship it may be turned into a grant, which wouldn't need to be repaid, or a combination loan and grant. For those who meet certain eligibility require-

ments, the aid societies also provide educational scholarships for children and spouses, including surviving spouses, of military personnel.

MONEY ON THE MOVE

If you receive PCS or other orders to relocate, the Moving link at Military OneSource can help with all aspects of the transition. You can find useful tips, a planning calendar, and information about your next installation at www.militaryonesource.mil/moving.

Remember, if you're under PCS orders, you may be entitled to special benefits and allowances that can help cover some of the costs of moving. Also be sure to consult your installation's Relocation Assistance Program (RAP) Manager or Military OneSource for more information.

GOVERNMENT SECURITY

What's more, you have government protection when it comes to your finances. The **Service-**



members Civil Relief Act (SCRA) was created in 1940 and amended in 2003. It helps ease the burden of financial and legal obligations for military personnel while they're deployed or on active

SCRA

duty. The act caps interest rates on a variety of loans, including credit cards and mortgage payments, at 6%—provided those loans are incurred before you entered active service. It allows you to end your apartment lease if you're deployed for more than 90 days and terminate your car lease if you're deployed for over 180 days, among other benefits.

The first step is to visit your closest **Armed Forces Legal Assistance Program** office to find out what you're eligible for. To locate an office near you, visit <http://legalassistance.law.af.mil/content/locator.php>.

COMBATING SCAMS

If you'd like more information about identity theft, or if you believe or have proof that your identity has been stolen, you should consult the Federal Trade Commission website at www.ftc.gov/idtheft. You'll find lots of useful tips about ways to deter, detect, and defend yourself against identity theft.

If you've been scammed, you should contact the legal services office or the personal financial manager at your installation. In addition, you can report the scam on the Federal Trade Commission's website, at www.ftccomplaint

Two additional resources are www.mymoney.gov, from the Department of the Treasury, and www.consumerfinance.gov, the website of the Consumer Financial Protection Bureau (CFPB). Its Office of Servicemembers Affairs focuses on the needs of military personnel and their families.

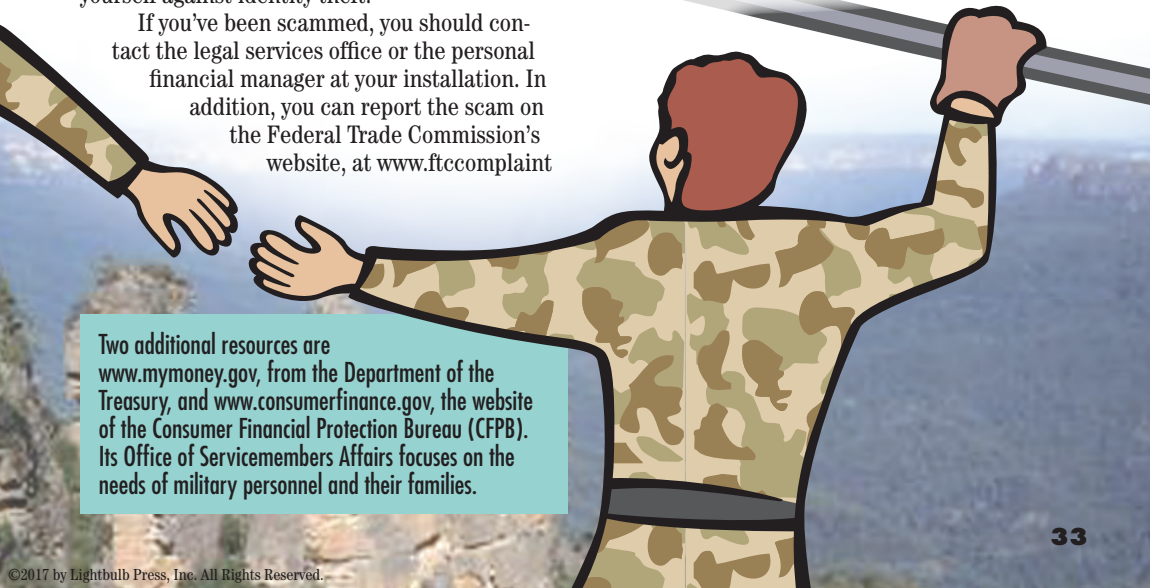
CONTACT INFORMATION

Each of the military aid societies has its own website:

- *Army Emergency Relief*
www.aerhq.org
- *Air Force Aid Society*
www.afas.org
- *Navy-Marine Corps Relief Society*
www.nmcrs.org
- *Coast Guard Mutual Assistance*
www.cgmahq.org

Note that if you are away from your home base but near another military installation, military aid societies have reciprocal agreements that allow you to receive assistance through any agency, regardless of your military service branch or affiliation. If you are not near a military installation, you may contact the American Red Cross for assistance at 1-877-272-7337.

assistant.gov. This official government website enables law enforcement agencies, including the military police, to monitor and look for common scams. By connecting the dots, enforcers may be able to identify scammers who are using the same or similar techniques on military personnel across the country.



G L O S S A R Y

Annual percentage rate (APR) is the cost of credit expressed as a percentage of the amount you borrow. The APR includes interest and most fees you pay to arrange a loan but does not include late payment fees or a credit card's annual fee, if any.

Annual percentage yield (APY) is the amount you earn on a savings account expressed as a percentage of the principal.

Asset allocation is a strategy for creating a diversified portfolio by putting money into different asset classes. While it is a valuable way to help manage risk, asset allocation doesn't guarantee a profit or ensure against losses in a falling market.

Benchmark is a standard against which investment performance is measured. A market index whose gains or losses reflect the changing direction of a segment of the stock or bond markets serves as a benchmark for the securities that belong to that segment and for the funds that invest in those securities.

Beneficiary is the person or people you name to receive the assets in your retirement savings plan, trust, or annuity or the face value of your life insurance policy. These assets are not transferred by will.

Bond is a type of investment that pays interest over a fixed term. When the bond matures at the end of the term, the issuer promises to repay the principal to the owner of the bond.

Brokers work for brokerage firms, handling client orders to buy and sell securities, usually in return for a commission. Brokers become registered representatives by passing a test required by the states and FINRA and are registered in the states in which they do business.

Cash equivalents are short-term investments, such as certificates of deposit (CDs) or US

Treasury bills. They can be redeemed easily, with little or no loss of value.

Commissions are sales charges levied by brokers and other sales agents for each transaction. With full-service brokers, the charge is usually a percentage of the total cost of the trade. Online brokers may charge a flat fee for each transaction.

Compounding occurs when the earnings an investment produces are added to principal, creating a new, larger base on which earnings can be paid.

Disclosure documents explain how a financial product works, the terms and conditions of purchase, and the risks in making such a purchase.

Diversification is a strategy spreading your investment assets among a number of different investment categories and then among individual investments within these categories. While it is a valuable way to help manage risk, diversification doesn't guarantee a profit or ensure against losses in a falling market.

Dividends are a portion of a company's earnings that it chooses to pay to shareholders as income.

Financial planner is someone who evaluates your personal financial situation and develops a plan to help meet both your immediate needs and long-term goals. Financial planners may or may not have professional designations and certifications, and may or may not be registered or licensed to sell investments.

Index fund is a pooled investment that owns all of the securities in a particular market index, such as the S&P 500. Its investment objective is to achieve the same return as the index it tracks.

Individual retirement account (IRA) is a tax-advantaged, personal retirement account. You choose a custodian, such as a bank, credit

G L O S S A R Y

union, brokerage firm, or mutual fund company, and the investments for your IRA. IRA earnings are tax-deferred, and, in the case of Roth IRAs, tax-exempt if your account has been open five years and you are at least 59½ when you withdraw.

Insurance agent is a person licensed to sell insurance by the state in which he or she works. Insurance agents are not automatically registered or licensed to sell securities or offer investment advice. Those activities require registration with the state and federal securities regulators.

Interest is the income, figured as a percentage of your principal, which you're paid for putting money into a savings account, CD, bond, note, or other fixed-income investment. Interest is also the percentage of principal you pay on an outstanding loan or credit card balance.

Investment adviser provides advice on investment strategies and appropriate investments, and may manage your portfolio, with a professional obligation to act in your best interest.

Mutual fund is a professionally managed investment that pools the assets of many investors to trade in stocks, bonds, and other securities, depending on the fund's investment objectives. Mutual funds charge management fees and in some cases, a sales fee (also known as a load). Details of a fund's objective, management, and expenses are explained in its prospectus.

Portfolio is the collection of investments you own.

Principal is a sum of money and can refer to an amount you invest, an amount you borrow, or the face value of a bond.

Prospectus is a formal written offer to sell stock to the public, containing information about the issuing company and the risks of making the investment. A mutual fund prospectus describes the objectives, risk level, past performance, fees, and other details about the fund.

Return is what you get back on an amount you invest. A positive return means you end up with more money than you started with, and a negative return means you end up with less.

Risk is the chance that you will lose some or all of your investment. You should seriously consider the level of risk you are taking before choosing an investment.

Roll over means you move investment assets from an employer's plan to an IRA, from one IRA to another, or from one employer's plan to another.

Secondary market describes the process of buying and selling stocks and bonds, where brokers act as agents for investors. It also refers to the environment in which those trades occur, such as the New York Stock Exchange or the Nasdaq Stock Market.

Stock is an equity investment that represents part ownership of a corporation and entitles you to a part of its earnings if a dividend is paid. Each share is one unit of ownership.

Tax deferred means no income tax is due on earnings in an account, and sometimes on contributions to the account, until the money is withdrawn.

Tax exempt means earnings are free of federal income tax. This is the case with many municipal bonds and with Roth IRAs, and Roth TSP assets if you follow the rules for withdrawal.

Volatility indicates how much and how quickly the value of an investment changes. The more frequently the value changes and the more quickly the changes occur, the greater the volatility.

Yield is your income from an investment expressed as a percentage of what you invest.

RESOURCES

Air Force Personnel Center

www.afpc.af.mil

Provides information on financial topics, including credit and money management, home buying and financing, and estate planning.

American Red Cross

Armed Forces Emergency Services

1-877-272-7337

Serving any branch of military personnel.

To reach your family in times of emergency, use this number. They are available 24 hours a day, 365 days a year.

Association of Military Banks of America

www.ambaq.org

Includes contact information for banks on base, and other financial information for service members.

Better Business Bureau Military Line

www.bbbmarketplacetrust.org/category/291048/military-and-veterans

Offers breaking news of interest to service-members, custom educational materials, and a free e-newsletter.

Consumer Financial Protection Bureau

www.consumerfinance.gov/servicemembers

Provides information on planning for your future and protecting your finances, as well as an extensive list of resources for servicemembers and their spouses.

Defense Credit Union Council

www.dccu.org

Includes contact information for credit unions on base, and other financial information for servicemembers.

Investor Protection Trust

www.investorprotection.org

Provides information about ways to protect investors from costly mistakes.

Marine Corps Community Service (MCCS)

www.usmc-mccs.org/index.cfm/services/career/personal-financial-management

Provides financial readiness information for Marines and their families.

Military OneSource

www.militaryonesource.mil or 800-342-9647

Provides round-the-clock service and support on deployment, childcare, financial education and other topics as well as free access to personal and financial counseling services focused on non-medical, short-term solutions.

Military Saves

www.militarysaves.org

Encourages military families to save for their goals and reduce their debt, stressing automatic deposit to savings accounts.

My Army One Source

www.myarmyonesource.com

Provides information on a variety of topics including deployment, financial matters, and careers.

National Guard Family Program

www.jointservicesupport.org

National Guard Bureau site to provide members and families of the National Guard with a range of support services.

National Military Family Association

www.militaryfamily.org

Offers education, information, and advocacy to the families and survivors of the seven uniformed services.

Military.com

www.military.com

Offers information on personal financial management, including alerts and news, financial strategies, retirement planning, and identity theft.

On Guard Online

www.OnGuardOnline.gov

Provides practical tips on topics such as avoiding Internet fraud, securing your computer, and protecting your personal information.

SaveAndInvest.org

www.saveandinvest.org

Contains information about managing finances and appropriate and safe ways to save and invest for military members and families. Provided by the Financial Industry Regulatory Authority (FINRA).

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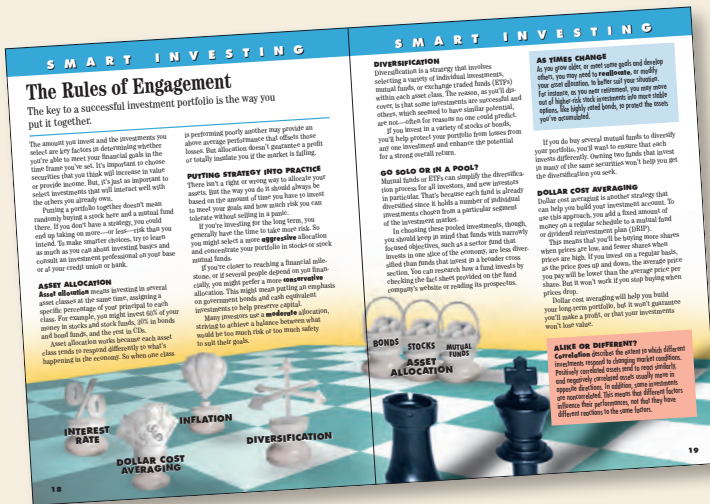
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A SALUTE TO SMART INVESTING

explains the keys to financial success that are useful whether you're just getting started or are a veteran investor. It provides an overview of savings, using credit wisely, basic investing strategies, common types of fraud, and danger signs that all investors should be aware of. It's arming yourself from the start with information you need to make smart decisions.



SMART INVESTING

The Rules of Engagement

The key to a successful investment portfolio is the way you put it together.

The amount you invest and the investments you select are key factors in determining whether you're able to meet your financial goals in the time frame you've set. It's important to choose securities that you think will increase in value or provide income. But, it's just as important to select investments that will interact well with the others you already own.

Putting a portfolio together doesn't mean randomly buying a stock here and a mutual fund there. If you don't have a strategy, you could end up taking on more—no less—risk than you intend. To make smarter choices, try to think as much as you can about investing basics and consult an investment professional on your behalf or your credit union or bank.

ASSET ALLOCATION
Asset allocation means investing in several asset classes at the same time, making a specific percentage of your principal in each asset. For example, you might invest 40% of your cash in stocks and stock funds, 30% in bonds and bond funds, and the rest in CDs and money market funds.

Asset allocation works because each asset class tends to respond differently to what's happening in the economy. So when one class

is performing poorly another may provide an above average performance that offsets those losses. But allocation doesn't guarantee a profit because the allocation you're in the market is falling, or totally insulate you in the market is falling.

PUTTING STRATEGY BY PRACTICE
There isn't a right or wrong way to allocate your assets. But the way you do it should always be based on the amount of time you have to invest to meet your goals and how much risk you can tolerate without selling in a panic.

If you're investing for the long term, you generally have the time to take more risk. So you might select a more aggressive allocation and concentrate your portfolio in stocks or stock mutual funds.

If you're closer to reaching a financial milestone, or if several people depend on you financially, you might prefer a more conservative allocation. This might mean putting an emphasis on government bonds and cash equivalents.

Many investors use a **benchmark** allocation, a standard to achieve a balance between what would be too much risk or too much safety to reach their goal.

SMART INVESTING

DIVERSIFICATION
Diversification is a strategy that involves selecting a variety of individual investments, such as mutual funds or exchange traded funds (ETFs) within each asset class. The reason, as you'll discover, is that some investments are successful and others aren't—often for reasons you can't predict.

If you invest in a variety of assets of stocks, you'll help protect your portfolio from losses from any one investment and enhance the potential for a strong overall return.

GO SOLO OR IN A POOL?
Mutual funds or ETFs can simplify the diversification process for all investors, and give investment professionals a way to invest in a diversified stock or bond fund. That's because each fund is already diversified across a number of individual investments. Choosing from a particular segment of the investment market, though, is more difficult. In choosing these pooled investments, though, you should keep in mind that funds with narrower focused objectives, such as a sector fund that invests in one slice of the economy, are less diversified than funds that invest in a broader cross-section. You can research how a fund invests by checking the fact sheet provided on the fund company's website or reading the prospectus.

AS TIMES CHANGE
As you grow older, or need some cash and begin to plan for retirement, or need to pay for college, or need to pay for retirement, you may want to adjust your asset allocation. To be able to do this, you need to know how to adjust your asset allocation. You may want to adjust your asset allocation to be more conservative as you get older. You may want to adjust your asset allocation to be more aggressive as you get younger.

If you do buy several mutual funds to diversify your portfolio, you'll want to ensure that each investment performs differently. Because the funds that invest in many of the same securities won't help you get the diversification you seek.

DOLLAR COST AVERAGE
Dollar cost averaging is a smart strategy that can help you build your investment account. To use dollar cost averaging, you add a fixed amount of money on a regular schedule to a mutual fund or dividend reinvestment plan (DRIP).

This means that you're buying more shares when prices are low, and fewer shares when prices are high. If you invest on a regular basis, as the price goes up and down, the average price you pay will be lower than the average price per share. But it won't work if you only buy when prices are down.

Dollar cost averaging will help you build your long term portfolio, but it won't guarantee you'll make a profit, or that your investments won't lose value.



ALIGN OR DIFFERENT?
Correlation describes the extent to which different investments respond to changing market conditions. Correlation can also mean the relationship between two variables. For example, correlation could mean the relationship between two variables. In addition, correlation can also mean the relationship between two variables. In addition, correlation can also mean the relationship between two variables.

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