



# MONEYWISE

VALUING PEOPLE. VALUING MONEY.

AUGUST 2022

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## THIS MONTH'S TOPIC:

### INVESTING BASICS: MAKING YOUR MONEY WORK FOR YOU

Investing your money wisely can help it grow over time. Like compost in a garden, investment products are tools to promote financial growth. Each product has unique value and risk. With higher risk comes the potential for higher reward (or loss). Before investing, be sure you understand the basics of each product.



#### TYPES OF INVESTMENT PRODUCTS

Your investment portfolio is a collection of the different financial investments you've made at any one time. A portfolio may contain a wide range of assets including real estate, art, or private and public investments. There are several types of investment products, but three common choices are stocks, bonds, and mutual funds.

- **Stocks** represent a fraction of a corporation's ownership. When you own stock, it entitles you to a percentage of the company's profits. Units of stock are called "shares." Stocks offer long-term potential for growth over time. However, stock prices can vary greatly and fluctuate with the market and economy.
- **Bonds** are one-time loans you make to the government or a company for a set period time. In exchange for your money, you receive interest payments. Bonds are generally viewed

as "safer" investments than stocks because they are less volatile, or subject to change. If the bonds are held to maturity, you may earn back the principal (i.e., the initial amount invested), plus any interest earned.

- **Mutual Funds** are professionally managed investment pools where companies invest combined money from investors into a variety of different securities like stocks and bonds. When you invest in a mutual fund, you receive income from its portfolio, or its combined holdings.

#### INVESTMENT CONSIDERATIONS

As you build an investment portfolio, there are different strategies you can use to generate wealth based on your personal preferences, financial situation, and willingness to take risk. There are four important considerations for investing: time, risk, diversification, and fees. Ask yourself four questions:



## DO NOT INVEST MORE THAN YOU CAN AFFORD TO LOSE



- **Time.** *When do I want to invest?* Time is essential in investing. The longer you invest, the more time your money has to grow. Time also allows for fluctuations in the economy and financial market.
- **Risk.** *What amount of risk am I willing to take?* Most investments come with some risk. Consider your current financial situation and select an option that feels comfortable. Do not invest more than you can afford to lose.
- **Diversification.** *Are my investments diversified, or varied?* Diversifying your investments means spreading them out to help minimize risk. In other words, diversification is “not putting all your eggs in one basket.” If one investment doesn’t do as well as you hoped, you still have other investments to fall back on.
- **Fees.** *How much am I paying in investment fees?* Investments have fees, especially if you are paying someone else to manage investments for you. Always read all the fine print before investing and consider how fees affect your bottom dollar.

### GETTING STARTED

To begin investing, think about your budget. How much money can you reasonably invest each

month after paying bills, contributing to your savings and retirement funds, etc.? Like savings accounts, investments can start small — especially while you learn to invest wisely. Also, consider how much time you can dedicate to managing your investments. Hiring a licensed professional may be a good option if you lack the knowledge or time to manage investments effectively.

You also can invest through a retirement fund. Whether through your employer or on your own, retirement funds can kickstart an investing journey. Some retirement funds allow you to manage how your money is invested. Others manage the investments for you. For more information on investing through retirement plans, visit <https://www.irs.gov/retirement-plans>.

Finally, when considering investment opportunities, always take time to learn. For a detailed guide on getting started with investing, visit <https://www.sec.gov/investor/pubs/sec-guide-to-savings-and-investing.pdf>. You also can contact the U.S. Securities and Exchange Commission (SEC) with questions at (800) SEC-0330 or at <https://www.investor.gov/>.

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