A SALUTE TO SMART INVESTING

Prepared especially for the Armed Forces

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

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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. You could be promoted, with an increase in pay grade. You could marry, have children, or get divorced.

The better shape your finances are in, the easier it will be to move smoothly from one stage of your life to the next. So, if you’re not already in the driver’s seat on the road to a secure financial future, it’s time to shift gears.

PUTTING EVERYTHING IN ORDER

A budget or spending plan can help you keep track of your money and make it easier to spend wisely and to save.

The goal is to spend less than you earn every month. So tracking where your money goes can show you where you may be able to cut back. Even small changes in your spending habits, such as planning cash withdrawals to cut ATM fees, can free up money to help reduce your debt and increase your savings.

Next, make a list of your financial goals. These are the important things that you don’t have to pay for now, but will eventually. They could include driving a new car, buying a home, sending a child to college, or having enough to enjoy your retirement. If you start planning now, the more chance you’ll have of being able to afford them later.

USING CREDIT WISELY

When you don’t have cash on hand, you may be tempted to borrow to pay for things you need or want. While credit is convenient, it comes at a price, sometimes a very steep price. That’s because in addition to repaying the money you owe, you’ll also have to pay a finance charge, which is a fee for using the money you’re borrowing. As a rule, the more money you borrow and the longer you take to repay it, the more you’ll pay in finance charges.

Finance charges are quoted as an interest rate, or annual percentage rate (APR), such as 18% APR. This percentage is multiplied times the amount you owe. Sometimes, though, creditors quote a monthly rate or even a weekly rate, which can make what you’re being charged seem more reasonable. But 3% monthly is 36% a year, or $36 of every $100 you borrow. And 3% weekly is $156 for every $100.

APRs vary, depending on who is lending you the money or the credit card you use. Your credit history is also important. For example, if you’re late with payments, you’ll not only owe an extra fee. The APR you are charged can rise significantly. This means it will cost you even more to borrow in the future.

Using credit only in an emergency can help you control the amount you spend and keep your finance charges to a minimum.

CHECKING YOUR CREDIT

You’re entitled to one free credit report each year from each of the three national credit bureaus—Equifax, Experian, and TransUnion—by going to www.annualcreditreport.com or calling 877-322-8228. The reports provide a detailed picture of your credit use that stores, banks, insurers, and others check before doing business with you.

The better your credit history, the higher the credit score you’ll be assigned. The main criteria in calculating your credit score are your payment history and whether or not you pay on time. The total you owe, the length of your credit history, the amount of new credit you have, and the types of credit you use also matter.

For a small fee, you can learn your score from any of the bureaus or by visiting www.myfico.com. The advantage of checking your FICO score is that it’s the one most creditors use.

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, disability, and life insurance options exclusively to servicemembers, veterans, and their families. To find out more about the plan that might be right for you, visit the VA’s Insurance website at www.insurance.va.gov.

AVOIDING DEALS

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

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Saving

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

Saving helps you manage your money to meet short-term goals, so you can avoid going into debt. It also helps you to prepare for unexpected emergencies.

**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.

You can compare local and online banks to find a higher rate. Just be sure that the one you choose is insured by the Federal Deposit Insurance Corporation (FDIC) if it’s a bank or the National Credit Union Share Insurance Fund (NCUSIF) if it’s a credit union. 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 to your checking account. Bank money market accounts usually earn higher interest than regular savings accounts and may offer check writing and cash transfer 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 minimum. So be sure to check your bank’s rules.

**CASH EQUIVALENT INVESTMENTS**

Some investments, known as cash equivalents, can be great ways to save for short-term or unexpected expenses. One benefit is that they generally offer 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. And, they’re low risk, which means your money will be there when you need it.

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 or roll it into a new CD. Like other bank deposits, these CDs are FDIC—or NCUSIF—insured.

Treasury bills are government debt securities available in 4-, 13-, 26-, or 52-week terms. You buy them at a discount back at maturity. The easiest way to buy T-bills is directly from the government through a TreasuryDirect account. You can set up your own online account at www.treasurydirect.gov.

T-bills aren’t insured, but since they’re backed by the federal government, you can rest easy knowing your money is safe.

**SAFETY COUNTS BUT COSTS**

In general, the safer an investment is, the less you earn. Cash equivalents generally pay more than savings accounts, but they usually pay less than uninsured investments, such as stocks and bonds.

**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 large medical bills, the 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 take-home pay in your emergency account—and use it only for real emergencies.

**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.

**SMART INVESTING**

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.

**COMPOUNDING**

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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 8%. 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 8%. By age 60, both investors have contributed $48,000, but Investor A’s account will have grown to $351,428, while Investor B’s account will only have grown to $118,589. That’s because Investor A was able to take advantage of the effects of compounding for 20 additional years.

**TOTAL INVESTED**

Investor A starts at **AGE 20**

Total invested **$48,000**

Over 20 years

Investor B starts at **AGE 40**

Total invested **$48,000**

Over 40 years

AGE 20

**$351,428**

AGE 40

**$118,589**

**$118,589**

**$351,428**

**$48,000**

**$48,000**

**$118,589**

**$351,428**

**$48,000**

**$48,000**

**$118,589**

**$351,428**

**$48,000**

**$48,000**
Investing

Investing can take your savings to new heights.

S M A R T I N V E S T I N G

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.

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 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.

But, if the company doesn’t do well or the stock market drops, and you sell when the price is down, you could lose some of your original investment. You could also lose money if the company issuing the stock goes out of business.

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 based on interest rates and the credit rating that’s assigned to them.

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 sell before the bond reaches maturity, you may forfeit some interest, depending on how long you’ve held the bond.

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 those securities, which are called the fund’s underlying investments.

It’s 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.
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 keep your distance. 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 + $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 ÷ 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.

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**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, 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 the safety of savings for short-term goals and buy stocks 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 they tend to move up and down in a recurring pattern. Moving from a peak of strong performance 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.

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.

But, each security poses its own risk. If a competitor releases a successful new product or a company’s management makes a bad decision, that can trigger a drop in the 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.

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**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 timeframe 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 follow a strategy, you could end up taking on more—or less—risk than you intend. The good news is that there are tested strategies you can use as you make your choices.

ASSET ALLOCATION
Asset allocation, which means spreading your investment dollars across the major asset classes, is a strategy that’s essential to effective investing. It works because not all investments react in the same way to changing market conditions.

Stocks and bonds, for instance, are negatively correlated. When stocks are flourishing, bonds typically falter, and when stocks are flagging, bonds typically do well. If you allocate a percentage of your portfolio to each of the major asset classes, you can help protect your principal and still have the potential for gains throughout the market cycle.

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.

DIVERSIFICATION
Diversification is also essential. This strategy involves selecting a variety of individual investments, mutual funds, or exchange traded funds (ETFs) within each asset class. The reason is, as you'll discover, 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, expand the potential for a strong overall return, and spread out your risk.

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 bonds, to protect the wealth you’ve accumulated.

You do want to be careful, though, that if you buy several mutual funds to diversify your portfolio that each is invested differently. Owning two funds that invest in many of the same securities won't help you get the diversity 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.
Retirement Planning

Make saving for retirement standard operating procedure.

Retirement may be the last thing on your mind. But it’s the most important kind of investing you can do for long-term financial security. The earlier you start, the better chance you’ll have of meeting that goal, thanks to a double boost provided by tax deferral and compounding.

**THRIFT SAVINGS PLAN**

The government’s retirement plan, the Thrift Savings Plan (TSP), makes it easy as well as smart to save for retirement. You can enroll and start contributing as soon as you enlist.

You can contribute from 1% to 100% of your basic pay each pay period—up to the annual limit set by Congress. The limit goes up over time, though not necessarily every year. If you contribute basic pay, you may also contribute from 1% to 100% of any incentive, special, or bonus pay you receive—as long as you stay within the contribution limits.

If you’re 50 or older, you’re entitled to make an additional catch-up contribution each year.

**CHOOSING INVESTMENTS**

The TSP is a defined contribution plan, which means that your retirement income will depend on how much you’ve contributed to your account, the investments you choose, and what those investments earn.

You can allocate your contributions among the five index mutual funds—three stock funds and two bond funds—available through the plan, or choose a lifecycle fund that gradually changes the allocation among stocks and bonds for you as you get closer to retirement age.

**TAX ADVANTAGES**

Unless you’re contributing combat zone pay, the contributions you make and the earnings you accumulate in your TSP are tax deferred, which helps you save money and the value of your account to grow faster. This is because of two major benefits of tax-deferred investing:

- Your contributions are withheld before your income is reported to the IRS, which lowers the current income tax you owe.
- Taxes on your contributions and any earnings in the account are postponed until you begin taking money out.

As a member of the armed forces, you’re automatically enrolled in the Uniformed Services Retirement System. This defined benefit plan, or pension, pays you retirement income based on your years of service and your rank at retirement. But you usually must serve at least 20 years of active duty to be eligible.

**TAKING DISTRIBUTIONS**

Since you’re investing for retirement, you usually can’t take money out of your TSP account before you’re retired and turn 59½, though you may qualify to begin earlier.

When you leave the service or retire you may keep your money in the TSP to continue to grow your retirement savings. Or you can transfer the assets to another retirement plan, such as an individual retirement account (IRA), or to an employer sponsored plan, such as a 401(k), if you work for a private employer whose plan accepts transfers.

You could also take the balance in cash, but that’s almost never a good idea since it uses up your retirement savings and you pay taxes on the entire amount you take out. But, if you do take money out, the HEART Act of 2008 lets active-duty troops and mobilized National Guard and Reserve members withdraw without any additional penalty. You can put back in what you took out up to two years after you leave active duty.

**TAX-EXEMPT CONTRIBUTIONS**

If you’re in a combat zone or qualified hazardous duty area, some or all of your pay is tax exempt depending upon your rank. Any contributions you make to your TSP from combat pay are also tax exempt, though any earnings on these contributions grow tax deferred.

**INVESTING WITH TAX ADVANTAGES**

Because you earn income, you can also open an individual retirement account (IRA), even if you’re contributing to the TSP. You select the custodian for your account—a bank, credit union, mutual fund company, or other financial services firm—and choose the investments yourself or with the help of a financial professional.

There are two types of IRAs, traditional and Roth, both with tax advantages. Taxes are deferred on any earnings that accumulate in a traditional IRA, and earnings are tax free in a Roth IRA if you follow the withdrawal rules. You may also qualify to deduct your IRA contribution based on your adjusted gross income (AGI).

There are restrictions with both types, so it’s important to learn the details before you get started. For example, Congress sets an annual contribution limit plus there’s an additional annual catch-up contribution if you’re 50 or older. And when you turn 70½, you will have to take minimum required distributions (MRDs) from your traditional IRA and your TSP.

**THE ANNUITY ALTERNATIVE**

If you’ve maxed out on contributions to your TSP and IRA but want to save even more for retirement, you might consider an annuity. Annuities are insurance company products designed to provide income after you retire. Earnings typically grow tax deferred. The drawbacks are that they may have hefty commissions and other fees plus substantial penalties for early withdrawal.

For more information about Thrift Savings Plans and the amount of the annual cap, visit www.tsp.gov.
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. Usually you trade through an intermediary, who places your order in exchange for a commission or fee. 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 licensed, and the brokers, also known as agents or registered representatives, who work there must be registered. Brokers receive commissions on what they sell. Some brokerage firms operate only online, but they must still be licensed, and you still pay for their services. Many banks have broker-dealer representatives on the premises. These reps are not bank employees and the products they sell are not FDIC insured.

An investment adviser provides advice, helping you develop a plan for meeting your financial needs and goals. Like securities brokers, 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 need to set up a brokerage account somewhere else to actually buy and sell investments.

If you want to invest just in mutual funds, you may open an account with a mutual fund investment company and purchase shares in the fund directly. Or you may buy funds through your broker or adviser. And if you want to buy only insurance products, like annuities, you can work with an insurance agent. Insurance agents must be licensed by each state in which they sell products, and most are paid with commissions.

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 being properly licensed, 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 a financial 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, and family, or even your bank manager. Never respond to strangers’ solicitations to invest.

Step 3: Write a check for your first investment to your new brokerage, bank, mutual fund, or other account, not 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 in the mail and asking your adviser for updates.

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 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.
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. Some seminars can be educational and useful, but others 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 or investment adviser.

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.

There are some withdrawal restrictions that serve an important purpose. These include retirement savings plans, like individual retirement accounts (IRAs), and education savings programs like 529 plans. These plans help you stay on track to meet a goal by restricting your ability to take money out without penalty before you reach that milestone.

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 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 options and futures 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 magazines to target potential new victims.
- Luring you in: Other scammers try to hook you in online investment chat rooms by talking 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 doesn’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 dishonest. Historically, very few securities have managed to produce such high returns consistently.

**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 illegal 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 should also show any commissions, sales charges, maintenance or service charges, and transaction or redemption fees.

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.

**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 have 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.

**CHECKING UNDER THE HOOD**

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 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 invited. 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 without explaining why so much trading is necessary. 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 or a cash payment.

In another example, a scammer calls a servicemember’s home, claiming 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.

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.

ONE IS NOT LIKE THE OTHER
When scammers take your cash, that’s bad enough. But, if they get a 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.

INTERNET SCAMS
The Internet can be a great source of credible information. But, it’s also a perfect place for fraudsters 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 ups that appear once you’re logged into a legitimate website.

Never give away money or reveal personal information if you haven’t checked out the person, organization, or business approaching you. And, use your opportunity to get legal advice. It’s free.

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.
Keep Your Eyes and Ears Open

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

Products or investments might be advertised as deals that can’t be beat or quick fixes to financial problems. But, in reality, they could land you in financial trouble. Scammers use a lot of clever tactics to try to trick you into doing business with them. But, if you know what to look out for, you’ll know what to avoid.

A CLOSER LOOK

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 made to believe they are making a decision that is in their best interest, and will make them a lot of money to boot. Neither is true.

LOAN PROBLEMS

Con artists frequently use fast-cash loan scams to trap their victims. If you think you need to take out a loan, check with your Family Readiness Center for legitimate programs and avoid these common traps:

- **Payday loans**
  One scheme you’ve probably been warned to steer clear of is the payday loan. These loans offer immediate cash, without a credit check. But, they come at a very high cost and their terms practically guarantee you can’t repay on time.
  In exchange for cash, you write a check for the amount you borrow, plus a fee for the service. The shop cashes your check on a certain date, usually your payday. But if you’re still short of money, you probably end up rolling the loan over for another two weeks—and paying an additional charge. Or you may arrange a second payday loan in order to repay the first one. It’s easy to see why payday loans make it easy to end up on a slippery slope into financial distress.
  If you’re thinking of taking out a payday loan, note that the interest on loans with terms shorter than 91 days must be capped at 36% for military personnel. But, not all providers abide by the rules, so always be sure to check what the loan shop is charging.

- **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.

- **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.

- **Auto-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 sell it to another victim.

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.
When You Need It

There are places you can go for help.

Scams can look like good deals if money is tight and you don’t think there’s anywhere else you can go. But, in fact, you do have easy, affordable, and legitimate options available to you.

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

**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 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.

**MONEY ON THE MOVE**

If you receive a PCS order, you and your family may be able to receive reimbursements for items ranging from gas, food, lodging, or advance pay while you move. It’s your responsibility to ask for these benefits, so make sure you take advantage of all you’re entitled to. To learn more, visit the Military Assistance Program’s website at http://www.defenselink.mil/mapsite/relochb.html.

**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.mcrs.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.

**Additional Resources**

Take advantage of all that’s available to you. These organizations are there to help.

**Air Force Crossroads**

www.aforceroads.com/financial/main.cfm  
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.

**Better Business Bureau Military Line** www.bbb.org/military  
Offers breaking news of interest to service-members, custom educational materials, and a free e-newsletter.

**Federal Trade Commission**

www.ftc.gov  
Protects consumers against unfair, deceptive, or fraudulent practices.

**Investor Protection Trust**

www.investorprotection.org  
Provides information about ways to protect investors from costly mistakes and empowers them to build and safeguard their futures.

**Military Homefront**

www.militaryhomefront.dod.mil  
Offers reliable quality of life information designed to help troops and families, leaders, and service providers.

**Military One Source**

www.militaryonesource.com  
Provides service and support for military members on topics ranging from deployment to childcare to financial education.

**My Army Life Too**

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

**Navy Fleet and Family Support Center**

www.nffsp.org  
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  
Provides information about managing personal finances specifically for the military.

**The National Military Family Association**

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

**U.S. Financial Literacy and Education Commission**

www.mymoney.gov  
Provides information about the basics of financial education, such as saving, investing, and meeting personal goals.
State Securities Regulators

Here’s a handy list of your local state securities regulators’ offices.

You can contact your state regulator if you think you’ve been a victim of investment fraud or want more information about how to protect yourself from being victimized.

For more information about the role of state securities regulators and making smart financial and investing choices, visit the North American Securities Administrators Association (NASAA) website at www.nasaa.org.

**Alabama**
334-242-2984 Toll-free: 800-222-1253
www.asc.state.al.us

**Alaska**
907-465-2521 Toll-free: 888-925-2521
www.dced.state.ak.us/bsc/secur.htm

**Arizona**
602-542-4242 Toll-free: 866-837-4399
www.azcc.gov/Divisions/Securities

**Arkansas**
501-324-9260 Toll-free: 800-981-4429
www.securities.arkansas.gov

**California**
916-445-7205 Toll-free: 866-275-2677
www.corp.ca.gov

**Colorado**
303-894-2320
www.dora.state.co.us/securities

**Connecticut**
860-240-8299 Toll-free: 800-831-7225
www.ct.gov/dob

**Delaware**
302-737-8900
www.dish.de.gov

**District of Columbia**
202-775-6500
www.dos.dc.gov

**Florida**
850-410-9885
www.flofr.com

**Georgia**
404-656-3920
www.sos.state.ga.us/securities

**Hawaii**
808-586-2744 Toll-free: 877-447-2267
www.investing.hawaii.gov

**Idaho**
208-332-8004
finance.idaho.gov/

**Illinois**
312-793-3384 Toll-free: 800-628-7937
www.cyberdriveillinois.com/departments/securities/

**Indiana**
317-232-6681 Toll-free: 800-223-8791
www.in.gov/sos/securities

**Iowa**
515-281-4441 Toll-free: 877-955-1212
www.iid.state.ia.us/ia_security bureau/index.asp

**Kansas**
785-296-3307 Toll-free: 800-232-9580
www.securities.state.ks.us

**Kentucky**
502-573-3390 Toll-free: 800-223-2579
www.kfi.ky.gov

**Louisiana**
225-925-4660
www.ofi.louisiana.gov

**Maine**
207-624-8551 Toll-free: 877-624-8551
www.state.me.us/dfp/sec/sec_index.htm

**Maryland**
410-779-8034 Toll-free: 888-932-0223
www.oag.state.md.us

**Massachusetts**
617-727-3548 Toll-free: 800-269-5428
www.state.ma.us/securities

**Michigan**
517-335-3167 Toll-free: 877-999-6442
www.michigan.gov/oifs

**Minnesota**
651-296-4026
www.commerce.state.mn.us

**Mississippi**
601-359-1350 Toll-free: 800-804-6364
www.sos.state.ms.us

**Missouri**
573-751-4136 Toll-free: 800-721-7996
www.sos.mo.gov/securities

**Montana**
406-444-2040 Toll-free: 800-332-6148
sao.mt.gov

**Nebraska**
402-471-3445 Toll-free: 877-471-3445
www.ndbf.org

**Nevada**
702-486-2440
www.sos.state.nv.us/securities

**New Hampshire**
603-271-1463 Toll-free: 800-994-4200
www.state.nh.gov/securities

**New Jersey**
973-504-3600 Toll-free: 866-446-8378
www.state.nj.us/lps/ca/bos.htm

**New Mexico**
505-476-4580 Toll-free: 800-704-5533
www.rld.state.nm.us/Securities/index.html

**New York**
212-416-8222 Toll-free: 800-771-7755
www.oag.state.ny.us/bureaus/investor_protection/about.html

**North Carolina**
919-733-3924 Toll-free: 800-688-4507
www.secretary.state.nc.us/sec

**North Dakota**
701-283-2910 Toll-free: 800-297-5124
www.state.nd.us/securities

**Ohio**
614-444-7381 Toll-free: 800-788-1194
www.securities.state.oh.us

**Oklahoma**
405-280-7700
www.securities.state.ok.us

**Oregon**
503-378-4387 Toll-free: 866-814-9710
www.sos.state.or.us/external/dfts

**Pennsylvania**
717-787-8061 Toll-free: 800-600-0007
www.psc.state.pa.us

**Rhode Island**
401-462-9527
www.dbr.state.ri.us

**South Carolina**
803-734-9916
www.scescurities.com

**South Dakota**
605-773-4832
www.state.sd.us/drr2/reg/securities/index.htm

**Tennessee**
615-741-2947 Toll-free: 800-863-9117
www.state.tn.us/commerce/securities

**Texas**
512-305-8300
www.ssb.state.tx.us

**Utah**
801-530-6600 Toll-free: 800-721-7233
www.securities.state.ut.us

**Vermont**
802-359-9051 Toll-free: 800-359-3907
www.bishca.state.vt.us

**Virginia**
804-351-9051 Toll-free: 800-552-7945
www.scc.virginia.gov/srf

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www.wssao.gov/securities/securities.aspx

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www.wvsao.gov/securities/securities.asp

**Wyoming**
307-777-7370
soswy.state.wy.us

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percentage of the total cost of the trade. Online
With full-service brokers, the charge is usually a
and other sales agents for each transaction.
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.
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 grow.
Disclosure documents explain how a financial
product works, the terms and conditions of pur-
chase, and the risks in making such a purchase.
Diversification means spreading your investment
assets among a number of different investment
categories and then among individual investments
within these categories. For example, in a diver-
sified portfolio you might own six stock mutual
funds, each with a different objective or in a
different sector of the economy, several bonds or
bond mutual funds, and US Treasury bills or CDs.
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.
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 would 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.
Mutual fund is a professionally managed
investment company 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.
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 all or part
of your investment. You should seriously consider
the level of risk you are taking before choosing an
investment.
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.
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.
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.

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 timeframe you've set. It's important to choose strategies you can use as you make your choices.

Putting a portfolio together doesn't mean putting a strategy into practice. If you invest in a variety of stocks or bonds, you'll help protect your portfolio from losses from any one investment, expand the potential for a strong overall return, and spread out your risk.

If you're investing for the long term, you need to be patient and will have the potential to profit throughout your investment cycle.

Putting yourself into practice means selecting the investments you'll own and how you'll buy and sell them. It's a critical aspect of any investment strategy. It's important to make sure you understand your investing goals and the risks involved. It's also important to consider the potential returns and the impact of inflation on your investments.

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The share price of the stock you buy is the first part of the equation. The second part is how much you pay for it. The price you pay will be lower than the average price per share when prices are low and more shares when prices are high. If you invest on a regular basis, this means that you'll be buying more shares when the stock price is low and fewer shares when the price is high. This means that you'll be buying more shares when the stock price is low and fewer shares when the price is high. This means that you'll be buying more shares when the stock price is low and fewer shares when the price is high.

Dollar cost averaging is another strategy that can help you build your investment account. To put it in practice, you need to know what you want to invest in, how much you want to invest, and how long you want to invest. You also need to know how much you can afford to lose. This means that you'll be buying more shares when the stock price is low and fewer shares when the price is high. This means that you'll be buying more shares when the stock price is low and fewer shares when the price is high.

If you're investing for the long term, you need to be patient and will have the potential to profit throughout your investment cycle.

As times change, your goals and investing strategies may also change. As you grow older, or meet some goals and develop new ones, you may need to modify your asset allocation. This might mean putting an emphasis on stabilizing your income or shifting your investments to help preserve capital.

If you're closer to reaching a financial milestone, you may need to reallocate your assets. This might mean putting an emphasis on stabilizing your income or shifting your investments to help preserve capital.

In choosing these pooled investments, though, it's important to keep in mind that funds with narrowly defined mandates, or with portfolios that each is invested differently. Owning two or more 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 different investments chosen from a particular segment of the investment market.

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S M A R T  I N V E S T I N G

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