PURCHASING INVESTMENTS

WHAT, WHEN, AND HOW?

Purchasing investment products such as stocks, bonds, and mutual funds is more involved than opening a checking or savings account at a local bank. However, with so many resources available today there are more ways than ever to purchase affordable investments to suit the needs of a beginning investor. The first step is to determine your investing goals. In other words what do you want to accomplish by investing your money? Next, choose your investing time frame. A long investing time frame is ideal for goals more than ten years away. While a shorter time frame is more suitable for goals less than five years away. Then decide how much risk you’re willing to take to achieve your investing goals within your chosen timeframe. Remember all investments carry some degree of risk that you might lose a portion of your money or all of it.

HANDS-ON OR HANDS-OFF?

How involved do you want to be in the process of choosing and managing your investments? A hands-on investor will probably pick his or her own investment products using online resources to research and manage them. However, a hands-off approach is to work with an investment professional who chooses your investments based on your financial goals.

DESIGNING A PORTFOLIO

Once you’ve come up with a plan it’s time to begin researching your investments and designing a portfolio. Most beginning investors will build an investment portfolio using mutual funds which are professionally managed collections of stocks and/or bonds. Generally stocks are going to be riskier than bonds, but they also offer greater potential for growth. Bonds on the other hand are usually safer than stocks, but don’t offer as much upside potential. It’s a good rule of thumb that until a person has at least $50,000 to invest they are better off investing in mutual funds as opposed to individual stocks and bonds which require more much more money to create a balanced portfolio. A more aggressive investor with a longer time frame might design a portfolio with mutual funds that contain a greater portion of stocks. While an investor looking for less risk will chose mutual funds with more bonds.
PURCHASING INVESTMENT PRODUCTS

After completing the previous steps purchasing actual investment products for your portfolio should not be a very difficult or complicated task. That's because you've already done the work of creating a plan so now you just need to purchase investment products to match that plan. A hands-on investor can select a reputable online investment advisor to open an investment account in which to purchase investments by check or by electronic funds transfer. A hands-off investor will want to hire a reputable financial advisor or broker who will set up an investment account and purchase investments on their behalf. BrokerCheck by FINRA is a great online search tool that allows investors to find a reputable financial advisor in their area.

https://brokercheck.finra.org/

Because there are many companies and advisors who sell investment products a beginning investor might feel overwhelmed deciding which option best suits their needs. Consider the following factors when choosing the best option for purchasing your investment products.

- Face to face investing advice and guidance
- Online account access and tools (website, apps, etc.)
- Low cost investment products (mutual fund fees and expenses)
- Broker commissions and fees
- A wide variety of mutual funds
- Stock trading capability
- Minimum purchase requirements

KEEP IT SIMPLE

Contrary to popular opinion the primary goal for investing your money should not be to get rich. Instead your goals should focus on safeguarding your assets, protecting your money against the eroding effect of inflation, and striving for capital growth in line with your chosen risk tolerance. With that said the biggest factor that will determine how well your investments perform is simply how you choose to allocate or diversify your investment dollars among stocks, bonds, and cash. Good luck!

70%
Asset Allocation
Stocks, Bonds, Cash, Other Assets Classes

20%
Stock Sub-Asset Allocation
Country, Sector Market Cap, Valuation

10%
Bond Sub-Asset Allocation
Duration, Issuer Type, Credit Quality, Taxable vs Tax Free
Individual security selection

Portfolio Performance

TERMS

Portfolio: a collection of stocks, bonds, mutual funds, or other investment products
Stock: shares of ownership in a publicly traded company
Bond: an interest earning instrument of debt issued by a company, government, or government entity
Mutual fund: a professionally managed collection of stocks and/or bonds sold as shares to investors looking for a ready made portfolio

For more information on investing topics visit https://www.firstnations.org/our-programs/achieving-native-financial-empowerment/