COMPOUND GROWTH

Compound growth is an investor's best friend. As earnings are reinvested back into your original investment, your overall investment portfolio will keep on growing. The earlier you start to invest the greater the growth potential.

LONG-TERM INVESTING

Investing for the long-term will allow you to ride out the ups and downs of the market. Historically over the long-term, investing in stocks and bonds has been an effective way to help your money grow and to keep it from being eroded by inflation.

By understanding the basics of savings and investing, you can begin to develop your future financial plan. Start to save now and invest soon after. You have the benefits of decades of compounding and returns to build your financial future compared to those who have less time. The key is to save and invest consistently. Have your hard earned money work for you so you will rip the financial benefits later.

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150/11

Top Tips on Getting Smart about Investing Your Money

by Vicki Kasomenakis
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Investing focuses on building wealth and achieving long-term financial goals. When you invest, you are putting money a side to help you buy a home, start a business and accumulate wealth for your future retirement. Investing is the purchase of a financial product with the potential to increase substantially in value and provide a greater rate of return than insured savings. However, there are risks associated with investing. That is, the returns on your investments aren't guaranteed and they could lose value especially in the short-term.

There are a number of different options to explore when investing your money which include but not limited to the following:

STOCKS

Stock is a piece of ownership in a corporation. Each unit of ownership is referred to as a share. The more shares you own, the greater the ownership you have in the corporation. How your stock investment will perform will depend on how the company performs. If the company does well, the value of the stock rises and you may receive some of the profit by way of a dividend. On the other hand, if the company doesn't do well, the value of the stock will go down and chances are you will not receive any dividends.

BONDS

When you buy a bond, you are lending money to a corporation or government. In return for lending them your money, they promise to repay the amount borrowed plus interest. The value of a bond will fluctuate with interest rates. When interest rates go up, the value of the bond will fall and vice versa. When you hold your bonds until maturity you will receive the face value of the bond. For example, if you purchase two corporate bonds at $1,000 each and the bonds mature in ten years, even if the value of the bonds changes during the period you held the bonds, the bonds will be worth a total of $2,000 at the time of maturity.

MUTUAL FUNDS

A mutual find is on Investment Corporation that pools your money with the money of many other people. A Professional fund manager will use the money to buy and sell a variety of stocks, bonds and other investment vehicles. In addition, the fund manager will constantly monitor the investments. Investing in mutual funds is a simple way to create a diverse investment portfolio of stocks and bonds. It alleviates the burden of having the individual investor create and maintain the investment portfolio. Mutual funds are not risk-free. Their values rise and fall along with the investments in the mutual fund.

As you begin to explore investing opportunities, there are a number of essential concepts you need to be aware of. These concepts will help you to form the foundation of smart investing. They are as follows:

RISK AND REWARD

Risk and reward are directly related. The greater the risk that an investment may lose money, the greater the return. On the other hand, the smaller the risk an investment has, the smaller the return. Certainly stocks, bond and mutual funds are more risky than a savings account. Money that you need in the next two to three years shouldn't be invested in the stock and bond market. However, with long-term financial goals, you have more time to ride out the fluctuations in the stock and bond market with the potential of a greater return. As a rule of thumb, you shouldn't invest more than you are willing or able to lose.

DIVERSIFICATION

Spreading your money over a variety of different investments is very important because it helps to reduce your overall risk of your investment portfolio. That is, there will be less fluctuations in your investment performance because losses from some investments will be offset by the gains in other investments.