Foundations for investing

Loan investments

Money is lent to a bank, municipality, government or company. In return, you expect timely payment of principal and interest over a fixed period.

Cash

Checking accounts
Money market funds
Savings accounts

Benefits
Relatively stable principal
Accessible
Short term
Potential protection from rising interest rates

Considerations
Lower rates
Fluctuating income
Little potential growth of principal
Potential loss of purchasing power

Income

Bond ETFs
Bond UITs
Bond mutual funds
Certificates of deposit
Corporate bonds
Fixed annuities
High-yield bond funds
International bond funds
Savings bonds
Municipal bonds
U.S. Treasury bills, notes and bonds

Benefits
Relatively stable principal
Potentially higher current income
Potential protection from falling rates
Potentially tax-advantaged income

Considerations
Greater principal price fluctuations the longer the period before maturity
Little potential growth of income
Little potential growth of principal
Potential loss of purchasing power
Prices decline when interest rates rise
Potential loss of principal due to default risk, which increases the lower the credit quality of the issuer
High-yield bond fund prices fluctuate more than higher-rated fixed income investments and involve more risks

Own investments

You take partial ownership of the company or group of companies through the purchase of shares. You participate in the gains or losses of the investment. There is no fixed rate or fixed time period.

Income and Growth

Large-cap ETFs
Growth-and-income mutual funds
International Large-cap stocks
Real estate
Variable annuities
U.S. Large-cap dividend-paying stocks

Benefits
Potential growth of income
Potential growth of principal
Opportunity to fight against rising prices

Considerations
Designed to provide a moderate level of income
Fluctuating principal
Subject to market price fluctuation
Generally involve greater risk than fixed income investments

Growth

Small-cap & Mid-cap equity ETFs
Small-cap & Mid-cap mutual funds
Small-cap & Mid-cap stocks
U.S. Large-cap stocks (no dividend)

Benefits
Potential for greater growth of principal than growth-and-income investments
Opportunity to fight against rising prices

Considerations
Heavily dependant upon earnings growth for long-term returns
Higher risk than growth-and-income investments
Prices typically fluctuate more than growth-and-income investments
Typically offers little current dividend income

Aggressive

Commodities
Emerging markets

Benefits
Potential for higher returns

Considerations
Higher levels of risk and price fluctuation than growth stocks
Vulnerable to political and/or economic instability
Emerging market stocks are also susceptible to currency exchange risk

Rules of the Road

1. Develop Your Strategy
2. Understand Risk
3. Diversify for a Solid Foundation
4. Stick with Quality
5. Invest for the Long Term
6. Have Realistic Expectations
7. Maintain Your Balance
8. Prepare for the Unexpected
9. Focus on What You Can Control
10. Review Your Strategy Regularly

See reverse for important disclosures.

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Before investing, you must evaluate your investment objectives, risk tolerance and financial circumstances.

There may be additional risks inherent in certain investments, including mutual funds, exchange–traded funds (ETFs), and international and equity investments. These risks may include currency, political, social and economic risks. Some mutual funds or ETFs categorized as niche assets may include real estate investment trusts (REITs), natural resources (such as gold or commodities), emerging markets and alternative investments registered under the Investment Company Act of 1940. Niche assets may be less liquid and contain a higher risk of loss of principal than other forms of equity investments. There is the potential for greater price swings associated with niche assets.

There may be risks involved with investing in equity and fixed–income investments. Equity investments generally involve greater risk than fixed–income investments and are subject to market fluctuation. There are greater–than–average risks involved with investing in small– and mid–capitalization and emerging growth companies. Small– company stocks can fluctuate in price more than larger company stocks and may have limited marketability. International stocks contain additional risks that are not associated with U.S. domestic issues, such as changes in currency exchange rates and different governmental regulations, economic conditions and accounting standards. Fixed–income investments, or bonds, are subject to interest rate risk, credit risk and market risk. High–yield bond funds invest in fixed–income securities that at the time of purchase are non–investment grade, involve greater price volatility and present greater risks than higher–rated fixed–income securities.

All investments involve risk, including loss of principal amount invested.

Diversification does not guarantee a profit or protect against loss.

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