

There are no secrets. Here you'll find well-known methods of successful investors.



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The Investor Protection Trust (IPT) is a nonprofit organization devoted to investor education. More than half of all Americans are now invested in the securities markets, making investor education and protection vitally important. Since 1993 the Investor Protection Trust has worked with the States and at the national level to provide the independent, objective investor education needed by all Americans to make informed investment decisions. For additional information, visit www.investorprotection.org.

A variety of noncommercial investor education and protection materials, including booklets, videos and curricula, are available and can be downloaded for educational purposes at www.investorprotection.org.

HOW TO ORDER INFORMATION

STATE SECURITIES REGULATORS

State Securities Regulators have protected investors from fraud for more than 100 years. Securities markets are global, but securities are sold locally by professionals who are licensed in every state where they conduct business. State Securities Regulators work within your state government to protect investors and help maintain the integrity of the securities industry.

Your State Securities Regulator can:

- Verify that a broker-dealer or investment adviser is properly licensed;
- Provide information about prior run-ins with regulators that led to disciplinary or enforcement actions; serious complaints that may have been lodged against them; their educational background and previous work history;
- Provide a Web site, telephone number or address where you can file a complaint; and
- Provide noncommercial investor education and protection materials.

For contact information for your State Securities Regulator, visit the North American Securities Administrators Association (NASAA) Web site at www.nasaa.org and click on "Contact Your Regulator."

5 Keys to Investing Success

By the Editors of
Kiplinger's Personal Finance

There are no secrets. Here you'll find well-known methods of successful investors.

The breathtaking, roller-coaster performance of the stock market that accompanied the bursting of the housing and credit bubbles was a stark reminder of a fundamental truth about investing: It involves risks. One way to learn about investing is with the booklet *5 Keys to Investing Success*. Here's a sample of the information in the booklet:

Investing continues to offer the best means to achieve long-term financial goals. To be successful means learning to limit risks, not avoid them completely. Among investors who suffered the most from the market meltdown of 2007-09 are those who bailed out and then missed the remarkable rally that saw stocks in the S&P 500 index deliver a return (appreciation and dividends) of nearly 25% a year over the next four years.

Your task is to create an investing plan that suits you and then stick with it. One thing you'll learn is that there are keys to success, not secrets. In truth, there are no investment secrets.

Key #1: Make Investing a (Good!) Habit

The best chance to acquire measurable wealth lies in developing the habit of adding to your investments regularly and putting the money where it can do the most for you. The rewards can be considerable.

Suppose your goal is to have a nest egg of \$250,000. You've got 20 years to get there and \$5,000 to start. What's a reasonable return to

plan on, and how much more will you have to contribute along the way?

Since 1926, the stocks of large companies have produced an average annual return of about 10%. (Remember, that includes such lows as the Great Depression, the stock slide that followed the September 11 terrorist attacks and the financial crisis of 2007-09.) If we assume a long-term annual return of 8%, you'll need to add \$382 a month to the initial \$5,000 to reach your quarter-of-a-million dollar goal in 20 years. If you can earn 10% annually, \$279 a month will do the trick.

Key #2: Set Exciting Goals

Investment goal-setting is an intensely per-

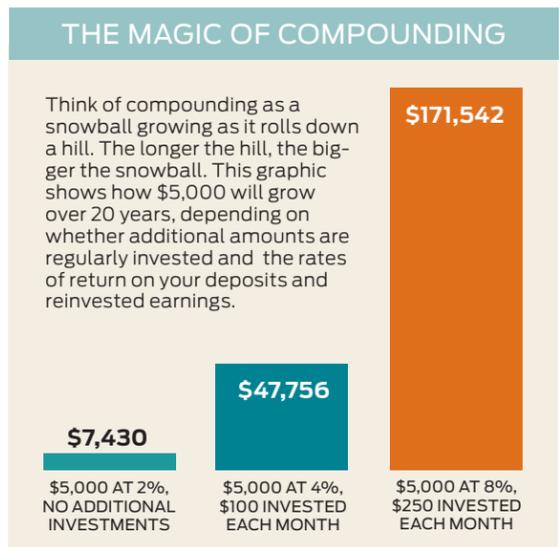
sonal affair. But if you set generalized goals, such as "financial security" or "a comfortable retirement," you're going to have trouble measuring progress along the way. You may even struggle to maintain interest in the project. Vaguely defined investment goals can lead to half-hearted efforts to achieve them.

Better to set goals you can grab onto, goals that excite you. Instead of "financial security," why not "\$500,000 net worth by age 60"? Instead of "a comfortable retirement," why not "an investment portfolio that will yield \$2,000 a month to supplement my Social Security?" Now those are real goals. You can put a price tag on each one as an incentive to keep up your investing discipline.

Setting investment goals is a lot like reading a map: Before you can get to where you want to go, you have to figure out where you are. The 5 Keys booklet includes a personal balance sheet to do just that.

Key #3: Don't Take Unnecessary Risks

Most people would say that risk is the chance you take that you'll lose all or part of the money you put into an investment. That's true as far as it goes, but it doesn't go far enough. A more complete definition



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5 Keys to Investing Success

Spread your investments around and you'll increase return

of risk acknowledges the availability of investments carrying virtually ironclad guarantees that you will get all your money back plus the interest promised you: Treasury securities or certificates of deposit in federally insured banks or credit unions, for instance. Also, with all investments, even government-guaranteed ones, you run the additional risk that your return will be less than the inflation rate. So, risk is the chance you take that you will lose money or that your money will lose value by earning less than the rate of inflation.

A key question for investors is: What is a prudent risk? The answer depends on your goals, your age, your income and other resources, and your current and future financial obligations. A young single person who expects his or her pay to rise steadily over the years and who has few family responsibilities can afford to take more chances than, say, a couple approaching retirement age. The young person has time to recover from market reversals; the older couple may not.

Key #4: Keep Time on Your Side

A penny saved is a penny earned—or so the adage goes. In fact, a penny saved may be more or less than a penny earned, depending on when it is earned and how it is saved. The reason is rooted in a concept called the time value of money.

Which would you rather have, \$10,000 today or \$10,000 a year from today? Of course, you'd choose to take the money now. Not only is a bird

in the hand worth two in the bush, but \$10,000 you have to wait a year for will be worth less due to the effects of a year's worth of inflation. And you will have lost a year's worth of earnings you could otherwise have captured. Understanding the time value of money is central to making solid investment decisions.

Key #5: Diversify

Simply put, diversifying means not putting all your investment eggs in one basket. No investment performs well all the time; when one thing is down, another thing tends to be up. By spreading your investments around, you're likely to increase your overall return and reduce your risk at the same time.

Some investors diversify by selecting a number of investment vehicles and dividing their money equally among them. For instance, they might set up a portfolio consisting of equal parts cash (money-market funds, CDs, Treasury bills), bonds, U.S. stocks, foreign stocks, and real estate. Once a year, they adjust the mix to maintain the dollar balance, taking the gains from the winners and spreading them out among the losers. Although it might sound crazy to sell some of the best performing investments to invest in the laggards, think of it as selling high and buying low.

More information. To read the full-length *5 Keys to Investing Success* booklet, visit www.investorprotection.org or contact your State Securities Regulator's office.



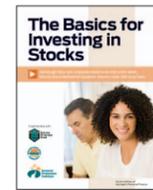
MORE INFORMATION ABOUT INVESTING

The following booklets from the Editors of *Kiplinger's Personal Finance* magazine and the Investor Protection Trust are available at your library and offices of State Securities Regulators.



Five Keys to Investing Success

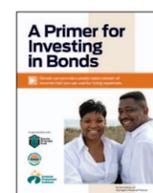
- Make investing a habit
- Set exciting goals
- Don't take unnecessary risks
- Keep time on your side
- Diversify



The Basics for Investing in Stocks

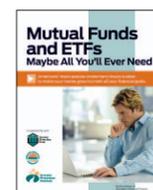
- Different flavors of stocks
- The importance of diversification
- How to pick and purchase stocks
- When to sell

Key measures of value and finding growth
What's your return?
Consider mutual funds



A Primer for Investing in Bonds

- How do bonds work, anyway?
- How much does a bond really pay?
- How to reduce the risks in bonds
- Going the mutual fund route



Mutual Funds and ETFs: Maybe All You'll Ever Need

- Mutual funds: The best investment
- The different types of funds
- How to choose funds
- Assembling a portfolio

Sources of mutual fund information
Where to buy funds



Maximize Your Retirement Investments

- Three key rules
- Creating the right investment mix
- Investing on target
- Best places to save

Guidelines for saving at every life stage
Getting the money out and creating an income stream

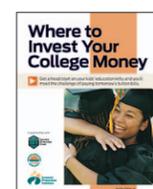
Protect your money: Check out a broker or adviser



Getting Help With Your Investments

- Do you need a financial adviser?
- Who's who among financial advisers
- How to choose an adviser
- How to open an account

5 questions to ask before you hire an adviser
What can go wrong
How to complain



Where to Invest Your College Money

- The basics of investing for college
- Investing in a 529 savings plan
- Locking in tuition with a prepaid plan
- Other tax-favored ways to save

Tax credits for higher education
Save in your child's name?



WHERE YOU STAND NOW: YOUR PERSONAL BALANCE SHEET

Use this worksheet to calculate your current assets, liabilities and net worth. When you know where your current net worth is coming from, you can see where your financial position is strong and where it is weak. This worksheet helps lay the necessary groundwork for setting your investment goals and making plans to reach them.

ASSETS

Cash in savings accounts	\$ _____	Precious metals	\$ _____
Cash in checking accounts	\$ _____	Estimated market value of:	
Cash on hand	\$ _____	Household furnishings	\$ _____
Certificates of deposit	\$ _____	Automobiles and trucks	\$ _____
Money-market funds	\$ _____	Boats, recreational vehicles	\$ _____
U.S. savings bonds	\$ _____	Furs and jewelry	\$ _____
Market value of home	\$ _____	Loans owed to you	\$ _____
Market value of other real estate	\$ _____	Other assets	\$ _____
Cash value of life insurance	\$ _____	TOTAL ASSETS	\$ _____ A
Surrender value of annuities	\$ _____		
Vested equity in pension plans	\$ _____	LIABILITIES	
Vested equity in profit sharing	\$ _____	Balance owed on mortgages	\$ _____
401(k) or 403(b) plans	\$ _____	Home-equity credit line debt	\$ _____
Individual retirement accounts	\$ _____	Auto loans	\$ _____
Keogh plans	\$ _____	Student loans	\$ _____
Stocks	\$ _____	Other credit lines	\$ _____
Bonds	\$ _____	Credit-card bills	\$ _____
Stock mutual funds & ETFs	\$ _____	Other debt	\$ _____
Bond mutual funds & ETFs	\$ _____	TOTAL LIABILITIES	\$ _____ B
Real estate investment trusts	\$ _____		
Other investments	\$ _____	CURRENT NET WORTH	
Collectibles	\$ _____	(A minus B)	\$ _____



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