

“Risk comes from not knowing what you’re doing.”

– Warren Buffett

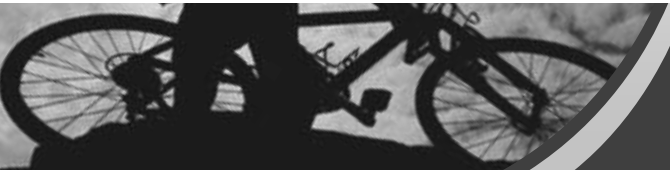
Remember Grandma’s advice: Don’t put all your eggs in one basket.

KISS Rule of Investing

- Keep it _____, _____!
- It does not mean that you are stupid if you make _____ investments.
- Never invest purely for _____.
- Never invest using _____ money.

Diversification

- Diversification means to _____.
- Diversification _____ risk.

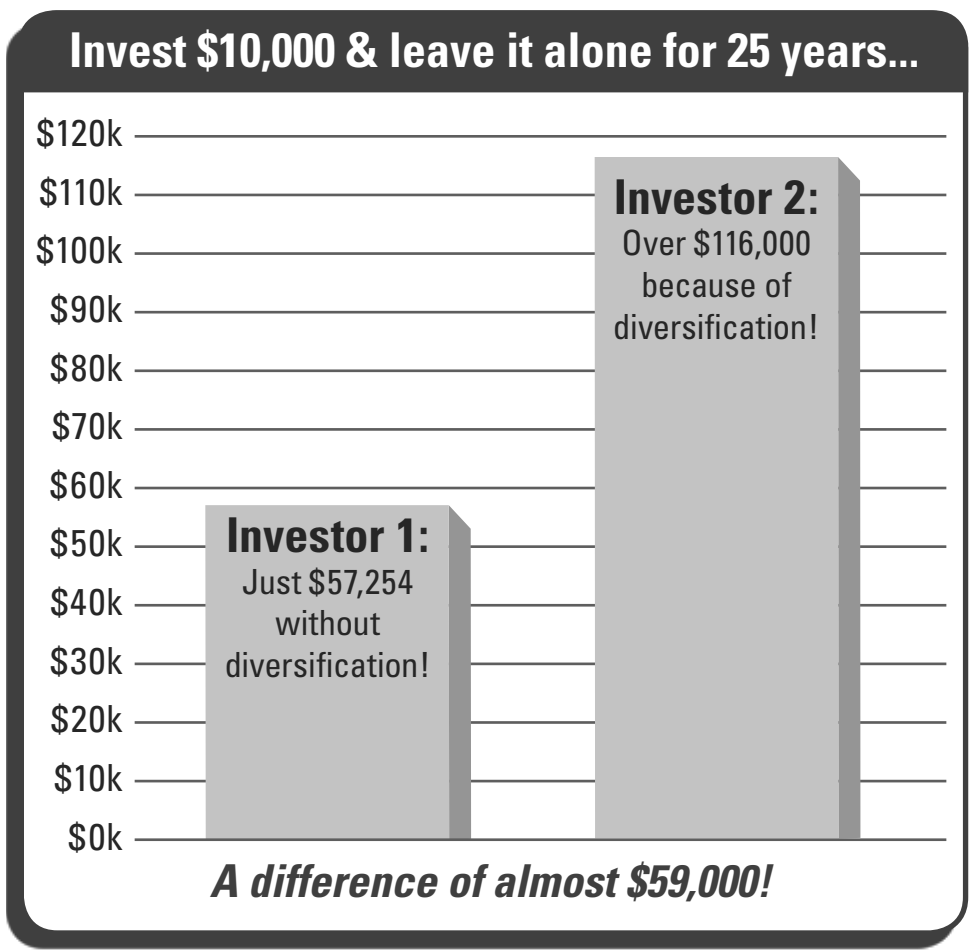


The Power of Diversification

“Give portions to seven,
yes to eight, for you do
not know what
disaster may come
upon the land.”

– Ecclesiastes 11:2
(NIV)

- Investor 1**
 - Invest \$10,000 for 25 years at 7%
- Investor 2**
 - Invest \$2,000 and lose it all
 - Invest \$2,000 under your mattress
 - Invest \$2,000 at 5% return
 - Invest \$2,000 at 10% return
 - Invest \$2,000 at 15% return





“Behold the turtle who only makes progress when he sticks his neck out.”

– Anonymous

“October. This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February.”

– Mark Twain



“A faithful man will abound with blessings, but he who hastens to be rich will not go unpunished.”

– Old Proverb

Risk Return Ratio and Liquidity

- With virtually all investments, as the _____ goes up, so does the potential _____.
- When discussing investments, liquidity is _____.
- As there is more liquidity, there is typically _____ return.

Types of Investments

1. Money Markets

- A C.D. is a certificate of _____, typically at a bank.
- Money market mutual funds are _____ risk money market accounts with check-writing privileges. These are great for emergency funds.

2. Single Stocks

- Single stock investing carries an extremely _____ degree of risk.
- When you buy stock, you are buying a small piece of _____ in the company.
- Your return comes as the company increases in _____ or pays you, its owner, some of the profits (called _____).



“An investment in knowledge always pays the best interest.”

– Ben Franklin

“I’m putting all my money in taxes. It’s the only thing guaranteed to go up.”

– Mark Twain



Conservative Diversification:

25% – Balanced

25% – Growth

25% – Growth & Income

25% – International

3. Bonds

- A bond is a _____ instrument by which the company owes _____ money.
- Your return is the fluctuation in price and the _____ rate paid. _____ individuals do well with single bond purchases.

4. Mutual Funds

- Investors pool their _____ to invest.
- Professional portfolio managers manage the pool or _____.
- Your _____ comes as the _____ of the fund is increased.
- Mutual funds are good _____ term investments.

Standard Mutual Fund Diversification





Variable annuities are good for older people because the principal can be guaranteed.

You can name a beneficiary so the money passes outside of probate, and you can use them when you have maxed out all your other sheltered retirement options.

NEVER use annuities inside retirement options; instead, go straight to mutual funds. There is no sense paying the annuity fee to get a tax deferral that you already have in your retirement plan.

5. Rental Real Estate

- Least _____ consumer investment.
- You should have a lot of _____ before using real estate as an investment.

6. Annuities

- Annuities are _____ accounts with an insurance company.
- _____ annuities are at a low interest rate of around 5%, aren't *really* fixed, and are a bad long-term investment.
- _____ annuities are mutual funds sheltered by the annuity covering, thereby allowing the mutual fund to grow tax-deferred.

7. Horrible Investments

- Gold
- Commodities & Futures
- Day Trading
- Viaticals

Conclusion

If you do not understand an investment well enough to teach someone else how it works, DON'T BUY IT!

Build wealth slowly.

Monthly Debt Payments Rob You Of Your Retirement!

Years Invested Monthly At 12% Per Year

Monthly Payments	5 years	10 years	15 years	25 years	40 years
\$100	8,167	23,004	49,958	187,885	1,176,477
\$200	16,334	46,008	99,916	375,769	2,352,954
\$300	24,500	69,012	149,874	563,654	3,529,431
\$400	32,668	92,015	199,832	751,538	4,705,909
\$500	40,835	115,019	249,790	939,423	5,882,386
\$600	49,002	138,023	299,748	1,127,308	7,058,863
\$700	57,168	161,027	349,706	1,315,193	8,235,341
\$800	65,336	184,031	399,664	1,503,077	9,411,818
\$900	73,503	207,034	449,622	1,690,962	10,588,295
\$1,000	81,669	230,039	499,580	1,878,847	11,764,772
\$1,200	98,004	276,046	599,496	2,254,616	14,117,727
\$1,500	122,504	345,058	749,370	2,818,270	17,647,159
\$2,000	163,339	460,077	999,160	3,757,693	23,529,545

**However, retirement can look pretty sweet
if you don't have any debt.**



online resources

Be sure to check out the special online features for this week.

- **Millionaire Calculator:**

Discover what a one-time investment now could mean for your retirement!

- **Dave's Investment**

Strategy: See exactly what Dave does—and does not do—with his own investment money.

- **Investment Calculator:**

Learn the impact of inflation on your savings and investing with our online calculators and money tools!

Review of the Last Section

1. What are the seven basic rules of negotiating?
2. Did *That's Not Good Enough!* change any of your shopping habits this week?

Discussion and Accountability

1. Why is investing intimidating to many people?
2. Explain what a mutual fund is and how it works.
3. Why is it dangerous to invest with borrowed money?
4. Why is diversification important?
5. Why are single stocks so dangerous?
6. Why does Dave stress the importance of becoming debt free (except the mortgage) before you begin your long-term investing?
7. Why is it so important to make your own educated, well-informed decisions, rather than simply surrendering your decisions to an advisor?
8. Why is it important for spouses to be on the same page when it comes to dumping debt and investing?

Homework

1. **Calculate how much your debt payments are robbing from your retirement.** Use the chart included in these workbook pages.
2. ***Financial Peace Revisited:*** Read chapter 11 (only through the subtitled section “Simple Discipline Is the Key”) and chapter 12 (only through the subtitled section “To Load or Not To Load”).