BRANNAM WEALTH MANAGEMENT of RAYMOND JAMES®

Leslie Dix-Kwiatek, AAMS, WMS

Wealth Management Specialist

Financial Advisor

904-348-5403 // leslie.dix@raymondjames.com

www.brannamwealth.com

Investment Planning: The Basics

Why do so many people never obtain the financial independence that they desire? Often it's because they just don't take that first step – getting started. Besides procrastination, other excuses people make are that investing is too risky, too complicated, too time consuming, and only for the rich.

The fact is, there's nothing complicated about common investing techniques, and it usually doesn't take much time to understand the basics. One of the biggest risks you face is not educating yourself about which investments may be able to help you pursue your financial goals and how to approach the investing process.

SAVING VERSUS INVESTING

Both saving and investing have a place in your finances. However, don't confuse the two. Saving is the process of setting aside money to be used for a financial goal, whether that is done as part of a workplace retirement savings plan, an individual retirement account, a bank savings account, or some other savings vehicle. Investing is the process of deciding what you do with those savings. Some investments are designed to help protect your principal – the initial amount you've set aside – but may provide relatively little or no return. Other investments can go up or down in value and may or may not pay interest or dividends. Stocks, bonds, cash alternatives, precious metals and real estate all represent investments; mutual funds are a way to purchase such investments and also are themselves an investment.

Note: Before investing in a mutual fund, carefully consider its investment objectives, risks, charges and fees, which can be found in the prospectus available from the fund. Read the prospectus carefully before investing.

WHY INVEST?

You invest for the future, and the future is expensive. For example, because people are living longer, retirement costs are often higher than many people expect. Though all investing involves the possibility of loss, including the loss of principal, and there can be no guarantee that any investment strategy will be successful, investing is one way to try to prepare for that future.

You have to take responsibility for your own finances, even if you need expert help to do so. Government programs such as Social Security will probably play a less significant role for you than they did for previous generations. Corporations are switching from guaranteed pensions to plans that require you to make contributions and choose investments. The better you manage your dollars, the more likely it is that you'll have the money to make the future what you want it to be.

Because everyone has different goals and expectations, everyone has different reasons for investing. Understanding how to match those reasons with your investments is simply one aspect of managing your money to help provide a comfortable life and financial confidence for you and your family.

WHAT IS THE BEST WAY TO INVEST?

- Get in the habit of saving. Set aside a portion of your income regularly. Automate that process if possible by having money automatically put into your investment account before you have a chance to spend it.
- Invest so that your money at least keeps pace with inflation over time.
- Don't put all your eggs in one basket. Though asset allocation and diversification don't guarantee a profit or ensure against the possibility of loss, having multiple types of investments may help reduce the impact of a loss on any single investment.
- Focus on long-term potential rather than short-term price fluctuations.
- Ask questions and become educated before making any investment.
- Invest with your head, not with your stomach or heart. Avoid the urge to invest based on how you feel about an investment.

BEFORE YOU START

Organize your finances to help manage your money more efficiently. Remember, investing is just one component of your overall financial plan. Get a clear picture of where you are today.

What's your net worth? Compare your assets with your liabilities. Look at your cash flow. Be clear on where your income is going each month. List your expenses. You can typically identify enough expenses to account for at least 95 percent of your income. If not, go back and look again. You could use those lost dollars for investing. Are you drowning in credit card debt? If so, pay it off as quickly as possible before you start investing. Every dollar that you save in interest charges is one more dollar that you can invest for your future.

Establish a solid financial base: Make sure you have an adequate emergency fund, sufficient insurance coverage, and a realistic budget. Also, take full advantage of benefits and retirement plans that your employer offers.

UNDERSTAND THE IMPACT OF TIME

Take advantage of the power of compounding. Compounding is the earning of interest on interest, or the reinvestment of income. For instance, if you invest $1,000 and get a return of 8 percent, you will earn $80. By reinvesting the earnings and assuming the same rate of return, the following year you will earn $86.40 on your $1,080 investment. The following year, $1,166.40 will earn $93.31.

(This hypothetical example is intended as an illustration and does not reflect the performance of a specific investment).

Use the Rule of 72 to judge an investment's potential. Divide the projected return into 72. The answer is the number of years that it will take for the investment to double in value. For example, an investment that earns 8 percent per year will double in nine years.

CONSIDER WHETHER YOU NEED PROFESSIONAL HELP

If you have the time and energy to educate yourself about investing, you may not feel you need assistance. However, for many people – especially those with substantial assets and multiple investment accounts – it may be worth getting professional help in creating a financial plan that integrates long-term financial goals such as retirement with other, more short-term needs. However, be aware that all investment involves risk, including the potential loss of principal, and there can be no guarantee that any investment strategy will be successful.

REVIEW YOUR PROGRESS

Financial management is an ongoing process. Keep good records and recalculate your net worth annually. This will help you for tax purposes, and show you how your investments are doing over time. Once you take that first step of getting started, you will be better able to manage your money to pay for today's needs and pursue tomorrow's goals.

RAYMOND JAMES®

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER
880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // RAYMONDJAMES.COM