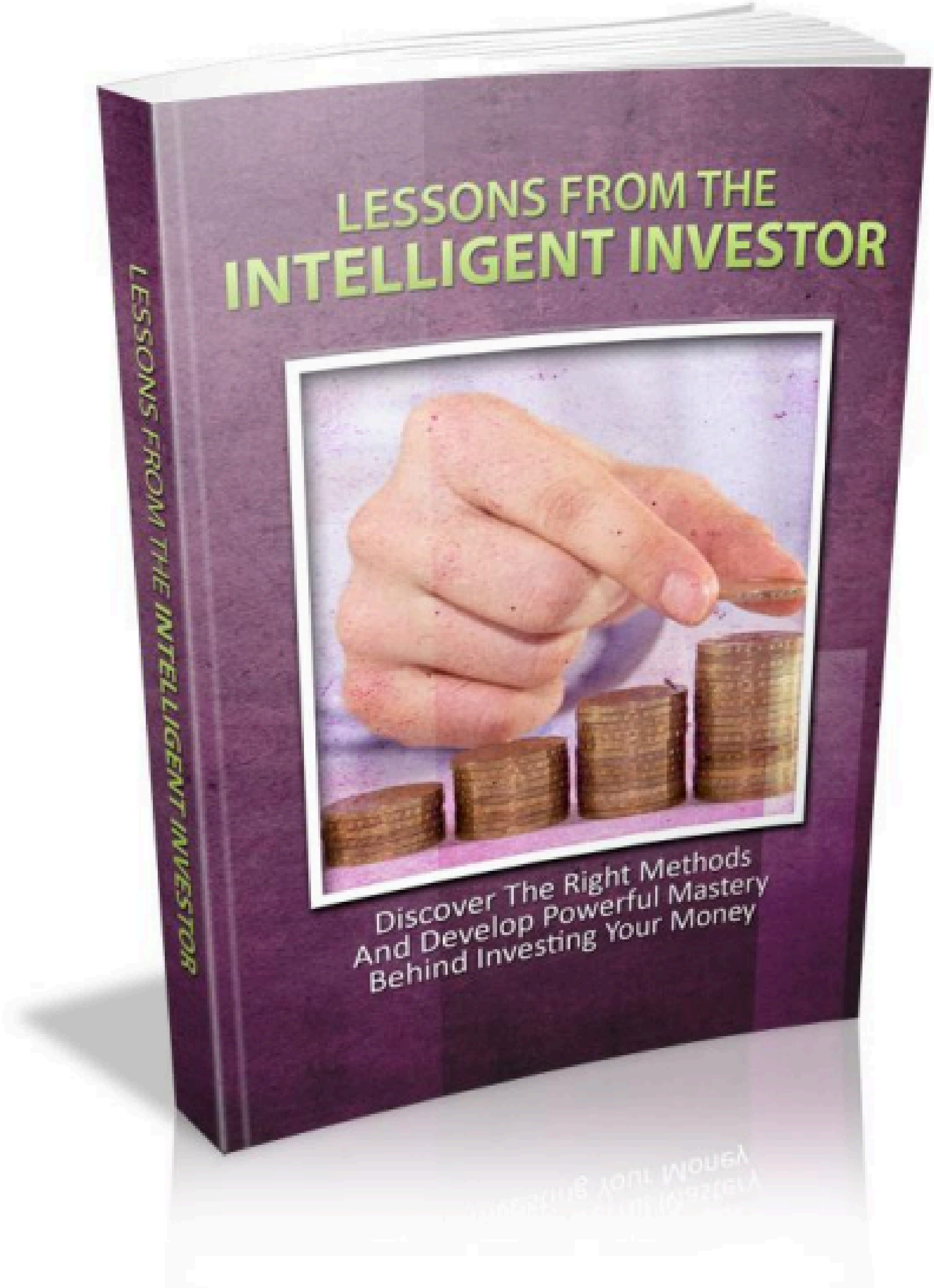

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Foreword

If you're like a lot of people watching the recession unfold, you have likely started to look at your finances under a microscope. Perhaps you have started saving--the annual savings rate by people has started to recover a bit.

Statistics conclude that 72% of workers will only be able to replace 45% of their income from Social Security and their 401(k) s combined.

Yikes! The huge majority of those depending on 401(k) s have little hope of living as well in retirement as they did being employed. If those scary stats aren't a wake up call to baby boomers and generation-Xers I don't know what are.

A lot of middle-aged employees have a number of choices. Work at your present job till you drop dead or look forward to a second career as a Wal-Mart welcomer. A different choice is to actually learn how to become a better investor and work hard to make your retirement hoard grow at a rate higher than the 7% to 10% yearly that you may expect from a index fund or with a financial advisor.

Now you're enquiring: What about investing my cash? How do I begin if I don't have a lot, and how do I limit my risk? Here are steps to become an investor, and do it the right way.

Chapter 1:

Why Are You Investing

Synopsis

Why are you investing? It's all right if you have a lot of different answers for this query, but there is a big issue if you have no answer at all. Investing is like driving--it is best done with your eyes wide open!

What Are Your Reasons

Having clear-cut reasons or purposes for investing is vital to investing with success. Like conditioning in a gymnasium, investing may become hard, tiresome and even dangerous if you are not working towards a goal and monitoring your forward motion. Here we have a look at a few common reasons for investing and paint a picture of investments that fit those reasons.

Retirement

No one knows whether the pension scheme will survive the faring decades. It is this doubt and the realness of inflation that forces us to plan for our own retirement. You need simply open the paper to find out about a company that's immobilizing pensions or a new bill that will cut off government payouts. In these unsure times, investing may be a tool to help you carve out a strong path to retirement. There are three maxims that go for investing for your post-work years:

1. The more years there are between now and your retirement, the more years your cash has to develop. You have to hold in mind that you are fighting rising prices when you are planning to retire. Put differently, if you do not invest your cash to outpace rising prices, it won't be worth as much in the time to come.

2. The older you are once you begin, the more risk contrary you will have to be. This means that you'll probably use guaranteed investments like debt securities, which have lower returns. By contrast, if you begin young, you are able to take bigger risks for (hopefully) bigger gains.

3. The sooner you set about learning about investing, the simpler it will be to pick it up. Financial professionals are hard to choose and costly to keep, so it is best to manage your own affairs whenever conceivable.

Investing for retirement is like long-term investing. You want to discover quality investment vehicles to purchase and hold with the majority of your investment capital. Your retirement portfolio will in reality be a mix of stocks, debt securities, index funds and other money market instruments. This mix will shift as you do, moving increasingly towards low-risk guaranteed investments as you mature.

Accomplishing Financial Goals

You don't always have to think long-run. Investing is as much a tool for molding your present financial situation as it is for forging your future one. Do you wish to buy a new car next year? Wish to go on a cruise? Wouldn't a holiday that was paid for with dividends feel nicer?

Investing may be used as a way to enhance your employment revenue, helping you purchase the things you need. Because investing changes along with the investor's wanted goals, this sort of investing isn't like retirement investing. Investing to accomplish financial goals involves a blending of long-term and short-term investments. If you're investing in the hope of purchasing a home, you'll almost certainly be looking at longer-term instruments. If you're investing to purchase a new PC in the New Year, you might want short-term investments that pay dividends or some high-yield bonds.

The caution here is that you have to pinpoint your goals first. If you wish to go on a holiday in a year, you have to sit down and work out the cost of the holiday in total and then come up with an investing scheme to meet that goal. If you don't have a set destination, the cash that ought to be going into that investment will doubtless be utilized for other purposes that seem more urgent at the time.

Investing to accomplish financial goals may be very exciting and ambitious. Combining the pressure of time constraints with the fact that you're not commonly dealing with big sums of vital money (as in retirement investing), you might be less risk averse and more motivated to learn about greater yield investments (growth stocks, shorting, etc.). Best of all, there's a tangible advantage at the end.

Chapter 2:

Reasons Not To Invest

Synopsis

Even as there are main reasons to invest, there are big causes not to invest: debt or a lack of knowledge.

Why Not To Do It

In the first case, it's a simple matter of math. Suppose that you have a $1,000 loan at 9% interest, and you get a $1,000 incentive. Should you invest it or ought you pay down the debt? Short answer: pay down the debt. If you invest it, the cash has to make a return of well over 9% (not counting commissions and fees) to make it worthwhile. It may be done, but it's much simpler to find good returns on investment without having to battle losses on your debt.

There are different kinds of debt-- charge card, mortgage, student loans--and they carry different degrees of weight when you're thinking about whether or not to invest despite them.

When it comes to lack of knowledge, throwing your money arbitrarily into investments that you don't comprehend is a sure way to lose it rapidly. Returning to the exercise analogy, you don't walk into a gymnasium and squat five hundred pounds your beginning day. Put differently, your introduction to investing ought to follow the same incremental procedure as weight training.

Your reasons for investing are bound to shift as you go through the ups and downs of life. This is a crucial procedure as the only other option is to invest with no aim, which will likely result in investing patterns that reflect your doubt and cause your returns to suffer. Your reasons and goals will have to be critiqued and adjusted as your conditions change. Even if nothing important has changed, it's always helpful to reacquaint yourself with your reasons at regular intervals to see how you've advanced.

Chapter 3:

Decide What's Right For You

Synopsis

Once you've distinguished your goals and how long you're planning to invest your cash, you ought to determine your risk tolerance.

Here's a quick guideline: The higher the return, the higher the risk. If you wish to earn 15% on your stock investment, you likewise have to be willing to accept the loss if your stock goes south (remember the recent stock devaluation after the housing crisis?).

Here's where your goals come into play: A long-run investor may simply ride out these wanes and flows of the stock market, but somebody who needs that cash to pay for their daughter's college tuition this year would be financially ruined.

If you're worried about risk, consider investments without a loss of principal-- meaning you can't lose the cash you've invested--like bonds or CDs. These investments have a much lower return than stocks, but they might help you sleep good at night.

Have A Good Look

Understanding your risk tolerance when it comes to investing is all important to building a portfolio that works well for your hard-earned cash. How do you go about executing that?

What precisely is investment risk tolerance? Investment risk tolerance defined in general language is the degree of doubt an investor may handle in reference to major losses in his or her portfolio. Your risk tolerance is your power or lack thereof, to take a major loss.

Realizing what kind of risk tolerance you have is utterly key, and it is something that has to be done prior to you investing your hard earned bucks into an investment portfolio. Before you put your cash to work, get to work on knowing what sort of assets you ought to have in your portfolio.

How may you find out what sort of risk tolerance you have when it bears on investing? There are a few risk tolerance questionnaires and quizzes online that may be quite helpful. Also, consider things like your age, income essentials, future financial goals, and even your power to control your emotions.

An investor who's unable to take many risks at all is said to be risk averse. If you are risk averse you're likely to wish to be in assets such as bonds and certificates of deposits. An investor who's very tolerant of risk is more prone to be in assets like individual stocks and even stock options.

Watching a portfolio lose a lot of cash and being able to sit back and still feel confident about the state of your portfolio is hard to do, so one needs to know going in that they either are able or not able to do just that.

Comprehend your risk tolerance before investing in your portfolio and then realize that as your financial state of affairs changes your tolerance for risk will likely change too. Flexibility and adaptability of the portfolio is a must.

The investment planning process consists of four vital components, which must work together for optimal results. It's important to do a self assessment of your needs prior to taking any action and the use of a specialist is recommended to ensure the process is clear of any emotion. With the proper setup and appropriate dedication to the plan, it's possible to achieve your objectives in a way that will keep you expenses and stress levels low.

1) Defining Goals and Objectives

a) Purpose for cash

b) Timeframe for Investment

c) Acceptable Risk for Return

2) Account Type

a) Qualified Account vs. Non-Qualified Account

b) Insured vs. Not-Insured

3) Product Considerations

a) Taxable vs. Not Taxable

b) High Risk vs. Low Risk

c) Liquid vs. Not Liquid

d) High Fees vs. Low Fees

4) Ongoing Management

a) Quarterly review of product performance

b) Semi-Annual review of plan

c) Annual review of goals and objectives

Chapter 4:

Mutual Funds

Synopsis

Individuals invest in mutual funds for four fundamental reasons: professional management, diversification, convenience, and marketability. The following section outlines these advantages, which make mutual funds most attractive when capital markets are remarkably volatile.

When Te Economy Is Bad

Professional management

Mutual funds provide professional management of your cash. These managers have the training and resources to stay abreast of and adjust to market alterations. Regrettably, fund managers don't have a crystal ball presenting them the ability to foresee the future; don't expect your manager to keep you totally out of harm's way.

Fund managers are demanded by law to select and manage fund holdings in accordance with the fund's investment objectives and policies, as described in the fund's prospectus. These objectives might be designed to minimize your risk.

Diversification: dispersing the risk

Mutual funds help do away with some of the risk involved in investing in individual stocks and bonds by giving you shares in a lot of different assets. Remember Enron or MCI? How did that work out for employees who based their futures on company stock? Mutual funds likewise bring down your cost of diversifying by sharing transaction costs with additional shareholders.

Although each mutual fund purchases many securities, the funds themselves come in a wide assortment of styles and classifications. Some mutual funds specialize in growth, some in worth. Some invest in U.S. markets, others in foreign markets. A few invest only in bonds, others in a blend of stocks and bonds. A well-diversified portfolio invests across many styles and sorts of mutual funds.

Read the prospectus summary and annual report. Occasionally the titles of mutual funds may be misleading. A fund with the word growth in its title doesn't have to be totally invested in growth stocks. Likewise, your mutual fund manager's investment style may drift, particularly in turbulent markets.

Convenience

The convenience of mutual funds starts with the initial buy and continues with investments, withdrawals, reinvestment of dividends and capital gains, record keeping, and tax reporting. Mutual funds make it simple and inexpensive to dollar-cost average (invest regular sums of money at regular intervals). This strategy is particularly beneficial when markets are extremely volatile — you wind up purchasing more shares when costs are low. You are able to generally find everything you need to read, see, or do at a fund’s site; otherwise, call the fund company.

Marketability

Marketability means you are able to easily purchase or sell mutual fund shares. Unlike owning a home, you might be able to quickly exchange shares in a mutual fund for a different investment or cash. Marketability gives you the flexibility to produce and maintain a diversified portfolio.

Chapter 5:

Taxes

Synopsis

Online investors are unlikely to have tax consultants on retainer, so they have to know how picking the right sort of account may lower their tax bills. Brokerage accounts may all seem the same; after all, they're simply holding tanks for investments. Different sorts of brokerage accounts, though, look really different to the government.

Thanks to the unbelievable complexity of the tax code, you are able to use three main sorts of accounts to hold your investments: taxable, retirement, and education savings accounts.

Know What's Available

Investing in taxable accounts

Taxable accounts are really liquid, meaning that you are able to easily access the cash without paying special penalties. But that flexibility comes at a cost: taxes. Once stocks you own in taxable accounts go up, or appreciate, and you sell them, you owe capital gains taxes on your profits that tax year. And if the stocks issue you hard cash payments, you owe tax on those, also.

If taxes are your primary concern with investing, consult with books on the matter or with a tax professional person.

When you trade a stock held in a taxable account that has appreciated in worth, you commonly have taxes to pay. Usually, such capital gains taxes are calculated based on how long you owned the stock. There are 2 holding periods:

Short-run: That's the type of capital gain you have if you trade a stock after owning it for one year or less. You wish to avoid these gains if you are able to because you're taxed at the ordinary income tax rate.

Long-run: That's the sort of capital gain result you get if you sell a stock after holding it for more than one year. These gains qualify for a particular discount on taxes.

If you're interested in cutting back your tax bill in a taxable account, you wish to reduce, as much as possible, the number of stocks you sell

that you've owned for only a year or less because they're taxed at your average income tax levels.

Placing your money in retirement accounts

Retirement is among the largest and most intimidating matters you must save for.

The silver lining is that special retirement accounts make saving easier:

401(k)s are commonly retirement plans sponsored by a company. Frequently the company matches the employee's contributions. 401(k) plans let you delay when you must pay taxes on your contributions and investment gains.

Traditional IRAs are available to people under the age of 70-1/2 who earn as much cash as they wish to contribute to an IRA and wish to delay when taxes are due on retirement savings. Your contributions may also be tax deductible if you're not covered by a company pension account or don't exceed income limits. You are able to look up the current limits on the IRS site.

Roth IRAs are retirement savings accounts that let you put in cash that's already been taxed so that it can grow and never be taxed again.

Other popular retirement plans include simplified employee pension (SEP) accounts, 403(b) plans for employees of tax-exempt entities, and Keogh plans, which each have different benefits and disadvantages.

Education savings accounts

The cost of a college education keeps surging. In 2010, the tuition and fees for a four-year public college academic degree cost $32,600, on the average, and a private college costs $121,800.

And it gets worse: Tuition prices go up faster every year, 6.5 percent on the average, than prices on almost anything else you'd purchase, including stamps, eggs, and milk. If you factor in the 6.5 percent yearly rate at which tuition fees are increasing, in 18 years, the tab for a public college will hit $92,900, and it'll reach $347,700 for a private one.

529 plans are financially attractive state-sponsored education savings accounts. They may be utilized to shield money earmarked for college or to prepay college tuition fees to lock in today's price.

Coverdell Education Savings Accounts are more restrictive than a few education savings accounts, but they've the big advantage that the money may be used to pay for elementary and secondary school also.

Chapter 6:

Correct Mindset

Synopsis

Have you ever marveled about the mind-set needed to become a successful investor? I have, a lot of times, and I confess to gaining lots of inspiration, and valuable learning, from reading about investing legends. So I thought it would be interesting to share a few of the tips picked up along the way, and that would apply as much to you and me as to the investment greats.

Right Frame Of Mind

Don't be a backseat driver.

No one is going to take the wheel and drive you to a successful goal. You have to take responsibility for your own fate, and be prepared to take action to accomplish it. Everything that occurs is a reaction to the actions you take. It's like cause and effect.

So be fixed to take the wheel, to be the driver, and to be the guide. There are plenty of road signs along the way to direct you. Ask yourself the question, "On my road of life, do I wish to be the driver, or a passenger?" And take your seat from there.

Stick by your decisions

Experienced investors devote a lot of time to analyzing their options and working out the best course of action. When they've done that, and when they've a good 'feel' for what is correct, they act decisively and make their move.

Many first-time investors bear what I call, "Buyer's remorse", where they instantly begin questioning their move, and worry whether it was the correct one. The best advice is we need to invest and march on, and believe in what you have done. Even if somebody does question your decision, that somebody shouldn't be you.

Don't let concern stop you

Have the mind-set to see a half-glass as it is, put differently, half full. When a chance comes your way, when you've done all your research, and it looks and feels correct, don't allow yourself to get paralyzed by fear and lapse into inactivity.

A lot of fears are irrational, and by listening to them, you risk letting the chance slip through your fingers. Consider each concern, and work out where it's coming from. In most cases, it's merely your inner mind attempting to prevent you from stepping out of your comfort zone. All investors feel nervous at some point or other. All the same, they don't let concern block their path.

Produce your own support network

Negative individuals spend a lot of time and energy trying to bring individuals down to their level. If you surround yourself with optimistic individuals, then you're more likely to remain optimistic yourself.

Make certain that you build a support network that will support you, and beef up your resolve and belief in yourself and the course of action you're taking. You don't need individuals who undermine you and drain your self-confidence.

Remain open to investment tools

Successful investors think differently to normal individuals. They don't shy away from debt, for instance, and rather they utilize the leverage it gives them to produce more wealth. Have you ever wondered why some individuals think just the opposite? About how

debt is foul, and that you must save up the cash for things that you wish to buy? If investors waited for that, they'd never get anyplace.

Leverage and the miracle of compounding are valuable tools in their investor toolbox, and they utilize them wisely to accomplish major gains. You can too.

To elevate yourself to the level of a successful investor all you have to do is adopt their mind-set. Don't get bogged down in fear and self doubt. Think like a successful investor, and you're sure to become one.

Chapter 7:

Real Estate

Synopsis

Regardless what the market looks like, there are countless money making opportunities to make money in real property. If you have ever thought about investing in real estate, but questioned how to get started with no money, these steps will help you.

Real Property

Link up with a real property investors Club. Almost every big city has one, and its well worth it to join! Meetings are an education experience, and an excellent place to network. For novices, networking is crucial, particularly for those jumping in with no working capital.

Get business cards made. These may be inexpensive ones, as long as they have your contact information on them. You'll want these for networking with other investors, as well as the public when you start your quest of real property investing.

School yourself. Read everything you can on the separate types of investing and decide which you would like to follow up on. There are a lot of options, and there are some that are extremely appealing to real property investors working without cash. Instances may be, purchasing a home subject to, wholesaling, or lease to purchase deals.

Meet with a couple of loan officers that specialize in investors. This is significant, even if you don't want to utilize them. This may be a great learning experience, giving you some insight to the inside world of real property finance. You might even meet a great loan officer to assist you!

Once you have determined your course of action, go for it! Don't be afraid! Being afraid, nervous, or in question is what holds most greenhorn investors back. Simply because you don't have any cash, does not mean you will not succeed. Plow ahead and jump in!

So you've a possible real property investment deal and need to evaluate its potential. As a real property investor, you must carefully assess the situation and numbers before you may determine its viability or you'll stand to lose a lot of cash. Follow these steps to evaluate a real property investment and decide if it's a worthwhile deal.

Examine the source and ask yourself examining questions. How are you getting this lead and potential deal? What is the seller's situation and motivation? Are you dealing with the seller directly or with an agent or a different investor?

Exercise caution when dealing with all parties, particularly sellers and other investors. If another real property investor approaches you for a deal, make certain you check that investor out very cautiously. Find out as much as you are able to about her from additional sources to verify her trustworthiness.

Make a few initial ―back of the envelope‖ calculations of its profitableness. Estimate the deal's worth by calculating the Total Income – Total Expenses = Total Profit. Make sensible estimates for repair, taxes, closing, selling costs, and rental income or sales price. You are able to find real property comparisons online or get the data from your estate agent.

Confirm the current market values by researching the sold prices of houses that are inside a half-mile of the property and that were sold in the last 6 months. Make sure to compare similar properties only. For instance, they ought to be about the same size, age, number of bedrooms and condition. If not, then adjust the market value based on the square footage or additional features.

Examine the property and do due diligence. Cautiously check out the physical and financial condition of the property. Ask the seller, investor or agent for documentation to affirm the property's expenses and legal status.

When you get info, review it carefully and confirm the numbers are correct. Make sure to follow up on any missing data. Don't trust any verbal agreements--get everything in writing.

After confirming the property's estimated market value and expense details, you are able to confirm your initial calculations to check the value of the deal. While you can't get exact numbers, you may try to pinpoint an accurate estimate of all your costs and income from the deal. If the property needs work, get estimates from contractors or bring a house inspector to get a true cost estimate.

Check your numbers against your plan. Be honest and conservative with your numbers and schedule. Check the average time it takes to sell a house on the market now. If you're renovating and flipping the property, your numbers ought to be conservative enough to account for a profit while likewise leaving room for construction overruns, delays, and longer carrying (mortgage) costs if it doesn't rent or sell at once.

Wrapping Up

Never invest in a product that you don't fully comprehend. Consult data sources like business and financial publications. Information regarding the fundamentals of investing and basic financial language may be found at your local library.

Ask your sales representative for the prospectus, offering circular, or most recent yearly report – and the "Options Disclosure Document" if you're investing in options. Read them. If you've questions, talk with your sales representative prior to investing.

You likewise might wish to check with another brokerage firm, an accountant, or a trusted business adviser to get a second opinion about a specific investment you're considering.

Maintain good records of all data you get, copies of forms you sign, and conversations you have with your sales representative.

Nobody invests to lose cash. However, investments always imply some degree of risk. Be cognizant that:

1. The higher the expected rate of return, the greater the risk; depending upon market developments, you may lose some or all of your initial investment. With a few investments, like options, you may lose more than the amount of your investment. Ask whether the security may be redeemed or if there's a market for it.

2. A few investments can't easily be sold or converted to hard currency. Check to see if there's any penalty or charge if you have to sell an investment quickly or prior to its maturity date.

3. Investments in securities issued by a company with small or no operating history or published info might involve greater risk.

4. Securities investments, including mutual funds, are NOT federally insured against a loss in market price.

5. Securities you own might be subject to tender offers, mergers,

reorganizations, or third party activities that may affect the value of your ownership interest. Pay measured attention to public announcements and data sent to you about such transactions. They involve complex investment decisions. Make sure you totally understand the terms of any offer to exchange or sell your shares before you act. In a few cases, such as partial or two-tier tender offers, failure to act can have damaging effects on your investment.

6. The past success of a specific investment is no warranty of future performance.

A high pressure sales pitch may mean trouble. Be suspicious of anybody who tells you, "Invest quickly or you'll miss out on a once in a lifetime chance."