

FUNDAMENTALS OF INVESTING

There are many diverse thoughts, concepts, and principles related to investing so one has to consider those when making a decision. Your well “thought out concepts” would be right for you and your principles decide your decision-making process. The following information is to stimulate thinking and not to be an absolute dictate for your decision-making.

The definition of **compound interest** is the interest computed on the sum the original interest and accrued interest. Whereas **simple interest** is computed on the original principal only of a loan or on the amount of an account.

Figure out what you would gain if you placed \$5,000 in simple interest of 2% for 10 years. Now figure out what you would gain if you placed \$5,000 in an investment that got a 6% return. One would give about a \$1,000 return in ten years and the other about a \$4,000 return in ten years, not counting service fee charges.

Saving early and often are the two best ways to benefit from investing.

Starting early and investing in a home purchase, buying stocks or bonds, buying other property, such as rental property or land are good ways to benefit from investing.



A friend, who does not study investing or follow the stock market, decided when his daughter was five to take money from each paycheck and then periodically buy two stocks. He was following the concept of investing early and often for her. She is now 14 and has enough money to pay for a college education. The two stocks he bought were Apple and Microsoft.

When seeking investment advice seek out trusted successful friends on what to do and how to proceed. My best advisor gave us this advise for investing,:



have a good and realistic budgeting plan that focuses on needs and necessities and be careful about spending on wants; if you are going to live in a certain place for more than four years, then purchase an affordable house, however if you are going to be moving before then, probably renting is better; fund your IRA to the fullest extent; then gradually buy two separate mutual funds and five to ten stocks over a longer time period or like ten years; review your portfolio every quarter, but then at year’s end, sell the

one or two stocks that didn’t do well and reinvest the money by buying new stock replacements; be an investor not a stock trader, because you can’t beat the market.

There are so many factors involved in investing that it is worthwhile to follow a principled list of how and what to do. The following are brief concepts that experts and shared personal experiences suggest for being successful.

Become educated by reading monthly financial magazines; if possible, join an investment club that allows you to become involved with little risk; and converse with two to four trusted friends that know more than you do in order to consult and exchange ideas before you make decisions.

Continue to learn because there is much to learn, to know, and to do; because investment parameters are always changing with land price, house prices, and stock/bond prices fluctuating; and you are changing as you age.

Don't ever think you know everything, or that you know more than the experts, that you will always be successful because you will make some mistakes. Just kept those mistakes small or minor to the entire investing process.

Start small as you learn and then become more active as you have more skill and more money. Know your personality type or who you are.

Diversify your investments is a major principle of investment experts.

Be careful about investment expenses like fees or account transactions.

Be careful about having a brokerage firm manage your account because they are in the business of primarily making money for their own business. Also be careful about brokers advice to make sure they are following your guidelines and not their own bias, opinions, or desire. When starting out on investing used two brokers, one was good the other average. Later at 50 when investing more heavily, used two brokers, one broker was average, the other one poor.

Be careful about estate managers as well because some are good and others not so good. If possible, make sure the person is a trusted lawyer or is a certified estate manager.

Don't give all your money away and expect the government to assist you on Medicaid the rest of your life. According to lawyers and theologians that goes against Biblical principles.

Pray about your decisions, however, don't expect the Lord to come down and give you a direct answer.

Blessings in your efforts to manage life and money successfully.

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