LEARN ABOUT

Growing Your Money

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1199SEIU Funds
Benefit and Pension

Presented by the 1199SEIU Benefit and Pension Funds

Presenter Information Here

OBJECTIVES

1. Understanding Your Time Horizon
2. Assessing Your Financial Risks
3. Becoming Familiar with Financial Terms
4. What to Know Before You Start Investing
5. Securing Your Money and Avoiding Scams

- Time horizon is the period of time you expect to hold an investment, meaning when you want the money back.
- Time horizons are largely shaped by your goals and strategies.
- For example, saving for a down payment on a house would be considered a short-term time horizon, while saving for your retirement years may be a long-term time horizon.

UNDERSTANDING YOUR

TIME HORIZON

UNDERSTANDING YOUR

TIME HORIZON

The growth of your money will depend on:

- **How much you invest**
- **The rate of return**
- **The number of years you invest**

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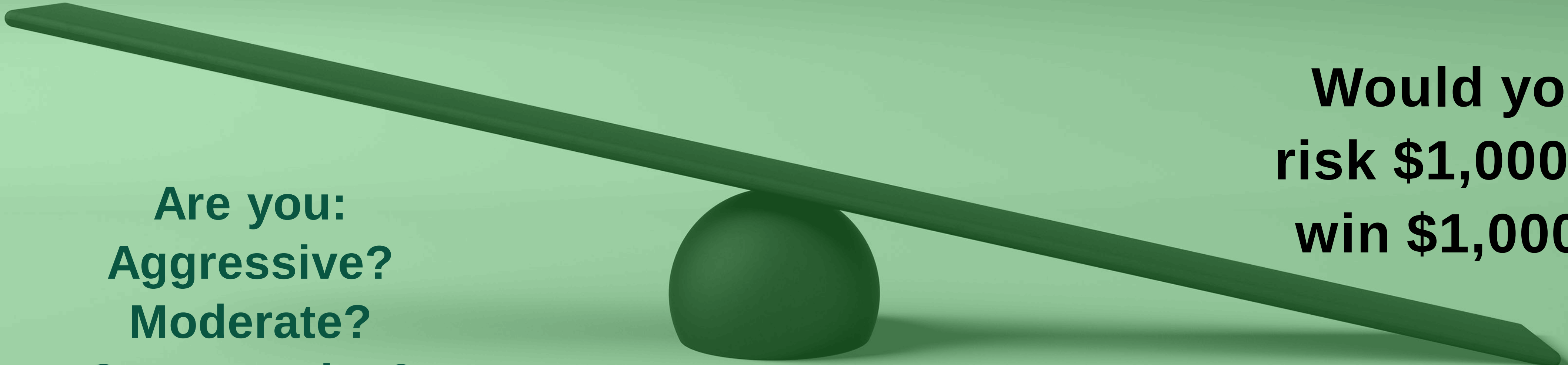
ASSESSING YOUR

FINANCIAL RISKS

- **How much risk can you take?**
- Risk tolerance is the degree of variability that you are willing to handle.
- Can you tolerate large swings in the value of your investments?

Would you risk $100 to win $1,000?



Would you risk $1,000 to win $1,000?

Are you:
Aggressive?
Moderate?
Conservative?

ASSESSING YOUR

FINANCIAL RISK

MANAGING RISK

It’s important to remember that nothing is guaranteed, but risk can be minimized.

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BECOMING FAMILIAR WITH

FINANCIAL TERMS

LEARN MORE ABOUT:

Asset Allocation

Asset Allocation

The process of dividing investments among different kinds of classes, such as stocks, bonds and cash, to help meet specific financial goals. Asset allocation is used to reduce investment risk.

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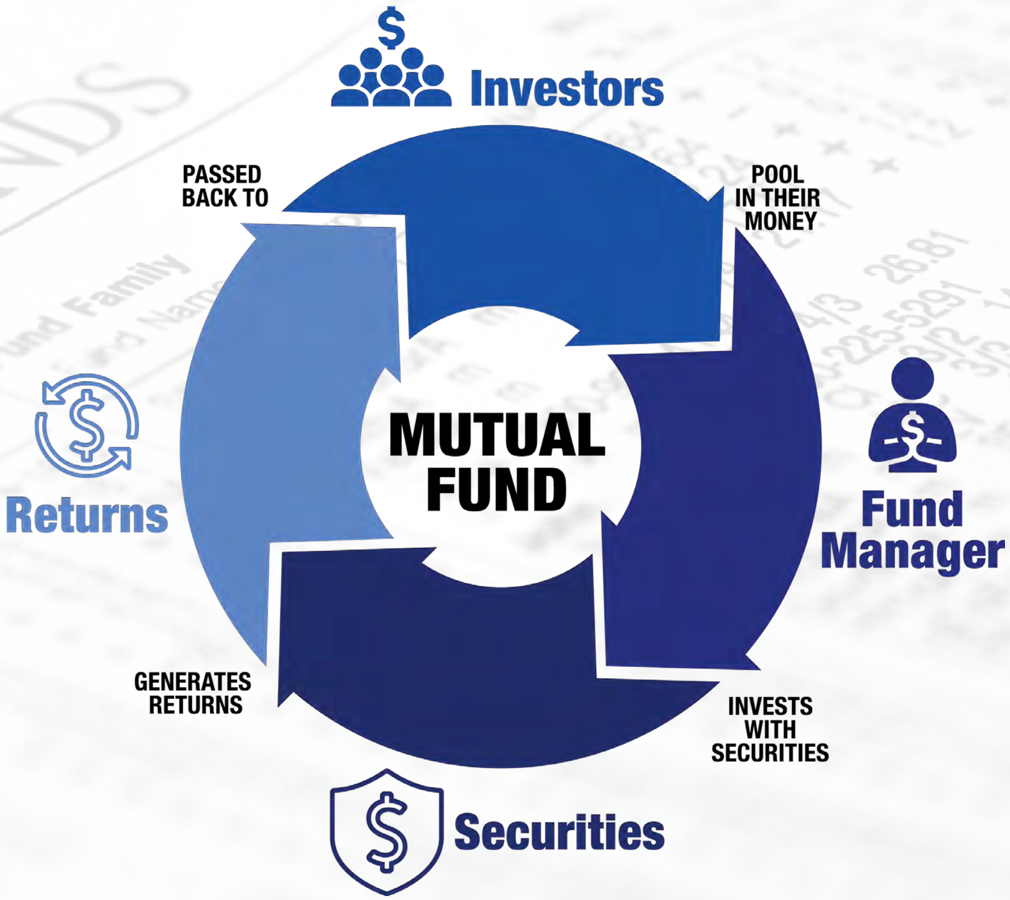
LEARN MORE ABOUT:

Mutual Funds

Potential Growth for Savings (Low-Yield Market)

Mutual Fund

Gives small investors access to a diverse portfolio of equities, bonds and other securities. Shares are issued and can be redeemed as needed.



WHAT TO KNOW BEFORE YOU

START INVESTING

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TIPS FOR SELECTING:

Mutual Funds

Consider Your Goals, Risk Tolerance and Time Horizon

? SAMPLE GOAL QUESTION

What will the money you’re saving be used for?

? SAMPLE RISK TOLERANCE QUESTION

Are you okay with big swings in portfolio value?

? SAMPLE TIME VALUE QUESTIONS

When will you need the money?

Do you have any needs for liquidity (cash) in the near future?

Do you have an emergency fund?

TIPS FOR SELECTING:

Mutual Funds

Consider the Funds, Management Style: Active Funds Vs. Passive Funds

PASSIVE FUNDS

Funds intended to match, but not beat, the performance of an index.

- Are generally automated with some human oversight.
- Tend to have much lower expenses (or fees) than active funds.

ACTIVE FUNDS

Funds run by managers who try to outperform an index over time.

- Have human portfolio managers and analysts.
- Tend to have higher expenses (or fees) which must be considered when measuring performance.

TIPS FOR SELECTING:

Mutual Funds

Diversify and Think Long-Term

Diversify Your Mutual Fund Selection

- Don’t put all your eggs in one basket.
- Stocks aren’t the only consideration. A few other possibilities: commodities, real estate, international funds, and fixed income

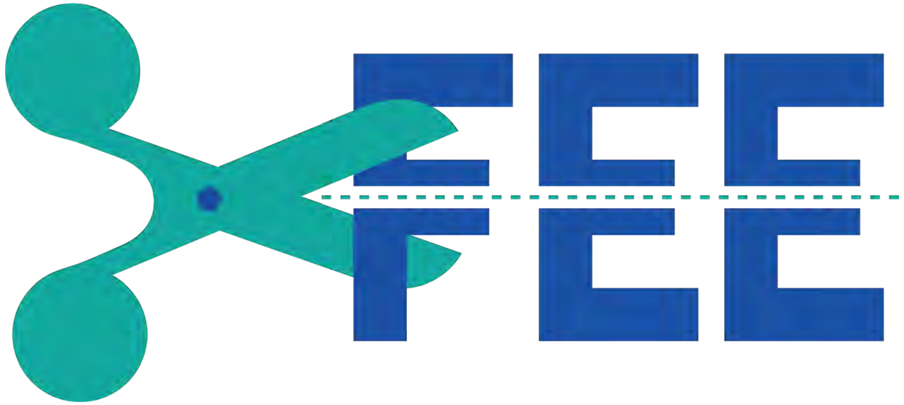
Think Long-Term

- Markets rise OVER time, but not ALL the time.
- Past positive performance doesn’t guarantee future growth.

TIPS FOR SELECTING:

Mutual Funds

Pay Attention to the Fees



Sample No-Fee Options for Investing

Broker	NerdWallet Rating	Fees	Account Minimum
Merrill Edge	4.5/5 Stars	$0	$0
Fidelity	5/5 Stars	$0	$0
E*Trade	5/5 Stars	$0	$0
TD Ameritrade	5/5 Stars	$0	$0
Interactive Brokers	5/5 Stars	$0	$0
Webull	4.5/5 Stars	$0	$0
TradeStation	4.5/5 Stars	$0	$0

MORNINGSTAR.COM – A GREAT SITE TO RESEARCH MUTUAL FUNDS.

TIPS FOR SELECTING:

Mutual Funds

Pay Attention to the Fees

Common Fees Found on Mutual Funds

Load Fee **Typically 3% to 6% of the total amount invested or distributed, but, by law, can be as much as 8.5%**

- **Front-End Load Fee (Class A Shares)** – Paid out of the initial investment when you buy shares of the fund.
- **Back-End Load Fee (Class B Shares)** – Charged when you sell your shares in the fund.
- **Level-Load Fee (Class C Shares)** – An annual charge deducted from assets in the fund.

TIPS FOR SELECTING:

Mutual Funds

Pay Attention to the Fees

Common Fees Found on Mutual Funds

No-Load Funds Don't charge a load fee but could have a higher expense ratio.

- **Expense Ratio –** The total percentage of fund assets that are being charged to cover fund expenses. Generally should not exceed 1.25%. The higher the ratio, the lower the return for the investor.
- **12b-1 Fees –** Fees charged by the fund to cover promotions, sales and other activities. By law, can be as much as 0.75% of a fund's average annual assets under management.
- **Brokerage Fees –** A fee or commission a broker charges to execute transactions or provide specialized services on behalf of clients.

TIPS FOR SELECTING:

Mutual Funds

Know the Different Types of Funds

Money Market Fund – Invests in short-term, fixed-income securities.

Fixed-Income Fund – Buys investments that pay a fixed rate of return.

Equity Fund – Invests in stocks.

Balanced Fund – Invests in stocks and bonds.

Index Fund – Aims to track a performance of a specific index.

Specialty Fund – Focuses on specialized investments such as real estate, commodities, socially responsible investments, etc.

Fund-of-Funds – Invests in other funds.

Target Date Fund – A class of mutual funds or ETFs that periodically rebalance asset class weights to optimize risks and returns for a predetermined time frame.

TIPS FOR SELECTING:

Mutual Funds

Know the Different Types of Funds

Large-Cap Fund – Invests in large companies worth $10 billion or more.

Small-Cap Fund – Invests in companies worth between $200 million and $2 billion.

Value Fund – Invests in companies that are perceived to be undervalued compared to others in their industry/class.

Growth Fund – Invests in companies that are rapidly growing.

Income Fund – Invests in companies that pay regular income through dividends or interest.

TIPS FOR SELECTING:

Mutual Funds

Do Your Research

- **Does the management team have a history of success?**
- **Does the management team have high levels of turnover?**
- **Do they buy and sell stocks frequently?** If they do, this could create a problem if the fund isn’t held in a tax-advantaged account.
- **What is the fund’s performance?** How has it performed against its benchmark?
- **Is this fund unusually volatile?**

TIPS FOR SELECTING:

Mutual Funds

ETFs (Exchange Traded Funds)

Exchange Traded Funds are a type of fund traded on a stock exchange offering high-dividend yields.

ADVANTAGES

- Dividend yields can be as high as 6% to 10%+ or as low as 0% to 1%
- Can have capital appreciation and dividend growth
- Expense ratio is smaller than mutual funds

DISADVANTAGES/RISKS

- More risky than CDs or high-yield savings accounts
- Possible decline in principal through asset depreciation
- You can lose your money if the price goes down

SECURING YOUR MONEY

AND AVOIDING SCAMS

Resources that Help Secure Your Money

FDIC Insurance

What is the FDIC?

The Federal Deposit Insurance Corporation was founded in 1933 to minimize the impact of economic downturns on depositors’ funds by monitoring potential threats to banking institutions and insuring deposits up to $250,000.

Note: Not all banks have FDIC insurance coverage

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

Resources that Help Secure Your Money

FDIC Insurance

How does it work?

Banks pay a premium for deposit insurance. Also, the FDIC invests in government-issued Treasury bonds that generate interest income.

What is covered?

The FDIC insures up to $250,000 of your deposits, such as:

- Checking/savings accounts
- Money market deposit accounts
- Certificates of deposits (CDs)
- Money orders/cashiers checks

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

Resources that Help Secure Your Money

FDIC Insurance

What is NOT FDIC insured?

- Mutual funds
- Stocks
- Bonds
- Annuities
- Life insurance policies
- Treasury securities

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

Resources that Help Secure Your Money

NCUA/NCUSIF

NCUSIF

The National Credit Union Share Insurance Fund was created by Congress in 1970 to insure member deposits and interest up to $250,000 in federally insured credit unions.

What is covered?

The NCUSIF insures deposits up to $250,000 on accounts such as:

- Checking/savings accounts
- Money market deposit accounts
- Certificates of deposits (CDs)
- Money orders/cashiers checks
- IRA and Keogh Retirement Accounts

Resources that Help Secure Your Money

Protection for Investments: SIPC

Protection Against Fraud or Brokerage Failure

Securities Investor Protection Corporation (SIPC)

Protects investors from loss if their brokerage firm fails. Customers of SIPC institutions who lose money as a result of company failure are insured up to $500,000, with a $250,000 cash sub-limit. The SIPC protects investments in stocks, bonds, options, Treasury securities and CDs.

SIPC
SECURITIES INVESTOR PROTECTION CORPORATION

Resources that Help Secure Your Money

Protection for Investments: SEC

Legal Protection – SEC

The Securities and Exchange Commission’s Division of Enforcement works to protect investors by bringing cases against those who commit investment fraud (i.e., Ponzi schemes, unregistered offerings, market manipulations, oil and gas scams, fraudulent initial coin offerings [ICOs], and a wide variety of other crimes). The SEC helps make sure individual investors are protected from those who would steal hard-earned savings, college accounts and retirement savings.

Should I Get an Advisor?

Pros and Cons of DIY Investing

Pros of Investing by Yourself

- Avoids the hard sales pitches.
- Pays lower fees by avoiding advisory fees and other charges.
- You can use the process as a learning experience.

Cons of Investing by Yourself

- Can make the wrong investment choice or make a poor decision due to inexperience.
- Don’t have the time to focus like someone whose sole job is to watch your investments.
- Might be too emotionally attached and make rash decisions.

Securing Your Finances

Seeking an Advisor or Financial Planner

Before Selecting:

- Read their reviews
- Talk to their referrals
- Do they have CFP (Certified Financial Planner) credentials?
- Do they have an ADV; are they registered with the SEC?
- How long have they been practicing?
- What sort of clients to they serve?

Do a Financial Advisor Background Check:

- Are they licensed?
  https://brokercheck.finra.org/
- Have they ever received disciplinary actions?
  https://www.finra.org/rules-guidance/oversight-enforcement/finra-disciplinary-actions-online

Securing Your Finances

Insurance Agents and Tax Preparers

Before Selecting:

- Read their reviews
- Talk to their referrals
- Review their licenses
- Do a background check on insurance agents. **https://content.naic.org/state-insurance-departments**
- Do a verification check on tax preparers: **https://cpaverify.org/**

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Securing Your Finances

Insurance Rating Agencies

Insurance Ratings Agencies

Independent agencies that rate the financial strength of insurance companies. Each has its own rating scale and its own rating standards. Each agency uses numbers or letter grades with pluses and minuses to indicate minor variations in ratings from one rating class to another.

- A.M. Best
- Fitch
- Kroll Bond Rating Agency (KBRA)
- Moody’s
- Standard & Poor’s

Securing Your Finances

Bond Rating Agencies

Bond Rating			
Moody's	**Standard & Poor's**	**Grade**	**Risk**
Aaa	AAA	Investment	Lowest Risk
Aa	AA	Investment	Low Risk
A	A	Investment	Low Risk
Baa	BBB	Investment	Medium Risk
Ba, B	BB, B	Junk	High Risk
Caa/Ca/C	CCC/CC/C	Junk	Highest Risk
C	D	Junk	In Default

Investopedia

Bond Ratings

A way to measure the creditworthiness of a bond, which corresponds to the cost of borrowing for an issuer. These ratings typically assign a letter grade to bonds to indicate their credit quality.

Private independent rating services such as Standard & Poor's, Moody's Investors Service and Fitch Ratings Inc. evaluate a bond issuer's financial strength or its ability to pay in a timely fashion.

Securing Your Finances ONLINE

- **Keep Social Security and credit card numbers private**
- **Don't open attachments from unknown senders**
- **Passwords:**
  - ✓ **Don't share them**
  - ✓ **Make them as long as possible**
  - ✓ **Incorporate a variety of letters, numbers and symbols**
  - ✓ **Don't reuse a previous password**
  - ✓ **Avoid using obvious passwords (birthdays, addresses, 0000, 1234, etc.)**
  - ✓ **Always use two-step verification when possible**

Securing Your Finances

SOCIAL MEDIA

- Don’t accept friend requests from people you don’t know
- Don’t give your telephone number to people you don’t know
- Scan your profile for all data that shouldn’t be shared publicly and delete it:
    - ✓ Birthdays
    - ✓ Telephone numbers
    - ✓ Home addresses

Securing Your Finances

CREDIT MONITORING

AnnualCreditReport.com

- **Monitor your credit as regularly as possible**
- **Sign up for free credit alerts**
- **Get alerts when:**
  - ✓ **Your spending is too high**
  - ✓ **You open a new card**
  - ✓ **You are eligible for a balance transfer offer to reduce your debt**
- **Use free services offered through your bank**

Securing Your Finances

GOING PAPERLESS

- Eliminates the risk of someone reading/stealing physical mail
- Increases the security on your account
- Use a paper shredder to discard bills and other outdated financial documents
- Many financial institutions offer shred days when you can shred your paperwork for free

What questions do you have?

How would you evaluate the training?

Would you like to comment on what you have learned?

More to share?
Please email me at
TakeCharge@1199Funds.org

FOR MORE RESOURCES:

Financial Wellness Department

(646) 473-6484

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