

# Index

## • A •

accounting. *See also* small business  
accrual method, 309  
cash method, 309, 310  
lower taxes and, 310–311  
tax records/payments, 308–310  
accounts payable, 121  
accounts receivable, 120  
accrual accounting method, 309  
accrued compensation, 121  
adjustable-rate mortgages (ARMs)  
adjustment cap, 251  
advantages/disadvantages of, 246  
choosing, 246–248  
common indexes for, 250–251  
defined, 245  
finding, 249–252  
formula, 250  
fully indexed rate, 250  
future interest rate, 250  
lifetime cap, 247, 251  
negative amortization, 252  
risk and, 247  
start rate, 249  
adjusted gross income (AGI), 54  
after-tax returns, 36  
age, in investment mix selection, 60–61  
aggressive growth funds, 171  
angel investors, 298  
annual rates, in Value Line reports, 115  
annual reports. *See also* individual stocks;  
research  
auditing and, 117–118  
balance sheet, 118–122  
defined, 117  
financial and business highlights, 118  
income statement, 122–124  
understanding, 117–124  
annuities, 56–57  
appraisals, 232, 244, 253

appreciation  
defined, 35  
as real estate investment benefit, 215  
residential real estate, 222–223  
stock, 82  
stock mutual funds, 169  
ARMs. *See* adjustable-rate mortgages  
asset allocation  
creating portfolio with, 165–168  
defined, 165  
diversification, 167–168  
for long term, 166–167  
middle-of-the-road, 167  
overseas stocks, 167  
strategies, 138  
assets  
accounts receivable, 120  
on balance sheet, 118, 119–121  
book value, 329  
in buying businesses, 327  
cash, 119  
current, 114  
in financial aid need analysis, 64  
goodwill, 120  
home ownership as, 197–198  
inventory, 121  
investments, 120  
property and equipment, 120  
protecting, 67–68  
average cost method, 384  
Avon Products, 95–96

## • B •

backtesting, 346  
balance sheets. *See also* annual reports;  
financial statements  
assets, 118, 119–121  
business plan, 287–288  
defined, 118  
illustrated example, 119  
liabilities, 119, 121  
stockholders' equity, 121–122

- balloon loans, 246
- banks
  - comfort of, 132
  - failures, 156
  - FDIC insurance and, 132–133
  - as lending investment, 132–136
  - money market funds versus, 134–136
  - operating costs of, 132
  - as small business financing source, 296
- bear markets, 85
- Beardstown club, 353, 354
- Berkshire Hathaway, 116
- bid-ask spread, 103
- black market, 34
- bond funds. *See also* mutual funds
  - actively managed, 177
  - best, 174–181
  - choosing to invest in, 144–145
  - defined, 156
  - intermediate-term, 179–180
  - investing in, 149
  - length to maturity, 174
  - loads and fees, 175
  - long-term, 180–181
  - no-load, 147
  - quality, 175
  - short-term, 178–179
  - tax implications, 175
  - Treasury investments, 147
  - yield-related missteps, avoiding, 175–176
- bond market
  - economics and, 74–80
  - raising money through, 71–74
- bonds
  - assessing, 138–144
  - buying, 144–149
  - called before maturity, 148
  - certificates of deposit (CDs) versus, 137
  - convertible, 143
  - corporate, 142
  - credit rating, 140
  - current yield, 146
  - default likelihood, 140
  - defined, 72
  - diversification, 138, 148
  - high-grade, 140
  - historical performance, 38
  - as income-producing investment, 138
  - individual versus mutual fund selection, 144–145
  - intermediate-term, 139
  - international, 142
  - investment-grade, 140
  - issue decision, 72–73
  - issuers, 141–143
  - junk, 140
  - as lending investment, 15
  - listings illustration, 146
  - long-term, 139
  - maturity, 139–140
  - mortgage, 142
  - municipal, 141–142
  - pricing, understanding, 145–146
  - reasons for investing in, 137–138
  - returns, 38
  - risks, 137–138
  - safety of, 137
  - short term, 139, 140
  - situations for investing in, 138
  - tax-free, 59
  - time horizons and, 27
  - treasury, 141
  - treasury inflation-protected securities (TIPS), 143
  - yield curve, 140
  - zero coupon, 144
- book value, in Value Line reports, 113
- books. *See also* resources
  - good, 354–357
  - infomercial, 349–353
  - unaudited performance claims, 353–354
- bootstrapping
  - defined, 277, 294
  - on equipment, 308
  - spending reduction and, 295–296
  - success of, 294–295
- brand names, building, 75
- broadcasts. *See also* resources
  - guest selection, 345–346
  - information and hype overload, 345
  - worst offenders, 344
- brokerage accounts, 192
- brokers
  - choosing, 187–194
  - commissions, 187
  - conflicts of interest, 88

- discount, 129, 187–190
    - online, 190–194
    - placing trades through, 129–130
    - in selling investments, 386
    - SIPC protection, 192
  - building permits, 227
  - Built to Last: Successful Habits of Visionary Companies* (Collins and Porras), 356
  - bull markets, 85
  - business brokers, 319–321
  - business concept, 279
  - business plans. *See also* small business
    - business concept, 279
    - business organization/staffing, 285–286
    - defined, 278
    - executive summary, 288
    - financing, 286–288
    - length of, 278
    - marketplace analysis, 281–283
    - objectives, 279–281
    - product/service delivery, 283–284
    - product/service marketing, 284–285
  - business space, 305–306
  - businesses. *See* small business
  - buying bonds, 144–149
  - buying businesses. *See also* small business
    - advantages of, 313–314
    - book value, 329
    - business brokers, 319–321
    - business evaluation, 326–329
    - business experience and, 316
    - comparables, 327
    - drawbacks to, 314–315
    - due diligence, 326–327
    - financial resources and, 316–317
    - franchise, 322–323
    - industry, 318
    - knocking on doors, 319
    - location, 318
    - MLM, 324
    - networking with advisors, 319
    - opportunity to add value, 318
    - prerequisites to, 316–317
    - profits, questioning, 328
    - publications, 318–319
    - risk and, 314
    - searching and, 317–321
    - size/purchase price, 317
    - as small business investment
      - method, 276
    - value determination, 328–329
    - work-from-home opportunities, 324
  - buying stocks
    - best time for, 89–101
    - with broker, 129–130
    - broker conflicts of interest in, 102
    - direct from companies, 128–129
    - via exchange-traded funds, 87
    - good/bad reasons for, 88
    - via hedge funds, 88
    - as individual purchase, 88–89
    - keys to success, 107–108
    - methods of, 86–88
    - via mutual funds, 86–87
    - preparation for, 126–128
    - problematic practices, avoiding, 101–107
    - “on sale,” 98–101
    - short-term trades, 103–105
    - as stock-buying method, 88–89
    - timing market and, 103–105
- C •
- call options, 17
  - capital
    - defined, 71
    - in excess of par value, 122
    - raising of, 72
  - capital gains
    - defined, 59
    - distributions, 169
    - long-term, 59, 215
    - short-term, 60
    - taxation on, 59
  - capital structure, 114
  - capitalization, 170
  - career risk, 33–34
  - careers, investment in, 273
  - cash, as company asset, 119
  - cash accounting method, 309, 310
  - cash equivalents, 16
  - cash flow
    - defined, 112, 223, 228
    - estimating, 228–229
    - mistakes, 229
    - residential real estate, 223
    - in Value Line reports, 112

- catastrophic risks, in property search, 209–210
  - certificates of deposit (CDs)
    - as ARM index, 250
    - defined, 133
    - drawbacks to, 37, 133–134
    - interest rates, 133
    - issuance terms, 37
    - taxes, 134
  - Chartered Financial Analyst (CFA), 154
  - COBRA, 292
  - collectibles
    - best returns from, 20
    - defined, 19
    - investment problems with, 20
    - tips for buying, 21
  - college
    - Education Savings Account (ESA), 65
    - financial aid need analysis, 64
    - how to pay for, 66
    - investing in, 64–67
    - investment allocation, 66–67
    - scholarships and grants, 66
    - Section 529 plans, 65
  - commercial real estate investments, 225
  - company-based retirement plans, 55–56
  - competition, watching, 75
  - compounded effective annual yield, 35
  - condominiums, 206
  - conflicts of interest, real estate agents, 257
  - consumer debt. *See also* debts
    - conquering, 47–48
    - dangers of, 47–48
    - getting rid of, 204
    - in mortgage lender calculations, 204
    - pay-off benefits, 47
    - for small-business financing, 48
  - contact information, mutual fund providers, 185
  - contrarians, 61
  - conventions, in this book, 2
  - convertible bonds, 143
  - cooperatives, 206
  - corporate bonds, 142
  - CorporateInformation.com, 367
  - cost of funds index (COFI), 251
  - costs, 74, 75
  - couples, investing as, 52
  - coupon rates, 145
  - credit ratings, bond, 140
  - credit report fee, 253
  - credit score, 243–244
  - crime, in property search, 209
  - current assets, 114
  - current liabilities, 114
  - custodial accounts, 64
  - custodians, 157
  - customers. *See also* small business
    - keeping, 304
    - needs, meeting, 282
    - obtaining, 303
- D •
- day trading, 103, 105
  - DCA. *See* dollar cost averaging
  - debts
    - consumer, 47–48
    - evaluating, 47–50
    - long term, 114
    - mortgage, 48–50
    - short-term, 114
    - using to accomplish goals, 48
  - declines
    - large, ignoring, 391
    - major, viewing as sales, 388–389
    - not giving up during, 375–376
  - deep discounters, 189
  - default, mortgage, 49
  - depreciation, 35, 112
  - directors, 125
  - discount brokers
    - deep discounters, 189
    - defined, 188
    - online, 190–194
    - placing trades through, 129–130
    - reasons to use, 188
    - selecting, 189–190
    - service, 188
    - top picks, 189
    - using, 187–190
  - distribution channels, 284
  - diversification
    - asset allocation, 167–168
    - bonds, 138, 148
    - college investments, 66–67
    - defined, 11
    - in individual-investment risk, 31

- international investments, 27
    - as investment mix guideline, 61
    - in market-value risk, 27
    - in masking risk, 53
    - mutual funds, 86, 155, 167–168
    - as stock market success strategy, 107
    - stock returns and, 39–40
    - over time, 130
  - dividends
    - defined, 36, 82
    - hybrid funds, 182
    - payable, 121
    - stock, 82
    - stock fund, 169
    - as stock trade information element, 128
  - dollar cost averaging (DCA)
    - defined, 62
    - drawbacks to, 62
    - lump sums and, 63
    - parking place before investing with, 63
    - for riskier investments, 62
    - using, 63
    - value averaging versus, 63–64
    - who should use, 63
  - Dow Jones Industrial Average, 82, 83
  - down market investing
    - financial market understanding, 392
    - growth stock avoidance, 390
    - large point declines and, 391
    - major declines as sales, 388–389
    - negative, hyped media and, 390
    - panic and, 387–388
    - portfolio perspective, 388
    - portfolio problem identification, 389
  - down payment, 242–243
  - due diligence
    - audits, 328
    - MLM companies, 326
    - questions, 327
    - in small business evaluation, 326–327
- **E** ●
- earnings
    - defined, 74
    - driving stock prices through, 74–75
    - hefty, selling investments with, 384–385
    - methods of increasing, 75
    - per share, 124
  - education, 33–34
  - Education Savings Account (ESA), 65
  - efficient market hypothesis, 76
  - emergency reserves
    - establishing, 45–47
    - mortgage pay down versus, 49
    - recommended amount of, 46
    - stock investments and, 46
  - emerging economies, 39
  - entrepreneurs. *See also* small business
    - inside a company, 272
    - myths, 271
    - success qualities, 268–270
  - equipment, 120, 307–308
  - equities. *See* stocks
  - equity, selling (small business), 298–299
  - equity funds. *See* stock funds
  - ESA (Education Savings Account), 65
  - escheatment, 360
  - escrow services, 262
  - estate planning, 68
  - euphoria, as investing obstacle, 374
  - exchange-traded funds (ETFs). *See also* mutual funds
    - for buying stocks, 87
    - defined, 87, 163
    - inverse, 164–165
    - leveraged, 163–164
    - management fees, 155
  - executive summary, 288
  - expenses
    - in income statement, 123–124
    - money market funds, 182–183
    - operating, mutual funds, 160
- **F** ●
- FAFSA (Free Application for Federal Student Aid), 66
  - Fannie Mae, 143
  - Federal Deposit Insurance Corporation (FDIC), 37, 132–133
  - Federal Emergency Management Agency (FEMA), 210
  - Federal Reserve, 77, 79–80
  - Federal Trade Commission website, 244
  - FEMA (Federal Emergency Management Agency), 210
  - financial advisors, 386

- financial aid
    - applying for, 65, 66
    - need analysis, 64
    - not using, 65
    - programs, 66
  - financial goals
    - before beginning to invest, 50
    - establishing, 50–53
    - with home ownership, 197–198
    - in investment sales, 381–382
    - investment tastes for, 53
    - retirement, 51
    - in risks versus returns, 43–44
    - savings rate determination for, 51–52
    - unclear, 377
  - Financial Industry Regulatory Authority (FINRA), 165, 366, 368
  - financial markets. *See also* bond market; stock market
    - economics and, 74–80
    - efficiency, weighing, 76–77
    - Federal Reserve and, 79–80
    - inflation and, 78–79
    - interest rates and, 77–79
    - raising money through, 71–74
    - timing, 28, 97
    - understanding, in down market, 392
  - financial statements
    - auditing of, 117–118
    - balance sheet, 118–122
    - in buying businesses, 327
    - documents, 124–126
    - fundamental analysis, 126
    - income statement, 122–124
    - manipulation of, 118
  - first-in-first-out (FIFO) method, 384
  - fixed-rate mortgages
    - ARMs comparison, 245–246
    - choosing, 246–248
    - defined, 245
    - finding, 248–249
    - no-point loan, 249
    - points, 248
    - risk and, 247
  - 401(k) plans, 55
  - 403(b) plans, 55
  - franchises. *See also* buying businesses; small business
    - advantages of, 322–323
    - defined, 322
    - evaluating, 323
    - pitfalls of, 323
  - Free Application for Federal Student Aid (FAFSA), 66
  - full-service leases, 306
  - fully indexed rate, 250
  - fundamental analysis, 126
  - futures, 17–18
- G ●
- Gamblers Anonymous, 104
  - gambling problem, investment, 104
  - general partners, 43
  - GICs (guaranteed-investment contracts), 149–150
  - Ginnie Mae, 143
  - goals. *See* financial goals
  - Good to Great: Why Some Companies Make the Leap . . . And Others Don't* (Collins), 357
  - goodwill, 120
  - growth and income funds, 171
  - growth stocks, avoiding in down market, 390
  - guaranteed-investment contracts (GICs), 149–150
  - gurus
    - believing in, as investing obstacle, 379
    - caution with, 105–106
    - claims, examining, 339
    - on Internet, 369–370
- H ●
- health insurance
    - in asset protection, 67
    - premium tax credit, 301
    - in starting businesses, 291–292
  - Health Savings Accounts (HSAs), 67, 292
  - hedge funds, 88
  - high-deductible health plans, 292

high-grade bonds, 140  
 historical financials, in Value Line reports, 113  
 home equity  
   borrowing against, 198  
   loans, 256  
   in paying for college, 66  
   uses for, 198  
 home offices, 306  
 home ownership  
   appreciation requirement, 202  
   conversion to rental, 220  
   maintenance costs, 202  
   pros versus cons, 199–201  
   in reaching financial goals, 197–198  
   as real estate investment, 219  
   second home, 237  
   tax savings, 204  
 home purchase  
   buying decision, 198–203  
   condominiums, 206  
   cooperatives, 206  
   down payment determination, 205–206  
   inspection fees, 201  
   lenders' point of view, 203–204  
   loan costs, 201  
   market value in, 210  
   mortgage size in, 205  
   moving costs, 201  
   property type selection, 206  
   real estate commissions, 201  
   right property and location, 207–211  
   shared housing, 206–207  
   spending amount decision, 203–206  
   timing, 202  
   title insurance, 201  
   townhomes, 206  
   transaction costs, 201–203  
*House Selling For Dummies* (Tyson and Brown), 264  
 HSAs (Health Savings Accounts), 67, 292  
 hucksters, real estate, 237–239  
*Hulbert Financial Digest*, 112  
 hybrid funds, 181–182  
 hyperinflation, 34

## • 1 •

income  
   insufficient, in real estate lending, 244–245  
   as real estate investment benefit, 216  
 income funds, 171  
 income statements. *See also* annual reports; financial statements  
   business plan, 287  
   earnings per share, 124  
   expenses, 123–124  
   illustrated example, 122  
   net income calculations, 124  
   revenue, 122–123  
 income taxes payable, 121  
 incorporation  
   benefits of, 299–300  
   corporate taxes, 301  
   decision, 299–303  
   defined, 299  
   liability protection, 300  
   limited liability companies (LLCs), 302  
   S corporations, 302  
   tax-deductible insurance, 300–301  
 independent brokerage research, 116  
 index funds, 162–163. *See also* mutual funds  
 individual bonds  
   assessing, 148  
   bond mutual funds versus, 144–145  
   shopping for, 147–149  
   Treasury, 146–147  
 individual retirement accounts (IRAs), 55–56  
 individual stocks  
   amount invested in, 127  
   annual reports, 117–124  
   with broker, 129–130  
   broker conflicts of interest in, 102  
   direct from companies, 128–129  
   good/bad reasons for purchasing, 88  
   purchase preparation, 126–128  
   purchasing, 128–130  
   research, building on, 109–117  
   as stock buying method, 88–89  
   stock prices and, 127–128

- individual-investment risk, 30–31
- inflation
  - corrosive effect on purchasing power, 33
  - hyperinflation, 34
  - interest rate connection, 78–79
    - as investment hole, 15
    - late 1970s/early 1980s, 100
    - out of control, 34
    - precious metals and, 18, 19
    - as purchasing power risk, 32–33
  - rate of, 78
  - renting and, 200
- infomercial books
  - avoiding, 349–353
  - learning by example, 350–353
  - taking advantage of you, 350
- initial public offerings (IPOs), 73–74
- insurance
  - approach to, 68
  - corporations and, 300–301
  - health, 67, 291–292
  - liability, 67
  - life, 68, 292
  - long-term disability, 68, 292
  - title, 262
- interest
  - defined, 35
  - long-term, earned, 114
  - total, coverage, 114
- interest rates
  - certificates of deposit (CDs), 133
  - economy and, 77–78
  - high, 77–78
  - inflation connection, 78–79
  - primary driver of, 78
- intermediate-term bond funds, 179–180
- intermediate-term bonds, 139
- international bonds, 142
- international investments, 27
- international stock funds, 172–173
- Internet resources. *See also* resources
  - agendas, 365
  - assessing, 365–366
  - best websites, 367–369
  - CorporateInformation.com, 367
  - fact checking, 366
  - grassroots customer feedback, 366
  - investing “geniuses” and, 369–370
  - message boards, 368
  - Morningstar.com, 367
  - SEC.gov, 368–369
  - St. Louis Federal Reserve, 367–368
  - Vanguard.com, 369
  - working with, 364–370
- Internet/technology bubble, 91–93
- inventory, as company asset, 121
- inverse ETFs, 164–165
- investing
  - for college, 64–67
    - as couples, 52
    - defined, 9
    - in down market, 392
    - financial house in order before, 45–68
    - getting started with, 9–10
    - as hot topic, 334–335
    - like a millionaire, 13
    - in mutual funds, 157–165
    - in real estate, 213–218
    - resources, 333–339
    - uncertainty of, 375
    - in what you know, 61
  - investing obstacles
    - believing in gurus, 379
    - euphoria, 374
    - giving up, 375–376
    - ignoring financial problems, 378
    - overconfidence, 375
    - overemphasizing risks, 378–379
    - overmonitoring, 377
    - refusal to accept loss, 376
    - trusting authority, 373–374
    - unclear goals, 377
- investment mix
  - age and, 60–61
  - choosing, 60–64
  - dollar cost averaging (DCA), 62–64
  - guidelines, 61–62
  - options, 61–62
- investment research software, 362–363
- investment tracking software
  - alternatives, 361–362
  - benefits of, 360–361
  - drawbacks to, 361
  - types of, 360
- investment-grade bonds, 140

## investments

- cash equivalents, 16
- choices, 9–21, 335
- collectibles, 19–21
- college, allocating, 66–67
- as company asset, 120
- futures and options, 16–18
- gambling problem, 104
- international, 27
- lending, 14–15
- not recommended, 16–21
- not selling for a loss, 376
- overmonitoring, as obstacle, 377
- overpriced, 28–30
- ownership, 10–14
- precious metals, 18–19
- returns, 34–43
- with unknown costs, 386
- wise, making, 10

*Investor's Business Daily*, 127

## • J •

## Japanese stock market

- collapse, 95
- factors leading to collapse, 95
- Japanese real estate market and, 95
- as juggernaut, 93–95
- P/E ratios and, 94
- rise, 93
- speculators, 94
- stock investments, 93–94

jobs. *See also* starting businesses

- departure preparation, 290–291
- transition from, 291
- valuing and replacing benefits, 291–294

## junk bonds, 140

## • K •

## keeper investments, 382–383

Keogh plans, 55–56

## • L •

## land, limited, 214

land investments, 223–224

large-capitalization (large cap) stocks, 170

## lenders

- finding, 253–255
- looking through eyes of, 203–204
- real estate agent referrals, 254
- shopping by yourself, 254–255
- shopping through mortgage broker, 253–254

## lending investments

- banks, 132–136
- bonds, 15, 137
- defined, 14, 131
- generating income from, 14–15
- guaranteed-investment contracts (GICs), 149–150
- private mortgages, 150–152
- return from, 15
- safety and, 15
- types of, 14–15, 132
- when to choose, 131

## leverage, 214

## leveraged ETFs, 164–165

## liabilities

- accounts payable, 121
- accrued compensation, 121
- on balance sheet, 119, 121–122
- in buying businesses, 327
- current, 114
- dividends payable, 121
- income taxes payable, 121

## liability insurance, 67

## life insurance, 68, 292

## lifetime caps, 247, 251

## limit orders, 130

## limited liability companies (LLCs), 302

## limited partnerships, 236

loads. *See also* mutual funds

- avoiding, 158–159
- back-end (deferred sales), 158
- bond funds, 175
- defined, 158
- hiding, 159
- sales, 158

loan approval. *See also* mortgages

- credit score problems, 243–244
- down payment problems, 242–243
- insufficient income, 244–245
- low appraisals, 244

## long-term bond funds, 180–181

- long-term bonds, 139
- long-term capital gains, 59, 215
- long-term debt, 114
- long-term disability insurance, 68, 292
- long-term interest earned, 114
- Loose Cannons and Red Herrings — A Book of Lost Metaphors* (Claiborne), 85
- losses
  - cutting, 385
  - not selling for, 376

## • M •

- management fees
  - exchange-traded funds (ETFs), 155
  - minimizing, 108
- margin borrowing, 96
- margin calls, 96
- marginal tax rates, 58
- The Market. *See* stock market
- market capitalization (mkt cap), 128
- market orders, 130, 190
- market share, in Value Line reports, 113
- market timing, 28, 97, 105
- marketplace analysis, 282–283. *See also*
  - business plans
- markets, new, 75
- market-value risk
  - bloated markets and, 28–30
  - diversification and, 27
  - examples of, 25–26
  - reasons to engage, 26
  - time horizons and, 27–28
- maturity, bonds, 139–140
- media, negative and hyped, 390
- medium-capitalization stocks, 170
- message boards, 368
- mission statements, 279
- MLM, 324–325
- MLS (multiple listing service), 264
- monetary policies, 77, 79
- money managers, stock picks, 116
- money market accounts, 37, 59
- money market funds
  - advantages of, 135–136
  - associated services, 183
  - defined, 134, 156, 182
  - drawbacks to, 136
  - expenses, 182–183
  - investment declines, 136
  - municipal, 184–185
  - savings accounts versus, 134–136
  - tax consequences, 183
  - taxable, 184
  - tax-free versions, 135
  - U.S. Treasury, 184
  - yields, 135
- money supply, 79, 80
- Morgan Stanley EAFE, 84
- Morgan Stanley Emerging Markets, 84
- Morningstar, 116, 363, 367
- mortgage bonds, 142–143
- mortgage brokers, 253–254
- mortgages. *See also* debts; real estate financing
  - adjustable-rate, 245–248, 249–252
  - balloon loans, 246
  - default, 43
  - fees, 252–253
  - fixed-rate, 245, 246–249
  - lenders, 203–204, 253–255
  - loan approval, 242–245
  - paying down, 48–49
  - private, investing in, 150–152
  - private mortgage insurance (PMI), 205
  - refinancing, 255–256
  - subprime, 147
  - tax deductions, 50
- mousetraps, building better, 75
- multilevel marketing (MLM), 324–325
- multiple listing service (MLS), 264
- municipal (muni) money market funds, 184–185
- municipal bonds, 141–142
- mutual funds
  - accessibility, 157
  - advantages of, 86–87, 154–157
  - bond, 144–145, 156, 174–181
  - buying stocks via, 86–87
  - cost efficiency, 154–155
  - custodians, 157
  - defined, 86
  - diversification, 86, 155, 167–168
  - diversity of, 156
  - drawbacks to, 87
  - experience and, 161–162
  - financial safety of, 156–157
  - hybrid, 181–182

index, 162–163  
 investing in, 157–165  
 investment minimums of, 155  
 loads, 158–159  
 low cost of, 87  
 in lowering individual-investment risk, 31  
 money market, 156, 182–185  
 no-load, 158  
 operating expenses of, 160  
 performance versus risk, 161  
 portfolio with asset allocation, 165–168  
 professional management of, 86, 154  
 prospectus, 160  
 providers, contact information, 185  
 REITs, 221  
 sales loads, 158  
 stock, 156, 168–174  
 tax concern of, 87  
 tax-friendly, 59  
*Mutual Funds For Dummies* (Tyson),  
 163, 357, 363

## • N •

name-brand recognition, 120  
 NASDAQ, 84  
 negative amortization, 252  
 negotiations  
   guidelines for, 260  
   office lease, 305–306  
   real estate agent contracts, 263–264  
   triple-net, 306, 307  
   types of, 306  
   without a real estate agent, 259  
 net income, 124  
 net profits, 112  
 net worth, 67, 120  
 newsletters, 346–347  
 1920s U.S. stock market, 96–97  
 1960s U.S. stock market, 95–96  
 no-load mutual funds, 158  
 no-load Treasury bond mutual funds, 147

## • O •

objectives, business  
   defined, 279  
   examples of, 280–281  
   outlining in business plan, 279–281

office leases, 305–306  
 oil investments, 18  
 online brokers. *See also* brokers  
   best, 194  
   drawbacks to, 191–193  
   market orders, 190  
   service quality, 193  
   shopping for, 193  
   trading motives and, 190–191  
   using, 190–194  
 operating expenses, mutual funds, 160  
 options, 16–17  
 organization, of this book, 3–5  
 overconfidence, as investing obstacle, 375  
 overmonitoring investments, 377  
 overpriced investments, 29, 30  
 ownership investments  
   building wealth with, 10–14  
   business ownership, 13–14  
   defined, 10, 131  
   diversification, 11  
   real estate, 12  
   risk and, 13  
   stocks, 11–12  
   when to choose, 131

## • P •

panic, in down markets, 387–388  
 par value, 122  
 Parent Loans for Undergraduate Students  
   (PLUS), 66  
 P/E ratios. *See* price-earnings ratios  
 penny stocks, 106–107  
 periodicals, 343  
*Personal Finance For Dummies* (Tyson), 52,  
 68, 290, 378  
 PMI (private mortgage insurance), 205  
 portfolios  
   balance, maintaining, 382  
   perspective, in down market, 388  
   problems, identifying, 389  
 precious metals, 18–19  
 precious metals funds, 174  
 preferences, in investment sales, 381–382  
 Presstek, 93  
 price-earnings (P/E) ratios  
   average, 90  
   calculating, 89–91

price-earnings (P/E) ratios (*continued*)

defined, 90

example of, 90

formula, 74, 90

high, 91

Internet/technology stocks, 92

Japanese stock market and, 94

as stock trade information element, 128

in Value Line reports, 113

prices, managing, 75

*Principia for Stocks*, 363

private mortgage insurance (PMI), 205, 242

private mortgages

defined, 150

due diligence, 151

interest rate risk, 152

risk, 151

profits. *See* earnings

property inspections, 261

property listings, 227

property search. *See also* home ownership;

home purchase

areas, 208

engaging in, 207–211

key items in, 209

market value in, 210

open mind in, 208

pounding the pavement in, 210–211

research, 208–210

property taxes, 209

property valuation

with appraisers, 232

do-it-yourself, 233

evaluation, 230

importance of, 229

process, 229–233

with real estate agents, 232

prospectuses, 160

protecting assets, 67–68

proxy statements, 124–125

psychological returns, 36–37

public, going

decision, 72

drawbacks to, 72

IPOs, 73–74

publications. *See also* resources

bylines and biographies, 343–344

financial experts, 342–343

future predictions, 343

hype and horror, 342

noise and minutiae, 343

periodicals, 343–344

research with, 117

purchasing power, 32–33

## • Q •

qualified state tuition plans, 65

quarterly financials, in Value Line reports, 115

quick ratio, 114

## • R •

*A Random Walk Down Wall Street*  
(Malkiel), 355

rate of inflation, 78

reader assumptions, in this book, 3

real estate

declines, 26

highest prices, 42

home ownership, 197–211

income, taxation, 59

as individual investment, 31

market analysis, 226–227

market downturn, 49

returns, 42

selling, 262–264

as wealth-building investment, 12

real estate agents

as buyer's brokers, 259

buying without, 259

conflicts of interest, 257

contracts, negotiating, 263–264

forgoing, 264

lender referrals, 254

in property valuation, 232

qualities of, 258, 259

selecting, 258–259

working with, 256–259

real estate attorneys, 259

real estate financing. *See also* mortgages

lenders, 253–255

loan approval, 242–245

mortgage fees, 252–253

- mortgage selection, 246
- refinancing, 255–256
- real estate investment trusts (REITs)
  - benefits of, 221
  - buying on margin, 221
  - defined, 174, 219
  - mutual funds, 221
  - reasons books avoid, 220
  - as sector fund, 174
- real estate investments
  - appreciation benefit, 215
  - attractions, 213–218
  - “best” areas wisdom and, 228
  - closing the deal, 260–262
  - commercial, 225
  - deals, 234–235
  - direct property, 221–225
  - discounted, 234
  - economic issues in, 226
  - ego gratification benefit, 216
  - escrow services, 262
  - flipping, 263
  - home ownership, 219
  - hucksters, 237–239
  - income benefit, 216
  - inferior, 236–239
  - information research, 233
  - land, 223–224
  - leverage benefit, 214
  - limited land benefit, 214
  - limited partnerships, 236
  - as longer-term focus, 217–218
  - motivated sellers, 235
  - profits, rolling over, 215
  - property inspection, 261–262
  - property valuation, 228–233
  - real estate market in, 226–227
  - REITs, 174, 219–221
  - residential, 222–223
  - returns, 217
  - scams, 239
  - simple and profitable, 219–221
  - time shares, 236
  - title insurance, 262
  - unwanted properties, 235
  - who should avoid, 218
  - zoning opportunities, 235
- real estate market
  - depressed, 235
  - efficiency, 77
  - Japanese, 95
- recession, 77
- refinancing, 255–256
- rental property financial statement, 230–232
- rental rates, 227
- renting
  - benefits of, 199
  - drawback to, 200
  - home ownership versus, 199–201
  - your own home, 220
- research. *See also* individual stocks
  - with annual reports, 117–124
  - financial publications, 117
  - independent brokerage, 116
  - money manager picks, 116
  - proxies, 125–126
  - 10-Ks, 125
  - 10-Qs, 125
  - with Value Line, 110–115
  - websites, 117
- residential real estate, 222–223. *See also* real estate investments
- resources
  - advertising and, 335–337
  - books, 349–357
  - broadcast, 344–346
  - claims, examining, 339
  - content, influencing of, 336
  - content corruption, 336–337
  - financial fact versus fiction, 335–339
  - information as constructive, 338
  - information overload, 333–335
  - Internet, 364–370
  - investment newsletters, 346–347
  - magazines and newspapers, 341–344
  - philosophy and agenda, 337–338
  - qualifications, investigating, 338
  - quality, recognizing, 337–339
  - software, 360–364
- retirement
  - goals, 51
  - home equity in, 198
  - small business and, 293

- retirement accounts
    - aggressive approach in, 62
    - annuities, 56–57
    - company-based plans, 55–56
    - in financial aid need analysis, 64
    - funding, 53–57
    - investments, choosing, 57
    - IRAs, 56
    - low-income earner tax credit, 54
    - options, 55–57
    - savings, starting, 54–55
    - taking advantage of, 61
    - tax benefits, 53–54
    - as tax-reduction accounts, 53
  - returns
    - after-tax, 36
    - analyzing, 34–43
    - bonds, 38
    - index funds, 162
    - with investment tracking software, 362
    - money market account, 37
    - psychological, 36–37
    - real estate investment, 42, 217
    - savings account, 37
    - short-term trading and, 103
    - small business, 42–43
    - software calculation of, 364
    - stock, 39–41
    - total, 35–37
  - revenue
    - defined, 74
    - in income statement, 122–123
    - stock valuation based on, 92
  - Rich Dad*, not believing need for, 391–392
  - risk
    - adjustable-rate mortgages (ARMs), 247
    - bonds, 137–138
    - buying businesses and, 314
    - career, 33–34
    - evaluating, 24–34
    - existence of, 24
    - fixed-rate mortgages, 247
    - individual-investment, 30–31
    - investment types and, 34
    - lending investments, 15
    - market-value, 25–30
    - mutual funds, 161
    - overemphasizing, as obstacle, 378–379
    - perception of, 23
    - private mortgage, 151
    - in property search, 209–210
    - purchasing-power, 32–33
    - small business, 271
    - stock returns and, 41
    - in wealth-building, 13
  - Roth IRAs, 56
  - running businesses. *See also* small business
    - accounting, 308–311
    - customer service, 304
    - perspective, 311–312
  - Russell 2000, 83, 84
- S •
- S corporations, 302
  - S&P (Standard & Poor's) 500, 83, 84
  - sales loads, 158
  - savings accounts
    - money market funds versus, 134–136
    - returns on, 37
  - savings rate, 51–52
  - SBA (Small Business Administration), 296–297
  - scams, real estate, 239
  - Schedule E (Supplemental Income and Losses), 229
  - scholarships, college, 66
  - schools, in property search, 209
  - second homes, 237
  - second mortgages. *See* private mortgages
  - Section 529 plans, 65
  - sector funds, 173–174
  - Securities and Exchange Commission
    - Office of Investor Education and Advocacy, 366
    - online scams and, 365
    - website, 116, 124, 368–369
  - Securities Investor Protection Corporation (SIPC), 192
  - selling investments
    - broker differences and, 386
    - expensive, 30
    - financial advisors and, 386

- with hefty profits, 384–385
- keepers and, 382–383
- losses, cutting, 385
- major declines as, 388–389
- portfolio balance and, 382
- preferences and goals, 381–382
- share cost, 383–384
- tax consequences, 383
- for tax-loss purposes, 385
- unknown costs, 386
- selling real estate
  - flipping, 263
  - MLS and, 264
  - by owner, 264
  - real estate agent contracts, 263–264
- selling stocks
  - best time for, 89–101
  - fee for, 129
- services/products
  - delivering, in business plan, 283–284
  - marketing, in business plan, 284–285
- share costs, figuring, 383–384
- shared housing, 206–207
- short selling, 85
- short-term bond funds
  - defined, 178
  - federally tax-free, 178–179
  - taxable, 178
  - U.S. Treasury, 178
- short-term bonds, 138, 139
- short-term capital gains, 80
- short-term debt, 114
- short-term trading, 103–105
- simplified employee pension individual retirement accounts (SEP-IRAs), 55
- SIPC (Securities Investor Protection Corporation), 192
- small business. *See also* buying businesses; running businesses; small business financing; starting businesses
  - accounting, 308–311
  - alternative routes to ownership, 272–273
  - business evaluation, 326–329
  - business plan, 278–288
  - challenges, 268
  - competition, besting, 282–283
  - customer needs, meeting, 282
  - customers, finding/keeping, 303–304
  - distribution channels, 284
  - existing, buying, 276
  - federal health care bill and, 293
  - income, taxation, 59
  - incorporation decision, 299–303
  - investing in, 43, 276–277
  - investment data, 43
  - investment mistakes, avoiding, 277–278
  - investment options, 273–278
  - life and perspective, 311–312
  - multilevel marketing (MLM), 324–325
  - putting own money into, 277
  - regulations, complying with, 283
  - returns, 42–43
  - risk, 271
  - sole proprietorships, 299
  - someone else's, investing in, 276–278
  - success elements, 267
  - tax deductions, 310–311
  - tax write-offs and, 275
  - taxes, 308–311
  - value determination, 328–329
  - as wealth-building method, 13–14
  - wealthiest people and, 43
  - wet blankets, 280
  - work-from-home, 324
- Small Business Administration (SBA), 296–297
- small business financing
  - balance sheet, 287–288
  - bootstrapping, 294–296
  - with consumer debt, 48
  - from family and friends, 297
  - home equity in, 198
  - income statement, 287
  - investors and equity, 298–299
  - loans from banks and outside sources, 296–297
  - projecting in business plan, 286–288
  - start-up and development costs, 286–287
- Small Business For Dummies* (Tyson and Schell), 14, 278
- small-capitalization (small cap) stocks, 170
- small-company stocks, 44
- Social Security integration, 56

- software. *See also* resources
  - calculation of returns, 364
  - investment research, 362–363
  - investment tracking, 360–362
- sole proprietorships, 299
- speculative excess. *See also* stock market
  - Internet and technology bubble, 91–93
  - Japanese stock market, 93–95
  - 1920s, 96–97
  - 1960s, 95–96
  - prior centuries, 98
- spending
  - bootstrapping and, 295–296
  - evaluating, 51
  - reducing, 51–52
- St. Louis Federal Reserve, 367–368
- Standard & Poor's (S&P) 500, 83, 84
- start rate, ARMs, 249
- starting businesses. *See also* small business
  - business plan, 278–288
  - business space, 305–307
  - customers, obtaining, 303
  - equipment, 307–308
  - financing and, 286–288, 294–299
  - health insurance and, 291–292
  - home office, 306
  - incorporation decision, 299–300
  - job departure preparation, 290–291
  - life insurance and, 292
  - long-term disability insurance and, 292
  - organization and staffing, 285–286
  - preflight check list, 289–294
  - retirement plans and, 293
  - setup, 304–308
  - start-up/development costs, 286–287
- stock bargains
  - late 1970s/early 1980s, 100–101
  - mid-1970s, 99–100
  - purchasing, 98–101
  - 2008 financial crisis, 101
- stock funds. *See also* mutual funds
  - aggressive growth, 171
  - appreciation, 169
  - benefits of, 168–169
  - best, 168–174
  - capital gains distributions, 169
  - defined, 156
  - dividends, 169
  - growth and income, 171
  - income, 171
  - international, 172–173
  - making money with, 169
  - sector, 173–174
  - total return, 169
  - U.S., 171–172
- stock market
  - bear markets, 85
  - bull markets, 85
  - declines, 25
  - defined, 82
  - economics and, 74–80
  - entering as ownership investment, 11–12
  - indexes, 83–84
  - indexes, narrow, 85–86
  - indexes, reasons to use, 84–86
  - as individual investment, 30
  - Morgan Stanley EAFE, 84
  - Morgan Stanley Emerging Markets, 84
  - NASDAQ, 84
  - raising money through, 71–74
  - Russell 2000, 83, 84
  - S&P 500, 83, 84
  - speculative excess, 91–98
  - technical analysis, 126
  - time horizons and, 27–28
  - timing, 97, 103–105
  - Wilshire 5000, 84
  - winning/losing odds, 28
- stock prices, 127–128
- stock purchase plans, 129
- stock quotes, 127
- stock returns. *See also* returns
  - in balanced portfolio, 40
  - choosing, 39
  - data, 39
  - diversification and, 39–40
  - historical data, 39, 40
  - overseas, 39, 40
  - risk and, 41
- stockholders' equity, 121–122

- stocks
    - appreciation, 35, 82
    - buying, best time for, 89–101
    - buying methods, 86–89
    - chasing, 39
    - company size classification, 44
    - defined, 11, 72
    - depreciation, 35
    - dividends, 36, 82
    - emergency reserves for, 46
    - growth, 170
    - issue decision, 72–73
    - large-capitalization (large cap), 170
    - length of time to hold, 29
      - as long-term investment, 46
    - medium-capitalization, 170
    - penny, 106–107
    - prices, driving through earnings, 74–75
    - profit methods, 82
    - selecting yourself, 88–89
    - selling, best time for, 89–101
    - shares of, 81
    - small-capitalization (small cap), 170
    - small-company, 44
    - value, 170–171
    - valuing based on revenue, 92
      - as wealth-building method, 81–108
  - Stocks for the Long Run: The Definitive Guide to Financial Market Returns and Long-Term Investment Strategies* (Siegel), 355–356
  - subprime mortgages, 147
- T •
- tax brackets, 58
  - tax deductions
    - mortgage, 50
    - small business, 310–311
  - tax rates, 58
  - taxes
    - bond funds, 175
    - capital gains, 59
    - certificates of deposit (CDs), 134
    - corporate, 301
    - deferring with retirement accounts, 54
    - home ownership and, 204
      - as investment hole, 15
    - investment sales and, 383
    - minimizing as stock market success key, 108
      - as mutual fund concern, 87
    - non-retirement accounts and, 57–60
    - retirement accounts, 53–54
    - short-term trading and, 103
    - small business, 275, 308–311
  - technical analysis, 126
  - 10-Ks, 125
  - 10-Qs, 125
  - 1031 exchanges, 215
  - time horizons, in market-value risk, 27–28
  - time shares, 236, 239
  - TIPS (Treasury inflation-protected securities), 143
  - title insurance, 262
  - total interest coverage, 114
  - total return. *See also* returns
    - after-tax returns, 36
    - components of, 35–37
    - defined, 35
    - formula, 36
    - psychological returns, 36–37
    - stock mutual funds, 169
  - townhomes, 206
  - trades
    - costs of, 108
    - placing through brokers, 129–130
  - transaction costs, home purchase, 201–203
  - Treasury bills (T-bills)
    - as ARM index, 250
    - drawback to, 37
    - issuance terms, 37
  - Treasury bonds
    - characteristics of, 141
    - defined, 141
    - mutual funds investing in, 147
    - purchasing, 146–147
  - Treasury inflation-protected securities (TIPS), 143
  - triple-net leases, 306–307
  - 2008 financial crisis, 101

## • U •

Unsubsidized Stafford Loans, 66  
 U.S. Geologic Survey (USGS), 210  
 U.S. stock funds, 171–172  
 U.S. Treasury money market funds, 184

## • V •

vacancy rates, 227  
 value averaging, 63–64  
 Value Line  
   debt delineation, 114  
   defined, 110  
   service, 110  
*Value Line Investment Analyzer*, 363  
*Value Line Investment Survey* reports. *See*  
   *also* individual stocks; research  
 analyst assessment, 110  
   annual rates, 115  
   book value, 113  
   businesses, 110  
   capital structure, 114  
   current position, 114  
   defined, 110  
   historical financials, 113  
   illustrated, 111  
   market share, 113  
   P/E ratio, 113  
   purchasing, 115  
   quarterly financials, 115  
   ranking, 112  
   safety rating, 112  
*Small and Mid-Cap Edition*, 115  
   stock price performance, 112  
   viewing, 115  
*Value Line Investment Survey* software  
   packages, 363

value stocks, 170–171  
 Vanguard.com, 369  
 venture capitalists, 43  
 volatile investments  
   in investment tastes, 53  
   masking risk of, 53  
   as mortgage payoff alternative, 49  
 volume, stock trade, 128

## • W •

*The Wall Street Journal*, 82, 83, 127  
 wash sale rules, 385  
 wealth-building methods  
   cash equivalents, 16  
   lending investments, 14–15  
   not recommended, 16–21  
   ownership investments, 10–14  
   risk at, 1, 13  
   stocks, 81–108  
   types of, 2  
 Wilshire 5000, 84  
 workaholism, 273  
 work-from-home opportunities, 324

## • Y •

yield curves, 140  
 yields  
   bond, 38, 146  
   bond fund, 175–176  
   compounded effective annual, 35  
   defined, 35  
   as stock trade information element, 128

## • Z •

zoning opportunities, 235