

Contents at a Glance

Introduction	1
Part I: Understanding Investing Terms and Concepts	7
Chapter 1: Making Sense of Your Investing Options.....	9
Chapter 2: Using Investments to Accomplish Your Goals	21
Chapter 3: Setting Your Return Expectations.....	35
Chapter 4: Minimizing Your Taxes When Investing.....	45
Part II: Preparing Your Investing Foundation	57
Chapter 5: Laying Out Your Financial Plans	59
Chapter 6: Starting Out with Bank and Credit Union Accounts	77
Chapter 7: Managing Money Market Funds	91
Part III: Beginning Investments	105
Chapter 8: Getting Your Slice of Capitalism with Stocks	107
Chapter 9: Securing Investment Income and Principal with Bonds	125
Chapter 10: Investing in Funds: Mutual Funds and Exchange-Traded Funds.....	141
Part IV: Advanced Investments	167
Chapter 11: Seeking Shelter and Appreciation in Real Estate	169
Chapter 12: Taking Your Talents to the Small-Business Arena.....	191
Chapter 13: Exploring Other Investment Vehicles.....	205
Part V: The Part of Tens	215
Chapter 14: Ten Things to Know About Investing Resources	217
Chapter 15: Ten Essential Tips for Investing Success	225
Index	231

Table of Contents

<i>Introduction</i>	1
About This Book	1
Conventions Used in This Book.....	2
What You're Not to Read	2
Foolish Assumptions	2
How This Book Is Organized	3
Part I: Understanding Investing Terms and Concepts	3
Part II: Preparing Your Investing Foundation	4
Part III: Beginning Investments	4
Part IV: Advanced Investments.....	4
Part V: The Part of Tens.....	4
Icons Used in This Book.....	5
Where to Go from Here	5
 <i>Part 1: Understanding Investing Terms and Concepts</i>	 7
 Chapter 1: Making Sense of Your Investing Options . . .	 9
Growing Your Money in Ownership Investments.....	9
Sharing in corporate growth and profits: Stocks.....	10
Profiting from real estate.....	11
Succeeding in small business.....	11
Keeping Money in Lending Investments	12
Understanding Risks and Returns	13
Understanding risks	13
Managing risks	14
Making sense of returns.....	16
Where to Invest and Get Advice.....	17
Finding the best fund companies and brokers	17
Finding an admirable advisor.....	19
 Chapter 2: Using Investments to Accomplish Your Goals	 21
Setting and Prioritizing Your Shorter-Term Goals.....	21
Accumulating a rainy-day fund	22
Saving for large purchases	23
Investing for a small business or home	23
Saving for kids' educational costs	24
Investing short-term money	24

Investing in Retirement Accounts.....	25
Understanding retirement account perks	25
Grappling with retirement account concerns.....	26
Taking advantage of retirement accounts.....	27
Surveying retirement account choices	28
Company-based retirement plans	28
Individual Retirement Accounts.....	30
Annuities: Maxing out your retirement savings.....	31
Selecting retirement account investments.....	32
Assessing Your Risk-Taking Desires.....	32

Chapter 3: Setting Your Return Expectations 35

Estimating Your Investment's Returns	36
Money market funds and savings account returns.....	36
Bond returns	37
Stock returns	38
Real estate returns	40
Small-business returns.....	40
Compounding Your Returns.....	41
The value of getting a few extra percent	41
Considering your goals	43

Chapter 4: Minimizing Your Taxes When Investing . . . 45

Understanding Investment Taxes	46
Tracking taxation of investment distributions	46
Determining your tax bracket	47
Devising tax-reduction strategies	48
Reducing Your Taxes When Selling Investments.....	49
Weighing nontax issues	50
Tuning in to tax considerations	51
Determining the cost basis of your shares	52
Selling large-profit investments	53
Handling losers in your portfolio	54
Selling investments when you don't know their original cost	54

Part II: Preparing Your Investing Foundation 57

Chapter 5: Laying Out Your Financial Plans 59

First Priorities: Paying Off High-Cost Debt and Building a Safety Reserve	60
Paying off high-cost consumer debt.....	60
Establishing an emergency reserve.....	61

- What About Paying Down Other Debts? 62
 - Assessing student loans..... 62
 - Considering paying down mortgage debt..... 64
- Sorting Out Your Financial Plans 65
 - Considering your investment options and desires66
 - Assessing your savings rate67
 - Investing regularly with dollar cost averaging 68
- Knowing the Impact of Investing for College Costs..... 70
 - Paying for college 71
 - Considering educational savings account options73
 - Investing money earmarked for college..... 73
- Securing Proper Insurance 74

Chapter 6: Starting Out with Bank and Credit

Union Accounts 77

- Understanding FDIC Bank Insurance..... 78
- Investing in Banking Account and Savings Vehicles 79
 - Bank checking accounts and debit cards..... 79
 - Savings accounts and certificates of deposit..... 80
- Negotiating with Bankers 82
- Feeling Secure with Your Bank..... 83
 - Evaluating any bank 83
 - Protecting yourself when banking online 86
- Exploring Alternatives to Bank Accounts 87
 - Credit union accounts and benefits 87
 - Brokerage accounts..... 88
 - Money market mutual funds 89

Chapter 7: Managing Money Market Funds 91

- Defining Money Market Mutual Funds 91
 - Making sense of the appeal of money market funds..... 92
 - Understanding the drawbacks of money market funds..... 93
- Understanding Money Market Fund Holdings..... 94
- Protecting and Accessing Your Money in Money Funds95
 - Protecting your money 95
 - Accessing your money 96
- Using Money Market Funds in Your Investment Plan 97
- Shopping for the Best Money Funds 98
 - Understanding traits of leading money funds..... 99
 - Naming good money funds 100
- Alternatives to Money Market Mutual Funds..... 102

Part III: Beginning Investments 105**Chapter 8: Getting Your Slice of Capitalism
with Stocks 107**

What Are Stocks?	108
How (And Why) You Can Make Money with Stocks	109
Understanding the importance of corporate profits	110
Making sense of how you profit with stocks	111
Timing Your Stock Buying and Selling	112
Following market indexes	112
Using price/earnings ratios to value stocks	114
Avoiding temptations and hype	115
Getting past the gloom	116
Sidestepping common investing minefields	117
Highlighting How to Invest in Stocks	118
Investing in stock mutual funds and exchange-traded funds	119
Picking your own stocks	120
Researching individual stocks	121
Final thoughts on stock picking	123
Maximizing Your Stock Market Returns	124

**Chapter 9: Securing Investment Income and
Principal with Bonds 125**

Defining Bonds	126
Understanding bond issuers	127
Considering credit (default) risk	129
Making sense of bond maturities	130
Using Bonds in a Portfolio	131
Finding uses for bonds	131
Comparing other lending investments with bonds	133
Guaranteed-investment contracts (GICs)	134
Private mortgages	135
How and Where to Invest in Bonds	137
Choosing between bond funds and individual bonds	137
Investing in Treasury bonds	138
Investing in non-Treasury individual bonds	139
Evaluating individual bonds that you currently hold	140

Chapter 10: Investing in Funds: Mutual Funds and Exchange-Traded Funds 141

Understanding the Advantages of Funds.....	142
Maximizing Your Chances for Fund Investing Success.....	144
Understanding the importance of performance and risk.....	145
Examining fund management experience.....	146
Keeping costs down	146
Understanding and using index funds	147
Understanding exchange-traded funds: Index funds that trade.....	148
Creating and Managing a Fund Portfolio.....	150
Identifying the Best Mutual Funds and ETFs.....	152
Investing in the best ETFs.....	152
Picking the best stock funds	153
U.S. stock funds	155
International stock funds	155
Balancing your act: Funds that combine stocks and bonds	157
Finding the best bond funds.....	157
The dangers of yield-chasing.....	159
Recommended short-term bond funds.....	160
Recommended intermediate-term bond funds.....	161
Recommended long-term bond funds	162
Considering Alternatives to Investing in Funds	163
Your own online fund.....	163
Unit investment trusts	164
Brokerage managed accounts.....	165
Hedge funds for the wealthier.....	165

Part IV: Advanced Investments 167

Chapter 11: Seeking Shelter and Appreciation in Real Estate 169

Comparing Owning a Home to Renting.....	169
Weighing financial considerations	170
Considering costs and your time frame.....	171
Deciding when to buy.....	172

Figuring Your Home-Buying Budget	173
Getting your financial house in order	173
Determining your down payment	174
Doing lenders' calculations	175
Assessing consumer debt.....	175
Determining homeownership tax savings	176
Shopping for Your Home	177
Understanding your housing options	177
Researching communities	179
Checking out and valuing a home.....	180
Investing in Investment Real Estate.....	181
Understanding real estate investment's appeal	182
Sizing up real estate investment options.....	183
Real estate investment trusts	184
Residential housing.....	184
Land.....	185
Commercial real estate.....	187
Conducting real estate investing research.....	188
Assessing employment vitality	188
Evaluating the realty market's health.....	188
Valuing property and financial projections ...	189

Chapter 12: Taking Your Talents to the Small-Business Arena 191

Investing in Your Career	191
Deciding to Start Your Own Business	193
Weighing your options	193
Entrepreneuring at a company	194
Turning a Business Idea into Reality	194
Drawing up your business plan	194
Plotting to leave your job	198
Financing your business	199
Considering Small-Business Investment Options	201
Buying an existing business	202
Investing in someone else's business	202

Chapter 13: Exploring Other Investment Vehicles. 205

Considering Gold and Other Precious Metals.....	205
Contemplating Collectibles.....	208
Understanding the allure of collectibles.....	208
Seeing the realities of collectibles and their returns	209
Considering advice on buying collectibles.....	210

Understanding Annuities and Cash-Value	
Life Insurance	211
Availing yourself of annuities	211
Considering cash-value life insurance	212

***Part V: The Part of Tens*..... 215**

**Chapter 14: Ten Things to Know About
Investing Resources.....217**

Get Educated to Discern the Best from the Rest	217
Beware “Free”	218
Understand the Influence of Advertising	218
Value Quality over Quantity	219
Know How to Check Out a Resource	220
Beware Hype and Exaggeration	221
Don’t Assume Quoted Experts Know Their Stuff	221
Investigate Gurus’ Claims	221
Don’t Believe Investment-Newsletter Claims	222
Check Out and Keep Up with My Favorite Resources.....	223

**Chapter 15: Ten Essential Tips for
Investing Success.....225**

Regularly Save and Invest 5 Percent to 10 Percent of Your Income	225
Understand and Use Your Employee Benefits	226
Thoroughly Research Before You Invest	226
Shun Investments with High Commissions and Expenses	227
Invest the Majority of Your Long-Term Money in Ownership Investments	227
Avoid Making Emotionally Based Financial Decisions	227
Make Investing Decisions Based on Your Plans and Needs.....	228
Tap Information Sources with High Quality Standards	228
Trust Yourself First.....	229
Invest in Yourself and Others.....	229

***Index*..... 231**