A Women Work! Resource

# Investments 101:

## CDs, Stocks, Bonds & Mutual Funds

### Terms to know before you begin:

**Deposit:** money put into a bank account or given as a guarantee of good faith on an investment.

**Interest:** the fee a borrower pays a lender for using borrowed money, usually an annual percentage of the borrowed sum.

**Maturity Period:** the time period an investment takes to reach its full potential.

**Principal:** money used to begin an investment.

**Return:** an investment's increase in value during a certain time period.

**Risk:** the likelihood that an investment will not produce a desired result.

**Investment:** an amount of money or capital set aside for financial gain.

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The National Network for Women's Employment

### Why should I invest?

**Women need to learn to invest their money for three reasons:**

1. Women tend to live longer than men.
2. Family concerns often interrupt women's careers, leading to lower lifetime earnings and less money set aside for retirement.
3. Women often make less money than men do.

### Where do I begin if I have never invested before?

**Plan and set goals. Ask yourself:**

- What are my goals? What will I use this money for?
- How much money should I use to start investing?
- What kind of investor am I going to be?
- How much time do I want to spend investing? When do I need the money?

### How can I invest?

**The four most common ways to invest:**

- Certificates of Deposit (CDs)
- Mutual Funds
- Stock Investing
- Government EE Savings Bonds

*See next page for explanations of each

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## Certificates of Deposit (CDs)

**What?** A short-term bank account that earns a high rate of interest. The bank holds the deposit for a set maturity period, during which time you cannot touch your money.

**Goal?** To earn a small, certain return on your investment quickly.

**How?** Most banks offer them. The deposit amount varies.

**Risk?** Very low. The Federal Deposit Insurance Corporation (FDIC) insures them up to $100,000.

**Duration?** Usually several months to a year.

**CD Tips:**

* Ask your bank about immediately reinvesting your CD deposit and interest so you can earn even more money.

* Check your bank's website to find out what CD programs it offers so you can find the one that best fits your needs.

## Mutual Funds

**What?** A company organized to invest many individuals' money together in stocks and bonds. The mutual fund might invest in specific types of stocks or choose a variety of funding options.

**Goal?** To earn a good return on your money over a period of time.

**How?** A mutual fund company invests for you. You pay a commission for its services.

**Risk?** Relatively low. Risk varies by mutual fund company, so research the ones you want to invest with to find out their track records.

**Duration?** Depends on how long you want to invest and how quickly you want your money.

**Mutual Fund Tips:**

* More than 5,000 mutual funds exist in the U.S. You can research them in books at your local library and on the internet.

* You can invest in more than one mutual fund at any time.

## Stock investing

**What?** You buy small parts of a company, called "shares." Prices change constantly.

**Goal?** To earn a good return over an unspecified length of time by buying at low prices and selling at high prices.

**How?** Buy them through "stock brokers," who arrange the purchase and take a commission for their services.

**Risk?** Varies greatly by the stock. Stocks have no guaranteed returns.

**Duration?** No set amount of time. You can sell whenever you want.

**Stock Investing Tip:**

* Research the company whose stock you are buying in your local newspaper, online, or at a library. Learn what others think of it. Find out what the company plans for its future. Look at stocks of other companies in the same industry and see how they are performing.

**Government EE savings bonds**

**What?** Small, long-term loan to the government with a guaranteed return. Your return is double what you pay. If you invest $25, you will receive $50 after 20 years.

**Goal?** To earn a good return over a long period of time.

**How?** Buy and redeem them at your local bank. You receive a paper slip, like cash.

**Risk?** Very low. The government guarantees your set return after the maturity period has passed.

**Duration?** Usually 20 years. You can cash them in after a year, but you will not receive the full return.

**Savings Bond Tip:**

* Check out the Treasury Department's web site (right) for details and information about other forms of bonds.

## For more information on investing, contact:

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**Visit www.womenwork.org for additional tip sheets and resources, including *Investing 102.***



*Updated 07/05*