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**Helping You to Invest Your Retirement Savings**



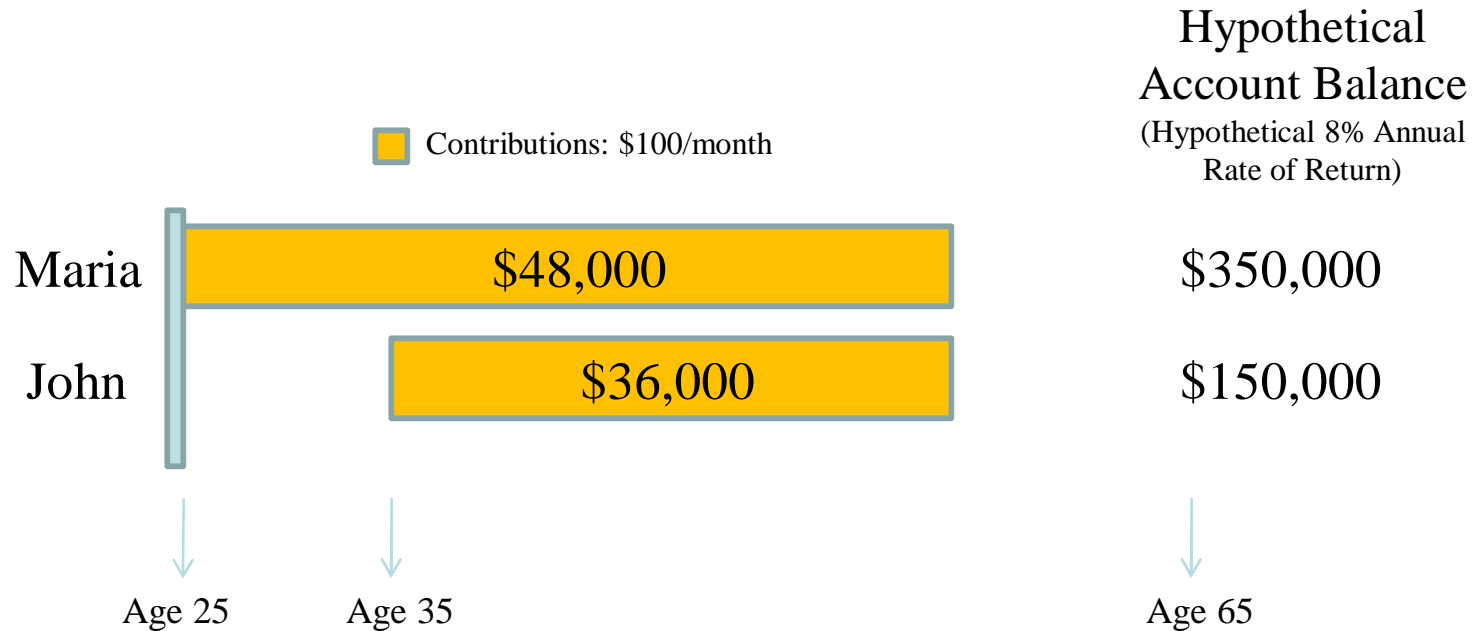
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# Time Value of Money

“The most important personal finance lesson is learning the value of compounding.”

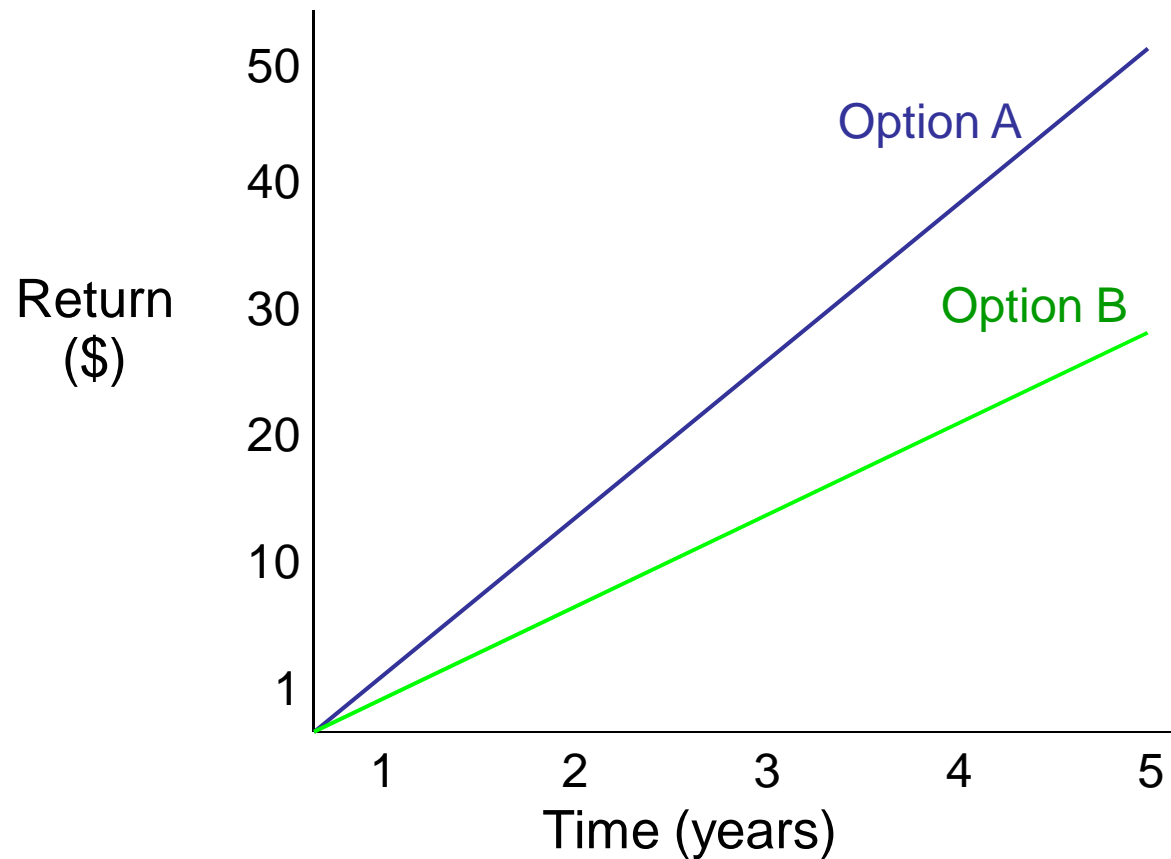


## How Money Grows

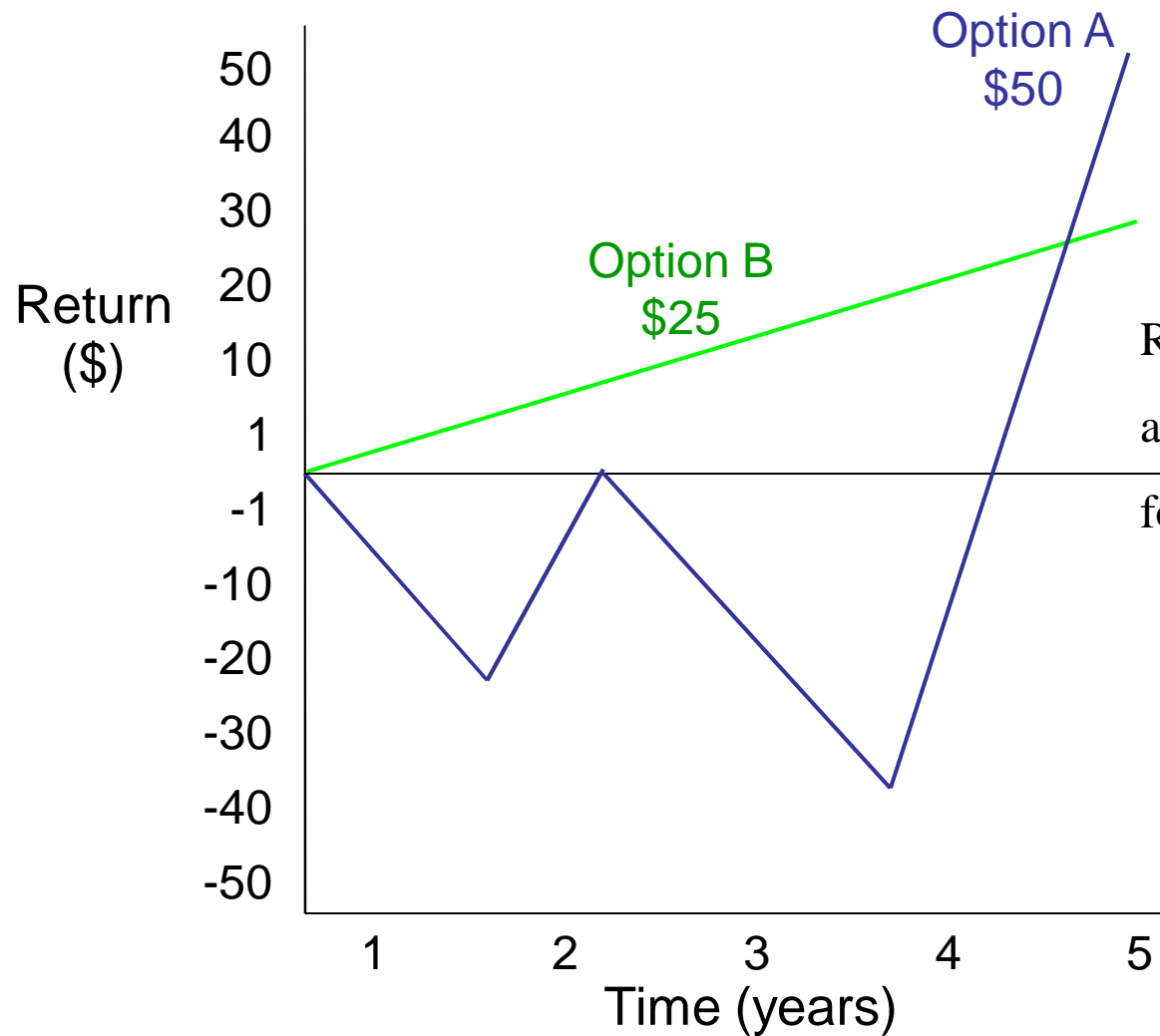
This is a hypothetical example and does not represent the performance of any particular investment, and does not take into consideration state and federal income taxes. Actual results will vary.

# *Investment Concepts – Risk/Reward*

Which would you choose if there was no risk?



# *Investment Concepts – Risk/Reward*



Does “A” still  
look the best?

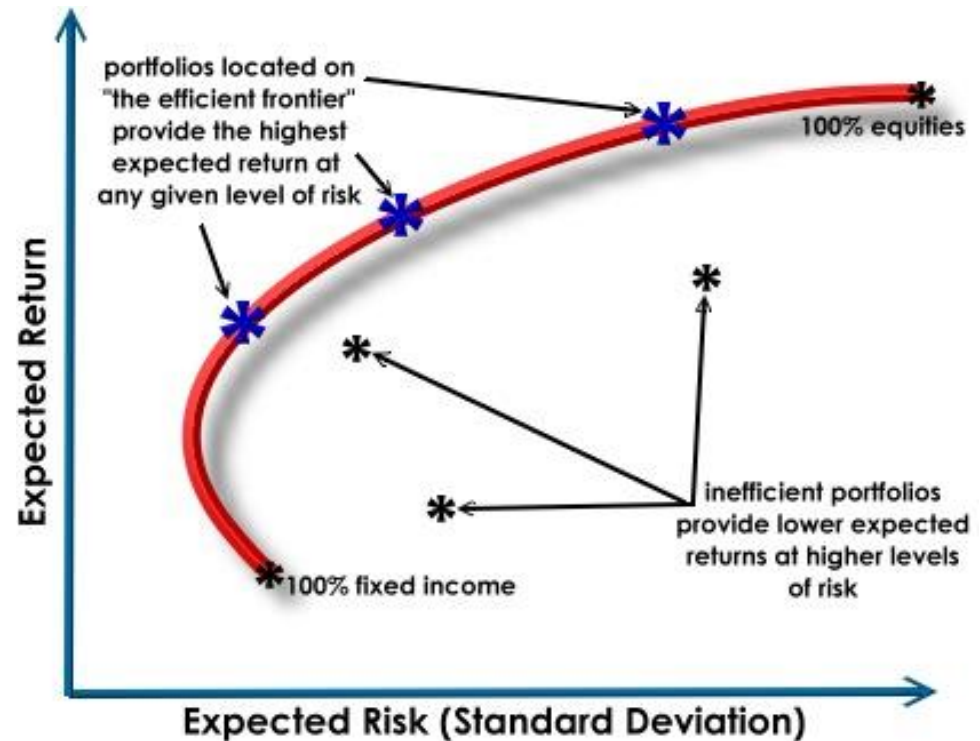
Risk could be defined  
as the price you pay  
for a higher return.

# Investment Concepts

## Risk versus Reward

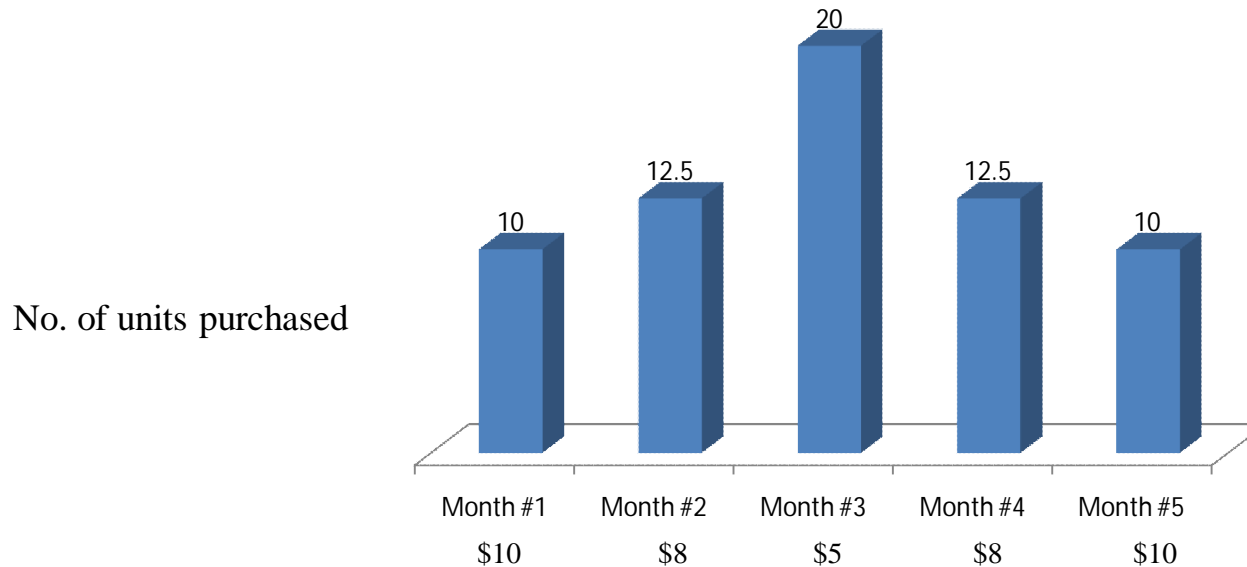
When it comes to investing, risk and reward are inextricably entwined. You've probably heard the phrase "no pain, no gain" - those words come close to summing up the relationship between risk and reward.

The reward for taking on risk is the potential for a greater investment return. If you have a financial goal with a long time horizon, you are likely to make more money by carefully investing in asset categories with greater risk, like stocks or bonds, rather than restricting your investments to assets with less risk, like cash equivalents. On the other hand, investing solely in cash investments may be appropriate for short-term financial goals.



# Investment Concepts – Dollar Cost Averaging

**Dollar cost averaging** is investing a specified dollar amount at regular intervals, regardless of fluctuating price level



\$100 contribution per month  
Total # of units purchased = 65  
Average price per unit = \$7.7

# Investment Concepts – Diversification and Allocation

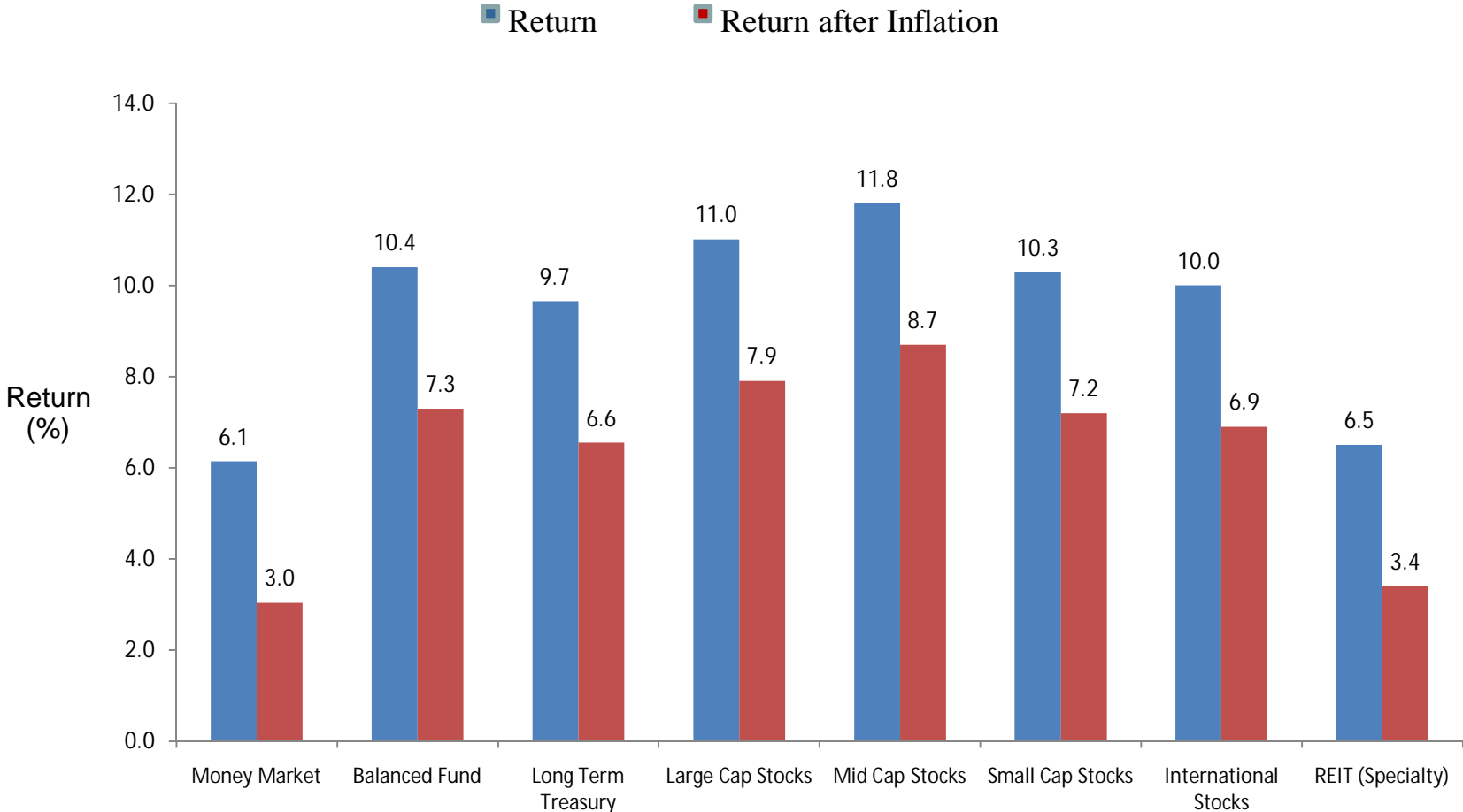
## **Diversification:**

- A technique to help reduce overall investment risk.
- Spread your investment dollars across a variety of investment choices.

## **Asset Allocation:**

- A strategy to diversify your account over a variety of asset classes or investments.
- Learn different strategies your plan offers.

# Investment Concepts



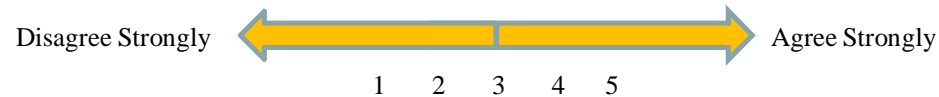
**Note: Time range: 9/1979 – 9/2009. Actual results may vary.**



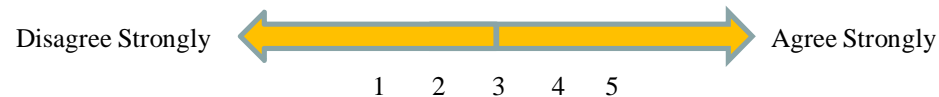
# Creating an Investment Strategy

The following quiz will help you develop your investor profile - **Financial Goals, Time Horizon, and Risk Tolerance.**

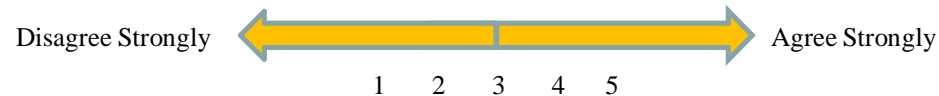
1. I am willing to accept above average volatility to achieve superior investment returns.



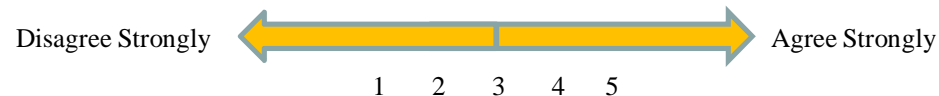
2. I do not anticipate using this money for anything other than retirement.



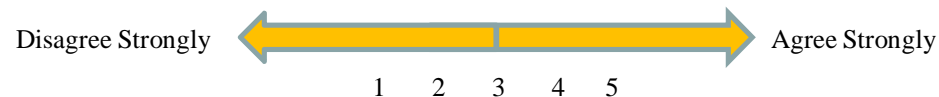
3. Having investment returns above the inflation rate is a priority.



4. If an investment loses money in a given year, I might continue to hold it or even add to it.



5. I am knowledgeable about financial and investment topics.



# Creating an Investment Strategy

	<u>Time Horizon</u>
<u>+0</u>	0-5 Years
<u>+5</u>	6-14 Years
<u>+10</u>	15+ Years

How many years can you save before withdrawing money?

Please sum up the total from the questionnaire and add that number to your corresponding time horizon above.

Conservative: 10-20

Moderate: 20-30

Aggressive: 30+

# Glossary

**Bond:** is actually an IOU, an acknowledgment by the issuer that money has been borrowed and is to be paid to the holder of the bond at a specified rate over a predetermined period of time. The price paid (or, the amount loaned) for a new bond is called the *face value* or *principal*; this amount is paid back at the end of the time period, also known as the *maturity date*.

The interest that the bond pays is called the bond *yield*; it's expressed as a percentage of the bond's face value.

**Stock:** is a share of ownership, or *equity*, in a company. An investor who owns stock in a company is a part-owner of that company, along with all the other stockholders. As such, they have a claim on the company's assets, as well as voting rights in company matters.

Unlike bonds, stocks do not guarantee a certain amount of return on investment; in fact, they guarantee no

**Real Estate Investment Trust (REIT):** is a company whose primary business is owning and managing real estate properties such as office buildings, apartment buildings, hotels, warehouses, health care facilities, shopping malls, or golf courses.

**Treasury Inflation Protected Securities (TIPS):** An inflation bond protects against inflation by offering an interest over and above a periodically adjusted inflation rate. Additionally, the par value of the bond is adjusted based on the Consumer Price Index.

**Hedge Funds:** A very broad investment concept - everything from sophisticated arbitrage to growth-stock picking. While some funds invest only in ordinary stocks and bonds, others focus on arcane derivatives. What is common to almost all of them is the use of leverage and shorts.

# Glossary

## Rollover

From the IRS's perspective, a rollover occurs when you withdraw cash or other assets such as stocks, bonds, and mutual fund shares from one qualified employer's plan and contribute all or part of it into another plan, a qualified retirement plan, or a traditional IRA within 60 days. This is sometimes known as the 60-day rollover rule. Generally, if you have not reached the magic age of 59 1/2, then contributions you made to your plan on a before-tax basis are eligible for rollover.

## Direct Rollover

In a direct rollover scenario, your previous qualifying plan administrator will usually require you to fill out several forms describing the amounts withdrawn, and the account information for the new plan, qualifying plan, or the IRA into which the retirement funds will be deposited.

Direct rollovers are the most convenient way to move money from your existing plan into another retirement account. With a direct rollover, the money is transferred from one financial institution to another and you should never have to worry about withholding rules or tax penalties. Unless you need to take possession of the funds in your account for some reason, a direct rollover is really the safest and easiest way to make a transfer.

## Rollover Payments to Individual

If you have not reached age 59 1/2 and you chose to have the money in your plan paid directly to you, then it is important that you be aware of immediate tax penalties that kick-in and withhold requirements you'll encounter. With a rollover that is paid to an individual, there is a mandatory 20% withholding even if you intend to deposit, or roll over, the money into a new retirement plan later on.

When you're doing this kind of rollover, you will have to add funds from other sources to offset the 20% withheld. If you do not add these funds, then you may be subject to an early withdrawal tax penalty.