

Investing

Do you have extra money that you aren't sure what to do with? You should consider investing it. Investing your money is a smart thing to do, especially as a college student. Choosing to invest your money is a smart decision that can help you prepare for your future.

There are many options when it comes to investing. You can invest in: stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), real estate, and foreign markets.

If planning to invest, you need to be willing to take risks. Investing should be considered a long term endeavor, if it is going to be successful.



Stocks 101

What is a stock? A stock is a financial security that is secured by a claim on the assets and profits of a company. A company can raise money by issuing shares of stock to investors. There are different types of stocks, common and preferred. A common stock is ownership share in a publicly held corporation. Shareholders have voting rights and may receive dividends. With preferred stock, shareholders do not have voting rights in a corporation, but they usually receive a fixed stream of dividends. Dividends are payments made to stockholders by a corporation. Dividends can be cash or stock. Cash dividends are payments of money, whereas stock dividends are additional shares of stock issued to existing shareholders.

When buying stocks, it is important to research the companies you are considering investing in. Some great websites for doing so are: <http://finance.yahoo.com>, <http://finance.google.com/finance>, and <http://www.morningstar.com>. A broker can be helpful when purchasing stocks, but is not necessary. When purchasing stocks, you should be sure to balance your portfolio and not invest completely in one company, industry or sector. A well-balanced portfolio can help to reduce risk.

Dow Jones Industrial Average: the best known US index of stocks. It is a price-weighted average of 30 actively traded blue-chip stocks, primarily industries including, stocks that trade on the New York Stock Exchange. It is computed by adding the prices of the stocks and dividing by a divisor.

S&P 500: an index of 500 firms. It is a market value-weighted index, which means it is computed by calculating a weighted average of the returns of each security in the index, which weights proportional to outstanding value.



What is a bond?

A bond is another way for a company to secure financing. When you invest in a bond, you are loaning money to the company who issued the bond. In return, the company promises to repay the principal on bond's maturity date. Bonds can provide diversification, income, security, and tax savings. Bonds can also be issued by the government.

A bond's face value is known as par value and its interest payment is known as coupon. There are many types of bonds: treasury bills, treasury notes, treasury bonds, zero coupon bonds, corporate bonds, and municipal bonds. Each type has different maturities and characteristics.

What is a mutual fund?

A mutual fund pools money from hundreds and thousands of investors to construct a portfolio of stocks, bonds, real estate, or other securities. Mutual funds are a great way to get a diversified portfolio for less money than buying each stock or bond individually. There are stock funds, bond funds, and index funds.

What is an Exchange Traded Fund?

An exchange traded fund is an offshoot of a mutual fund that allows investors to trade index portfolios just as they do shares of stock. Compared to mutual funds, ETFs trade continuously and offer a potential tax advantage over mutual funds. They are also cheaper than mutual funds.



Free dinner! Prizes!

When: April 22, 2008 5:30 PM to 8:00 PM
Where: Spokane Room at the COG
Why: To learn more about investing
Who: Steve Harman from Merrill Lynch will be presenting

RSVP is required. Send Email RSVP to wlyons@gonzaga.edu please include your name and student id.

Resources

www.bankrate.com
www.finweb.com/investing
www.finance.yahoo.com
www.finance.google.com/finance
www.morningstar.com

This newsletter is made possible from EdFund through an EDSHARE® grant.

If you have any questions about this newsletter or suggestions for future newsletter topics, please e-mail Whitney Lyons, GSAAC Coordinator at: wlyons@gonzaga.edu.

Information for this newsletter was found on: www.money.cnn.com/magazines/moneymag/money101.