

OVERVIEW

Think you can't build wealth from your current situation? Think again. It is possible with planning and sound decisions. Warren Buffett is an example of someone who built his wealth, not from luck or an inheritance, but by strategically planning his actions to gradually accumulate assets. Before his teen years he methodically saved and invested his modest earnings from odd jobs. His investment philosophy has paid off over time. In 2008 he was ranked the richest man in the world and is also known for his frugal style and generous charity donations.

What is your investment philosophy? This lesson will provide you with guidelines that will help you to immediately start putting your money to work for you.

LEARNING OUTCOMES

In this lesson you will learn about strategies to use when investing.

- Summarize guidelines for investing.
- Describe the benefits of dollar cost averaging.
- Discuss rights and responsibilities related to investing.

Use what you learn to set goals for saving and investing.

LEARNING TASKS

These tasks match pages 29-40 in Student Guide 4.

__ 1.	Review what you know about building wealth.
__ 2.	Find out tricks of the trade that millionaires use to build wealth. Identify one or two wealthy habits you can try out now.
__ 3.	Dig a little deeper to figure out ways you can start now to build wealth. Brainstorm ways to make enough money to invest, and generate ideas for investing goals.
__ 4.	Discover a strategy to potentially benefit from investing small amounts of money. Complete Activity 4.8: Dollar Cost Averaging to find out more.
__ 5.	Select what you think is the most important investing principle. Be prepared to defend your choice.
__ 6.	Time to apply investing to your life. Write your own investing goals. Complete Challenge 4-B: Set My SMART Investing Goals .



TAKING IT HOME

Does your family have a shared savings or investing goal such as owning a home, reducing debt, paying for college, or a family vacation? What are the steps your family can take to meet family savings and goals? Based on what you learned in this lesson, what can you suggest to help achieve the family goal?



FURTHER STUDY

In addition to savings and investing, there are non-tangible ways to invest, such as investing in your own training or education. Set goals to "invest" in your education or training. Then, predict how this investment in you might pay off over the next few years.



FURTHER STUDY

Learn from the mistakes of others and create a top 10 list of financial "don'ts" that will help someone avoid financial ruin.

Since the Wall Street crash of 1929, federal and state governments have worked to better protect investors. Laws were established to stamp out investment fraud and help the victims. They also address what companies and investment pros can say to you, to ensure you get a fair and balanced presentation of your options. (That's why there's so much fine print at the bottom of investment ads.) Here are the key players to know:

- **The Securities and Exchange Commission (SEC)** (www.sec.gov) is king of the hill. This government agency oversees all the investment industry players. Top priorities include making sure companies share all important investment-related information with investors, enforcing federal securities laws, and eliminating investment fraud. Many players in the industry must file a variety of documents with the SEC—all of which are available for free on their website.
- **Financial Industry Regulatory Authority, Inc. (FINRA)** (www.finra.org) is an organization of brokerages, investment banks and mutual fund companies. Its job is to keep its members out of trouble with the SEC. It tests and licenses investment professionals, sets rules for members' behavior, and monitors their follow-through. It also investigates and disciplines members who break the rules.
- **Each state** also has its own securities regulators that license investment firms and professionals, create and enforce investor protection laws, and investigate securities fraud. Find each state's securities regulating agency at on the North American Securities Administrators Association website (www.nasaa.org).
- **The Federal Deposit and Insurance Corporation (FDIC)** (www.fdic.gov) and **National Credit Union Administration (NCUA)** (www.ncua.gov) are independent federal agencies. Their job is to reimburse individuals for any lost funds in checking and savings products at member banks. Theft, fraud, the bank's bankruptcy—they'll reimburse depositors up to \$250,000 per account.
- **The Securities Investor Protection Corporation (SIPC)** is a non-profit organization that will reimburse for losses in certain types of securities, up to \$500,000, at member investment the firm goes bankrupt. Check to see if a firm is a member of at www.sipc.org.

Activity 4.8: Dollar Cost Averaging

NAME:

DATE:

Directions:

Whitney decides to invest \$50 in Rockstar Mutual Fund every month. Here's a break-out of the transactions for the year.

Date of Investment	Amount of Investment	Cost Per Share	Number of Shares Bought
Jan. 5	\$50	\$15.23	3.28
Feb. 5	\$50	\$16.70	2.99
Mar. 5	\$50	\$16.04	3.12
April 5	\$50	\$14.63	3.42
May 5	\$50	\$13.11	3.81
June 5	\$50	\$12.84	3.89
July 5	\$50	\$10.79	4.63
Aug. 5	\$50	\$11.24	4.45
Sept. 5	\$50	\$11.97	4.18
Oct. 5	\$50	\$14.52	3.44
Nov. 5	\$50	\$16.87	2.96
Dec. 5	\$50	\$16.45	3.04
Total	\$	\$	\$

	By year's end, what is the total amount Whitney paid for the fund shares?
	How many shares does Whitney own at the end of the year?
	What is the value of Whitney's fund on December 5?
	What is the average price Whitney paid per share?
	Using the cost per share amounts, what is the average cost per share for those 12 amounts?
	Is the current value of Whitney's investment more or less than the amount she invested?