

Invest in your future



NIE

Growth investments offer more risk

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Last week, we learned about income investments that let you grow your money without a high level of risk. This week, we turn to growth investments. Growth investments typically offer a higher rate of return on your investments but also have a higher level of risk.

The most commonly known growth investment is a stock. When you buy stock in a company, you are a shareholder who actually owns a part of that company. A company will issue stock to raise money so that it can hire more employees, buy more equipment or finance other forms of expansion. The goal is always to buy a stock at a price lower than you sell it so that you make a profit, which is also known as a capital gain.

It is notoriously difficult if not impossible to predict the future price of a stock; to guard against buying high and selling low (which would result in a capital loss), try dollar cash averaging. This practice involves investing a fixed amount of money into an investment at regular intervals (for instance, once a month), regardless of what the market is doing. Over time, dollar cost averaging evens out the ups and downs and relieves you from worrying about investing at the "right" time.

Many people find owning a single stock too risky, so they opt to invest in a mutual fund. A mutual fund pools money from many investors to buy a mix of different investments. There can be hundreds of different investments in one mutual fund, and these investments can include anything from bonds to certificates of deposit to stocks to real estate.

One benefit to buying into a mutual fund is that by owning many different investments, you won't lose nearly as much money if one of the investments in the fund tanks. Another benefit of mutual funds is that they are managed by an investment expert known as a



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Stocks are just one type of growth investments.

KEY POINTS

- As opposed to income investments, growth investments typically offer a higher rate of return on your investments. But they also have a higher level of risk.
- When you buy stock in a company, you are a shareholder who actually owns a part of that company. Your hope is to sell the stock at a price higher than you bought it for a profit, or capital gain.
- To guard against buying a stock when it is priced high and then later having to sell it at a capital loss, try dollar cash averaging. This practice involves investing a fixed amount of money into an investment at regular intervals, regardless of what the market is doing.
- A mutual fund is less risky than owning an individual stock because it pools money from many investors to buy a mix of different investments.
- There are many forms of real estate you can invest in, but all are less liquid, or able to be easily converted into cash, than stocks or mutual funds.
- Investing in collectibles like art, antiques or baseball cards is considered high risk because there is a small market for collectibles.
- No matter where you choose to place your money, it's important to practice diversification by putting your money in several different types of investments.

portfolio manager.

Mutual funds and stocks can be purchased through a low-cost online brokerage, a mutual fund company or through a financial adviser.

Another type of growth investment is real estate. Investors buy

a piece of property in the hope of selling it at a profit. When you buy a home, you are in essence investing in real estate. But there are many other types of real estate you can invest in such as apartment complexes, farmland and commercial buildings.

Real estate is less liquid, or able to be easily converted to cash, than stocks or mutual funds because it can take a considerable amount of time to sell a piece of property.

One last growth investment is collectibles like paintings, baseball cards or antiques. Like stocks, mutual funds and real estate, collectibles are purchased with the expectation they will be worth more in the future and therefore be able to be sold for a profit. Because collectibles have a small market, they are considered very high risk investments.

No matter where you choose to place your money, it's important to practice diversification by putting your money in several different types of investments. Like a mutual fund, placing your money in a mix of investments of different risk levels ensures that if one investment performs poorly, it won't bring your entire investment portfolio down.

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Check out these Web sites to learn more:

www.teachmeaboutmoney.org
www.eriefcu.org/savings/financial-literacy

www.unitedwayerie.org/financial-stability
www.goerie.com/nie

www.erie.ja.org
www.eriebc.edu



How to read stocks

Every day, the newspaper carries detailed reports of market trading from the day before.

And with the type of information varying from paper to paper, many newspapers give instructions for reading the stock tables. Here is a breakdown of what the stock headings in the Erie Times-News signify:

Name: The name of the company. You might get the whole name, an abbreviation or the ticker symbol, which is three or more capital letters.

Last: The price at the end of the day, sometimes called the close.

Chg: The change in price per share from the day before.

YTD %Chg: This is the year to date price percent change, and it is the percentage change in the company's stock price since the close of the last trading day of the previous year.

You will also see several stock market indices listed under the

charts above. An index is a group of market prices for a particular group of stocks. For example, the Dow Jones Industrial Average (DOW) was the first stock market index used in this country and it is still the most widely used and recognized. Originally, the Dow was based on 12 stocks. Today, it includes 30 of the largest and best known stocks. The Dow Jones Industrial Average is the average price of its 30 stocks.

Two other important indices are the S&P 500 and the Nasdaq Composite Index. The S&P 500, published by Standard & Poor's, covers 500 of the largest U.S. stocks that are held by many people. And the Nasdaq Composite Index (Nasdaq) is weighted heavily toward technology and Internet stocks.

There are many other indices that track market performance by market, industry sector and type of security.

CAREER CORNER



Sean Choy

Name: Sean Choy

Occupation: Medical Coding and Billing Assistant at Millcreek Community Hospital.

Typical day: When I come in, I will help the receptionist with some of the administrative duties. Then I will grab the patient charts and start coding. Medical coding involves using specific numbers, or codes, so that everything gets billed correctly when it is sent to the insurance companies. This is done on a

computer. To succeed in this job, you need to really know your pathological and medical terminology. You can always look up a term, but you want to know it by heart so you can get things done as quickly as possible.

Favorite part of job: I like that coding requires a special knowledge. Not just anyone can walk off the street and do it.

Education: I completed the Medical Billing/Coding program at Erie Business Center.

To learn more about business programs at Erie Business Center, contact Paul Pilatowski at 456-7504, ext. 112.

Select three stocks listed in the Money & Market section above. Pretend you will invest \$1,000 in each company. Also pretend to invest \$3,000 in a mutual fund. Graph your investments' prices each week for a month. Did you gain or loss money? Why do you think you saw the results you did? How did the mutual fund compare to the individual stocks? How would you have invested differently?

