



Investing provides risks, rewards

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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. While growth investments have the potential to make you more money, investor beware; they come with 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



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"It is notoriously difficult if not impossible to predict the future price of a stock."

many different investments, you won't lose nearly as much money if one of the investments in the fund doesn't do well. Another benefit of mutual funds is that they are managed by an investment expert known as a 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 for 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

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.

therefore be able to be sold for a profit. Because collectibles have a small market, they are considered very high risk investments.

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Career Corner

Name: Joseph M. Haggerty
Occupation: Senior Vice President of Newspaper Relations for PARADE Magazine located in New York City

What do you do? Initiate, develop and deepen relationships with newspaper partners and prospect papers. PARADE has a readership of over 72 million and my job is to retain existing clients and grow the business by communicating the value that PARADE magazine provides both to the paper and their readers. Understanding my client's needs and the environment in which they conduct business is very important.

What is a typical work day? Each day is very different because I travel approximately four days a week. My day starts off by reading at least three newspapers. This way I am up-to-speed on what is happening around the country and able to hold an educated conversation with my peers in the industry. I must plan my daily schedule, schedule flights, communicate my needs to my assistant, verify appointments, and meet with at least one publisher to review our various marketing programs.

What is your favorite part of your job? My job allows me to do a great deal of traveling and enjoy some very nice places around the United States. But what I like most is meeting new people and seeing how refreshing nice people can be!

What is your educational background? I have a college degree from Catawba College, Salisbury, N.C. I majored in psychology and later decided to use my degree for a career in business.

How did you get to where you are? It was a long road that started when I was 11 years old. I had a newspaper route and I learned how to be responsible



Joseph M. Haggerty

and the importance of follow-through and good customer service.

It did help that my father was in the newspaper business and his talking

about his work-day experiences always interested me. So without me knowing it, I was being educated at home because my father's talks connected me with the business and I became familiar with newspaper "speak" or terms.

But even after all that preparation, I didn't start working for newspapers until 1985, when I was 28. Prior to that I drove a truck, served in the U.S. Army (101st Airborne), made pizza at a local restaurant, and worked as a social worker in a mental institution. Every job I ever had prepared me for my present job at PARADE. Respect, understanding, follow-through, disappointments, failures, successes, and mistakes all made me better at what I do now.

When I started in newspapers in 1985, I start as a newspaper carrier supervisor....not far from when I was 11 years old! Within a few years, I had an opportunity to increase my responsibilities and based on performance was rewarded with new job titles and increases in pay. I don't want to make it all seem rosy. There were tough decisions that had to be made, but new challenges come with risk and with that came personal growth and new understanding.

To put it simply, I did not have a road map or a plan to end up working at PARADE. Much of my success can be attributed to having a good work ethic, being at the right place at the right time.

Check out these Web sites to learn more:

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

www.unitedwayerie.org/financial-stability
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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 lose money? How did the mutual fund compare to the individual stocks? How would you have invested differently?

