

# Invest for Your Future

Saving and investing help build wealth. Planned spending and regular saving are important steps.

## Solve the Money Mystery

### Getting Started:

Set goals. Your spending, savings, and investment plans are unique. The purpose of money and other resources is to help you reach your goals. Take time to think about and write down your goals.

Find money to invest. Examine your income and expenses. Look for ways to minimize or eliminate expenses. Pay off debt. Reduce spending and use the money for investing.

Gather information. Learn about saving and investing. Use trustworthy resources. Be sure to carefully check out investment opportunities to make sure they are legitimate.

Fully fund retirement accounts. These programs usually offer a variety of types of investment accounts and have professionals who will help guide you. Matched contributions are like free money. Don't have an employer provided program? Consider an Individual Retirement Account (IRA). There are tax benefits for both employer-provided 401(K)'s and IRA's.

Diversify. The old saying "don't put all your eggs in one basket" certainly applies to investing. This strategy reduces risk by spreading investment money among a number of investment types and industries.

Take advantage of the magic of compounding. Interest earned adds to the amount of your investment. Each time, this compound interest continues to increase the amount of your investment and interest is calculated on these higher amounts.

### Financial Terms You Should Know

- **SAVINGS** – Income withheld from current spending for future use.
- **INVESTING** – Money spent to increase current and/or future income; it is not insured against loss and it rises and falls with the investment market.
- **PRINCIPAL** – The amount of your initial investment.
- **LIQUIDITY** – The ease with which an investment can be converted into cash without loss to principal.
- **INTEREST** – Payment received by an investor from a financial institution for an investment or savings.
- **RETURN** – The total increase or decrease of an investment.
- **RISK** – The possibility that an investment will lose value.
- **RISK TOLERANCE** – The degree of risk that an individual is comfortable taking.
- **MUTUAL FUND** – An investment tool that pools the money of shareholders.
- **MONEY MARKET MUTUAL FUND** – A low risk mutual fund.
- **STOCK** – An investment that represents shares of ownership in a company.
- **BOND** – A certificate representing a loan of money for a specific period in exchange for a promise to repay the amount borrowed with interest by the government or a corporation.

# ☒ Are You Ready to Start Investing?

- ☐ **I have enough money to pay my bills every month.** It's important to live withing your income. Have a spending plan that is unique to your financial situation and goals. Determine monthly income and monthly expenses. Look for ways to cut expenses so you have more money to save.
- ☐ **I pay off credit card balances and can easily make monthly loan payments.** Manage debt wisely. Interest and fees paid on debt can be like a bottomless pit for your money. Pay off debts and use that amount to build savings and investments.
- ☐ **I have enough savings to cover at least one month of expenses.** Have an emergency fund. Your emergency fund is a safety net. Unexpected expenses will happen. Work toward having enough savings to cover at least 2 months of expenses.
- ☐ **I have adequate insurance coverage.** Protect your assets. Maintain adequate insurance for health, home, and car. Without this protection, a single crisis can wipe out your savings and investments.
- ☐ **I have written goals and a plan for investing.** Invest for the future. Once you are financially stable and have an emergency savings fund, you are ready to start investing. Create a saving and investing plan to reach your goals.

## Contributors

FCS Agents who assisted with the previous Money Talks series and The Great Money Mystery series; Megan Wells, M.S., Program Associate University of Arkansas System Division of Agriculture Cooperative Extension Service.

## Author

Laura Hendrix, Ph.D., Accredited Financial Counselor®, Associate Professor – Personal Finance, University of Arkansas System Division of Agriculture Cooperative Extension Service.

## References

The Basics of Saving and Investing: Investor Education 2020. Investor Protection Trust and the Investor Protection Institute. [https://iptrust.wpengine.com/wp-content/uploads/2022/06/IPT\\_Basics\\_2020.pdf](https://iptrust.wpengine.com/wp-content/uploads/2022/06/IPT_Basics_2020.pdf).

Saving and Investing: A Roadmap to Your Financial Future Through Saving and Investing. U.S. Securities and Exchange Commission Office of Investor Education and Advocacy. <https://www.sec.gov/investor/pubs/sec-guide-to-savings-and-investing.pdf>.