



# Mutual Funds: Diversifying Your Dollars

We can buy them almost anywhere — at banks, brokerage firms, on the Internet, and through retirement savings plans.

We hear about them on the news and read about them in newspapers and magazines. But, what really is a mutual fund?

A mutual fund is a collection of investments chosen by a professional investment manager. There are over 17,000 mutual funds out there today, offering investors access to a variety of investments including money market investments, bonds, and stocks to name a few.

Want to buy a stock fund? Your choices only begin with large company stocks, small company stocks, and international stocks. Interested in a particular industry or market sector? Well, there are mutual funds that consist of investments in specific areas of the market such as Technology or Healthcare. To find out what a particular mutual fund invests in, simply read the fund's investment objective.

### Why are mutual funds so popular?

Mutual funds gained their popularity because they provide the average investor access to a wide variety of investments. Most investors don't have the money to purchase individual stocks and bonds, let alone create a diversified mix of them.

When you invest in a mutual fund, your money is combined with the money of many other investors. So, rather than purchasing a specific security — such as an individual stock or bond — you are investing in a proportionate share of the underlying investments held in the mutual fund.

### Why would you invest in mutual funds?

There are a number of great advantages to using mutual funds:

**Diversification:** A typical mutual fund invests in dozens or even hundreds of investments. This immediately spreads your investment dollars across several different stocks and bonds, diversifying your money.

**Expertise:** Creating a mix of individual stocks and bonds takes a significant amount of time and expertise — not only for research, but for ongoing review and management. By investing in a mutual fund, you benefit from having professional investment managers with extensive knowledge and expertise as well as research and analytical resources.

**Low cost:** The cost of a professionally managed portfolio is spread among many pooled investors in a mutual fund, making this service typically more affordable than if you were to hire someone to manage your portfolio and buy and sell individual securities on your behalf.

**Access:** Whereas many investments may be too costly to purchase as an individual, a mutual fund, with its pooled resources, has greater access to investments you might not otherwise be able to afford!

So what is a mutual fund? A single investment that provides you with professional money management and diversification, all at a low cost!

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There are more than 17,000 different mutual funds.

“I know that you believe you understand what you think I said, but I'm not sure you realize that what you heard is not what I meant.”

~ Robert McCloskey

# Dollar Cost Averaging: Making the Most of Your Investment Dollar During All Market Conditions

Dollar cost averaging can help you ride out market volatility and can contribute to the success of your retirement savings plan.

Dollar cost averaging is the practice of investing equal dollar amounts on a regular basis over a long time period regardless of whether the market is moving up or down.

The result is that when stock prices are up, your money buys fewer shares, and when stock prices are down, your money buys more shares at a lower price. By doing this over time, you can effectively lower your average purchase price and help counter market volatility.

Remember, no strategy guarantees a profit or protects your investments from loss. However, dollar cost averaging can help your savings accumulate over time. As your investments generate returns, those returns are applied to a larger number of shares. In this way, dollar cost averaging can increase your overall, long-term returns.

Take a look at an example of how dollar cost averaging works in a typical market situation.

Markets go up and down...

Regular Investment	Share Price	Shares Acquired
\$200.00	\$10	20
\$200.00	\$8	25
\$200.00	\$5	40
\$200.00	\$4	50
\$200.00	\$5	40
\$200.00	\$10	20
<b>Total</b>	<b>\$1200.00</b>	<b>\$42 195</b>
Average Share Price		\$7.00
Average Share Cost		\$6.15

As you can see, no matter what the market is doing, regular investments can lower your average cost and increase your total number of shares. Over the long term, dollar cost averaging can help you ride out market volatility and contribute to the success of your retirement savings plan.

### What about investing when the market is down?

Dollar cost averaging can help alleviate concerns you may have about investing in a down market. When the market goes down, share prices go down and you actually purchase more shares with your regular contribution than when the market is up. When the market recovers, you will have accumulated more shares of stock at the lower price and will profit from their increasing value during the market upturn!

Don't miss out on the potential benefits of dollar cost averaging. Enroll now in your employer's retirement savings

plan and watch how your investments can grow!

Dollar cost averaging does not guarantee a profit or protect against loss in a declining market. Dollar cost averaging can be an effective strategy when money is invested at regular intervals over a period of time. If you want dollar cost averaging to work for you, you will need to consider your financial ability to continue investing on an ongoing basis.

The key to a dollar cost averaging strategy is to stick with it. Long-term savings plans rely on patience and discipline for growth. Stay the course. You may be pleasantly surprised at the growth your retirement savings account may achieve!

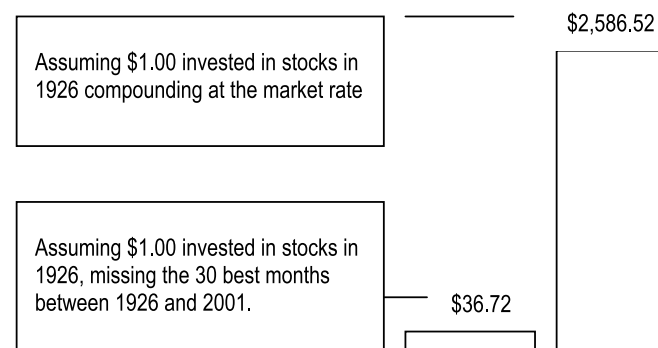
### Dollar cost averaging versus market timing

Dollar cost averaging is a deliberate, disciplined investment strategy that investors consistently practice during all market conditions; it typically provides long-term benefits.

Market timing is an emotionally driven effort to “beat the market” by attempting to buy into the market when it is low and sell when it is high.

Although in theory it's a great idea, in practice a market timing approach often leads investors to buy after the market has gone up and sell after it has gone down. That's because it is impossible to know when the market has peaked or when it has bottomed out. And, it is impossible to avoid the sudden, violent swings the market frequently experiences.

Even if an investor managed to buy on the low side and sell higher, there would still be a loss in terms of potential growth opportunities. For example, one dollar invested in the stock market (the S&P 500) in 1926 compounded at the market rate would have grown to \$2,586.52 by now. Missing the 30 best months between 1926 and 2000 (900 months) would have resulted in a \$36.72 return. That's a difference of \$2,549.80!



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## Excuses, Excuses...

A police officer pulls over this guy who's been weaving in and out of the lanes. He goes up to the guy's window and says, “Sir, I need you to blow into this breathalyzer tube.”

The man says, “Sorry, officer, I can't do that. I am an asthmatic. If I do that, I'll have a really bad asthma attack.”

“Okay, fine. I need you to come down to the station to give a blood sample.”

“I can't do that either. I am a hemophiliac. If I do that, I'll bleed to death.”

“Well, then, we need a urine sample.”

“I'm sorry, officer, I can't do that either. I am also a diabetic. If I do that, I'll get really low blood sugar.”

“All right, then I need you to come out here and walk this white line.”

“I can't do that, officer.”

“Why not?”

“Because I'm drunk.”