

# HOW TO INVEST YOUR MONEY

When you invest, you do not only have the potential to earn money on what you've contributed, you also have the potential to earn money on your earnings.

Stocks, bonds, mutual funds, and cash investments have different advantages and risks. In order to make this decision, you need to understand the difference between them.

## **Stocks and Options**

Stock is essentially a percentage of ownership in a company that is publicly held.

Options require you to purchase and sell shares of an underlying security for a pre-determined price during a specific period of time.

## **Mutual Funds**

A mutual fund is a professionally managed investment vehicle. Mutual funds offer the ability to diversify, as they hold a large numbers of securities.

## **Fixed Income**

A bond is simply a loan from the investor to the issuer. In return for the loan, the investor may be paid interest on a periodic basis and at maturity, the full principal is returned. Bonds have a stated maturity date and a fixed coupon or interest payment. This is why bonds are called fixed income investments.

There are many types of fixed income investments and each has unique characteristics depending on the issuer.

### **Annuities**

An annuity is a contract, issued by an insurance company, which allows you to accumulate money on a tax-deferred basis for long-term goals such as retirement.

Annuities are among the most popular retirement investments. Despite their popularity, many people still don't know much about them. The following will help explain the different types of annuities. You can contact your financial advisor to see if annuities fit into your overall portfolio.

### **Fixed Annuities**

Fixed annuities guarantee a fixed interest rate for a period of time and depending upon your contract, the rate may be adjusted annually by the insurance company.

### **Variable Annuities**

Variable annuities are generally a collection of sub accounts issued by an insurance company. Your earnings accumulate tax-deferred so you don't pay taxes until you make withdrawals.

### **Indexed Annuities**

Indexed annuities have tax-deferred growth tied to the performance of the equity markets and minimum interest guarantees to help individuals achieve their retirement objectives.