



A University of Hawai'i Cooperative Extension Service Project

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# Course Objectives



- Increase your knowledge about financial planning
- Improve your ability to make informed decisions

Take Charge of Your Money



Saving & Investing III

Presenter



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## Lesson Objectives



- Learn about the difference between saving and investing
- Become aware of terms used to describe investments
- Discover relationships among the characteristics of investments

# Saving vs. Investing



Saving	Investing
Provide money for short-term goals and emergencies	Accumulate wealth to reach long-term goals
Parking place to accumulate cash	Expect wealth to grow over time
Principal is safe	Can lose principal
Not seen as an income source	Income is not guaranteed

# Investment Characteristics



- Stability (risk)
  - Does the return vary much over time?
- Accessibility (liquidity)
  - Can you withdraw your money easily?
  - What is the fee or other cost of withdrawing your money?
- Yield (average return)
  - What is the average return over time?

## Investment Terms: Return



- The amount the investment earns
- Usually expressed in terms of an annual percentage rate per year
- If the return is not certain, then information is needed about the average returns



## Investment Terms: Risk



- The amount the return varies around the average
- The source of risk depends on the type of investment
- Usually measured by standard deviation or the range from highest to lowest
- Large risk usually means a very low return can occur at any time

# Risk versus Return



- A trade off exists between risk and returns
- A high return comes with high risk

# Investment Terms: Liquidity



- The speed and cost of selling the investment and getting cash

# Liquidity, Risk, & Return



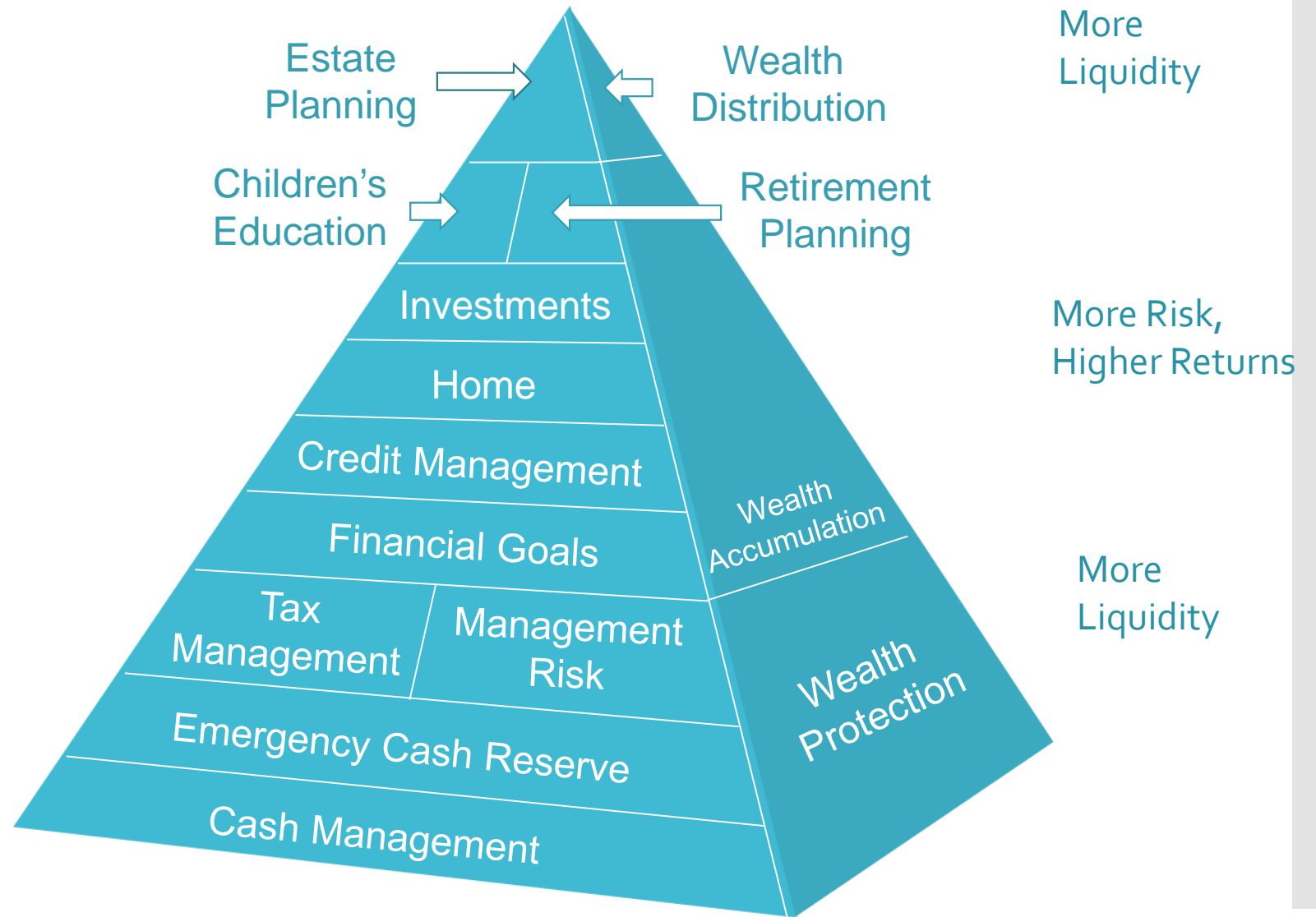
- A trade off exists between liquidity, return and risk
- A very liquid investment is likely to be not very risky and yield a low return
- The balance between these three depends on your wealth goals

# Wealth Goals



- Wealth protection and wealth distribution are linked with a need for more liquidity and less risk
- Wealth accumulation is linked with more risk and high returns

# Linking to the Financial Pyramid



# Summary



- Short and intermediate-term saving goals should be matched with liquid investments that have low returns with no risk
- Long-term savings goals should be matched with investment that are not liquid and have higher returns with risk

## Website & TV Channels



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## Credits



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