Take Charge of Your Money

A University of Hawai'i Cooperative Extension Service Project

www.ctahr.hawaii.edu/tcym
Course Objectives

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

- Learn how to match your saving goals with investment types
- Become aware of how you feel about risk
- Discover how you can put this together to make a financial plan
Match each saving goal with investment and time frame:

- Money market funds with short term and some intermediate goals
- Bonds and stocks with long-term goals
• As the goals becomes closer the type of investment may change
• Beware of fees charged for financial services, initiating investments and changing investments
<table>
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<th>Types</th>
<th>Investment Type</th>
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<td>1. Low, almost guaranteed return; immediate to access funds</td>
<td>CDs; T-bills, T-notes and T-bonds; Money market funds; FDIC insured accounts; fixed rate annuities</td>
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<td>2. Low to moderate risk; small variation in average return; relatively easy to access funds</td>
<td>Municipal and corporate bonds; Bond mutual funds; Ginny Maes; Zero-coupon bonds</td>
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<td>3. Moderate to high risk; larger variation in average returns; more difficult to access funds</td>
<td>Stocks, stock mutual funds; Index funds; High-yield bond funds; Variable annuities; Exchange traded funds</td>
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<td>4. High risk; High average returns that have large variation; may be very difficult to sell</td>
<td>Small-cap, sector, International, emerging market, and precious metal mutual funds; Penny stocks; Commodities</td>
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Two basic ways to invest:

- Make a loan to a company or the government and be paid back the principal plus interest
- Purchase an asset whose value will change over time
Finding Your Comfort Zone

- Understand how you feel about risk
- Decide where do you fall
  - Conservative
  - Moderate
  - Aggressive
- Use the assessment tools available on the web
• Shop around
• Tax free investments produce increased returns
• If it sounds to good to be true, it is. Higher than average returns come with a large risk of a loss
• The most important thing is to keep saving and investing
Compounding

The Magic of Compounding

$1000 per year, plus compound interest

- 15% growth
- 3% growth
- 0% growth

Yearly investments grow exponentially over time.
Putting It All Together

• Forecast all your saving and investing right up to distribution
• Financial calculations are needed that forecast how much wealth you will have each year
• Many types of financial calculators are available on the web
A good financial planner should also complete these calculations with you.

Remember these calculations are still part of a plan so if things do not look good, you can change them before making any final decisions.
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We would like to thank the following groups for their support:

- University of Hawai'i at Mānoa
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