Pocket Notes

For

Investment Success

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Who is this book for?

This book is for the every day person: the lower, middle, and not quite yet upper class, who cannot afford (or don't have a desire to pay) the fees for the advice of expensive money managers. This is for the people who dream of making their money work for them, rather than working to make money. This book is not the get rich quick guide, or the answer for all of your investing troubles. Rather, I hope that this book of notes will help you understand more about investing your hard earned money and not only making it grow, but grow consistently. This book is not designed for the extremely investment savvy, but rather it is designed for people who have heard stories about making money through stocks, bonds, real estate,

commodities, and many other investment vehicles.

First off, let me make it clear that I am no Warren Buffet or Ben Bernanke. I am a 24-year-old former Portfolio Manager for Wells Fargo's Wealth Management Group, turned Financial Advisor at Morgan Stanley, who happened to learn a few valuable lessons during my early career path. I struggled to learn and increase my abilities every day, and I hope that through my struggles, you will find value in the lessons that I have learned and from the mistakes that I have made. I will make all of you a promise right here right now. I will explain everything in "Normal everyday people" language, meaning I will use non-finance lingo and hopefully you won't have to look up any of these terms in the dictionary or on Google. I will try to make this an easy and painless learning process. All I ask for in return is that you read my book with an open mind,

you read this book cover to cover prior to making investment decisions, you learn something new or at least re-enforce the concepts that you already know, and finally that you put into practice what you have learned. That being said, I have attempted to write this book in such a way that each lesson will build upon the previous lessons. Oh yeah one last thing, I am not one for beating around the bush, so I will get straight to the point with each topic, therefore each page will hold some value.

Know the amount of risk you are willing to take!!!!

The first thing every person should do prior to making investment decisions is to understand their own personal risk levels. The amount of risk a person is able to take on, will definitely determine the types of investments they should expose themselves to, and will directly impact the chance a person has of reaching their goals. How does one determine their risk level? There are many different things that people should take into consideration, and when you add all of the different things up you get your risk level. I am sure most you are sitting here and saying to yourselves what "Things" is this guy talking about.

The first "Thing" that you need to determine is how much cash, yes actual cold, hard paper money, or

cash equivalents, for example a Certificate of Deposit (aka CD), you should have on hand to help you sleep at night. This is important because when you have the right amount of "cash" available to you it allows you to feel comfortable keeping your long-term investments…..well invested. For many people, especially people around my age the level of cash that may make you feel comfortable is 6-12 months for rent or mortgage payments. For parents or people who have more grown up responsibilities, it may be a year or year and a half's worth of every day expenses. This can include food, cable bill, cell phone bills, one year of your kid's tuition, and so forth. By having the right amount of "cash" handy it will help prevent impulsive and irrational sales of your investments to raise cash to cover costs. The last thing you want to do as an investor is to be forced to liquidate assets at a price that

is lower than your initial purchase price because you don't have enough cash to make a car payment or something. Also, speaking from experience, I suggest that you should absolutely make sure you have enough cash to enjoy your life. The very last thing I want for anyone is to have all of their money in investments and not be able to watch a movie, go to a concert, have a great steak house dinner or even play 18 holes of golf. Remember making money is fantastic, but you only have one life to live; so, enjoy it.

The second "Thing" that you need to determine is your time frame for each of your investment goals. Generally speaking the longer time frame goals can usually afford to be more aggressive and risky. Knowing your time frame is a major key to determine what kind of investment vehicles you should be using to build your portfolio. For example if you are

saving for a summer vacation, you probably do not want to buy a 5 year bond, or if you have a new born baby and you are trying to invest for their college fund, who probably do not want to invest all of their money in a savings account. As a rule of thumb if your time frame is short, you need to be more conservative, and as your time frame gets longer, you need to be more aggressive. A person who is 21 and saving for retirement can build a very aggressive portfolio, but a person who has 5 years or less to retire needs to be more conservative.

Okay I know my risk level, what assets should I consider?

Before I start describing the different asset class that you should consider for your portfolio, keep in mind that this section is a general overview section, and I will get much more detailed in the sections to come. Just think back to the promise we made each other at the beginning of this book, the one that said you will read this book cover to cover prior to making investment decisions, because I guarantee you if you read this section alone and try to start making invest decisions without finishing the book, you will lose money and/or limit your portfolio's potential.

There are four major asset classes that I use to categorize the majority of investment products available. These asset classes are Fixed Income,

Equities, Real Estate, and Alternatives. Fixed income assets are "normally" your more conservative assets. The most common fixed income assets included cash, bonds of all durations, bond funds, and certificates of deposit. Cash can either be the physical paper money that you have in your wallet or purse, your savings and checking accounts at your bank, and the money market account you have with your other financial institutions. Bonds are considered debt instruments, which means that someone or something is borrowing your money and therefore should compensate you for your generosity, whether they are government issued or company issued. A few of the more popular types of bonds are government bonds, which are normally classified by their length of maturity. Treasury Bills normally mature in less than year, Treasury Notes normally mature in about one to ten years, and

Treasury Bonds mature in more than ten years. The majority of U. S. government bonds or any developed country are considered to be risk free, because they are backed by the government, but bonds of emerging (Countries that are still developing) countries do carry some risk because they can default i.e. not pay you. Another type of fixed income instrument that is very popular is the Municipal Bond, "Muni". Muni bonds are debt instruments that are issued by a state, municipality or county to finance its projects and expenses. Muni bonds are very popular for the reason that they are normally exempt from State and Federal taxes, especially if you purchase them in the state that you live in. A prime example of a muni bond is if the state you live in needs to raise money for the construction of a new highway, they would sell muni bonds to raise the money that they would need to

complete the project.

Another class of bonds that normally pay a higher yield are the corporate bonds. Corporate bonds are simply debt instruments that are issued by a company to raise capital both for short term or longer-term projects. A couple examples are if Starbucks wanted raise money to open a few new stores in a city, and they may issue some corporate bonds. If Starbucks wants to pay off the debt quickly then they may issue short term bonds, for example a bond with a 3 month maturity, but lets say that Starbucks wants to open 500 stores across the country, now this may call for them to issue longer term bonds, which will probably mature several years down the road.

The next fixed income bond that I want to talk about is the High Yield Bond or Junk Bond. A High Yield bond is a high paying bond with a lower credit

rating than the higher investment grade corporate bonds, Treasury bonds and Muni bonds. Because there is a higher risk of default, these bonds pay a higher rate of return on your investment. These bonds are normally bonds that have a rating below an A rating, but these bonds usually pay about 1.5% to 3% higher than the less risky investment grade bonds.

The final fixed income tool that I want to discuss is the bond fund. A bond fund is a mutual fund or exchange traded fund that invests in a certain type of bond class. For example a High yield bond fund will invest in a variety of different high yield bonds with different durations and credit ratings, and package them into a single fund for you to invest in. The benefits of investing in bond funds is that as an investor you gain diversification, by having your money spread out in a variety of bonds. The same is true if you bought a

treasury, muni, or total, a mix of everything, bond fund. Another benefit of a bond fund is that it is normally more liquid than an actual bond, because it trades just like the mutual fund or exchange traded fund that is package in. This means that the fund can be traded daily, and therefore can be bought or sold much more freely than an individual bond.

The next asset class is the Equity asset class. Equity is an investment vehicle that represents an ownership interest, the most common are stocks, mutual funds, and exchange traded funds. Stocks are the most popular type of equity investment vehicle, they represent a portion of ownership in whatever company you bought stock into.

Stocks can be issued in two forms, common or preferred. Common stock normally carries voting rights that can be used to influence corporate

decisions. Preferred stocks, normally do not carry voting rights, but is entitled to receive dividends prior to common stock. Stocks trade on exchanges, in the United States the most well known is the New York stock exchange on Wall Street, but stocks of companies from other countries can trade on different exchanges. Stocks can be purchased through an online discount broker, which we will discuss later, or through a traditional broker. An example of purchasing stock would be buying a certain amount of shares of General Electric stock, which in turn will represent your percentage of ownership in the company.

The next equity investment is mutual funds. Mutual funds are professionally managed pools of money from many investors that create a portfolio of investments which can include cash, stocks, bonds money market instruments, and other investment

products. Mutual funds normally trade on the same platforms as stocks. A key benefit of mutual funds is that they are professionally managed by a fund manager, which means that the portfolio is constantly being rebalanced to ensure proper performance for their stated investment objective, asset allocation and diversification. Mutual funds are normally bought and sold at Net Asset Value (NAV), which is the market value of the mutual fund's assets minus the funds liabilities, and is normally expressed as dollar price per share. NAV is normally computed at the end of each day when the market closes, which is a bummer, because if you place a trade to buy or sell a mutual fund, you will not know exactly how much it cost you until the end of the day. Mutual funds also have different fees that they charge, the first is a management fee which is normally the contractual

advisory fee plus the contractual administrator fee, the management fee is normally paid out of the funds assets.

Another fee is the 12b-1 fee, which is simply a service fee, which is normally used to pay for marketing, research, and many other activities. Redemption fees are fees to discourage investors from selling the fund within a certain time frame, for example a fund may charge a 1% redemption fee to the investor, if the investor sells the fund within the first year of purchase. The last and most common fee is called the load. There are main types of loads, the front-end load/sales charge, which is a fee that the investor pays when they purchase shares of the mutual fund, thus lowering the amount of your investment. The second type of load is the back end load/deferred sales charge, which is a fee when the shares are sold

unlike a redemption fee, the deferred sales charge is paid to the broker not to the fund. To determine what fees you as an investor will pay for a mutual fund, it is important to pay attention to the class of mutual fund share you buy. Class A shares normally have front-end loads, they have the lowest 12b-1 and annual expenses than there other classes of funds. Class B shares normally do not have front-end loads, but rather they have back end loads and higher 12b-1 fees. Class B shares normally convert into Class A shares if you hold them long enough. Class C shares normally have a 12b-1 fee, annual expenses, and either a front or back end load. Class C shares normally do not convert into other share Classes.

Exchange Traded Funds (ETFs) are investment vehicles that trade on stock exchanges, like stocks, but are a portfolio of assets like mutual funds.

Most ETFs track a specific index or sector of the market. For example you may be able to buy an ETF that tracks the S& P 500 index, or you could buy an ETF that tracks the Technology sector of stocks that trade in the market. ETFs are very unique in the sense that they are priced at NAV just like mutual funds, but they can be traded any time during the market and the price is determined at the time your transaction is executed, rather than at the end of the day. Most ETFs do not have 12b-1, redemption fees, loads, or other sales expenses, instead most ETFs charge a flat commission to buy their shares. One other difference between ETFs and Mutual funds is that ETFs are passive managed funds.

Real estate is normally considered to be raw land, plus anything that is permanently attached to the land; this may include buildings

and homes. Real estate is different than other investments like stock and bonds in the sense that real estate is affected by the location of where the property is located. The type of real estate vehicle that is most useful for us in building our portfolios is called the Real Estate Investment Trust (REIT). A REIT is a security that trades on the major stock exchanges and primarily invests into the real estate market by purchasing either properties or mortgages. REITs offer high yields and much more liquid way of investing in real estate, because it is much easier to buy and sell shares of a REIT, than it is to sell a physical property. The revenue that REITs generate normally comes directly from the properties' rental income.

Commodities are basic goods used in commerce and they are interchangeable with other commodities of the same type. Normally there is little or no difference between a commodity coming from one producer or another producer of the same good. For example a barrel of oil from one producer should be the same as a barrel of oil coming from another producer. This is different that say producers of cell phones, because the Iphone and Blackberry have major differences of all different respects. Commodities are normally bought and sold on different commodities exchanges depending on the type of commodity. Some of the more common commodities include, oil, wheat, corn, steel, gold, copper, etc. For us the most efficient way to purchase commodities is to purchase an ETF or mutual fund that is solely invests in either a variety or specific set of commodities.

How does your level of risk determine your investment goal?

There are several different types of investment goals and objectives, but for majority of us, we will most likely find ourselves in one of the following six objectives. For simplicity sake I have arranged these objectives in such a way, where the most conservative objectives will come first and the more aggressive objectives will follow. The six objectives that I will explain in detail are as follows: Income, Balanced with a emphasis on income, Balanced, Balanced with an emphasis on appreciation, Appreciation, and Super Appreciation.

An Income based portfolio is a portfolio that is comprised of all fixed income products, which gives this portfolio the most conservative investment

objective. This portfolio relies on the income stream received from bonds, bond funds, money markets, etc. Since this portfolio has no equity exposure, this portfolio has little to no market appreciation or depreciation risk. This means that the portfolio will not be as affected to the market volatility factors that move stock prices up and down. This type up portfolio is ideal for people with short-term time frames, elderly people, or simply for people who just want consistent income.

A Balance portfolio with an emphasis on income is slightly more aggressive than the Income based portfolio, because it does contain some equity products and is not 100% in fixed income products. This portfolio is normally comprised of about 30% equities and 70% fixed income products. This gives the portfolio high concentration of consistent income, but

allows for some market appreciation, with the use of stocks, mutual funds, or ETFs. This portfolio gives you as the investor a high stream of income, with the ability to participate in market growth. This portfolio is for individuals with time frames of anywhere from 1-3 years, individuals who need income but want more growth in the portfolio, or individuals who are starting to edge their way into the market and trying to get some experience and confidence.

A Balanced portfolio is a portfolio that gives the investor about a 50/50 mix of equities and fixed income products. This type of portfolio allows investors to receive an equal mix of income and appreciation. The bond selection of the portfolio will distribute income through dividends and coupon payments, while the equity section of the portfolio will allow the portfolio to grow with market appreciation.

This portfolio is recommended for investors with a medium risk tolerance and a time frame between 3-7 years.

A Balanced portfolio with an emphasis on appreciation is a portfolio that has a combination of both fixed income and equities, but is more heavily weighted in the equity markets. This portfolio has about a 70% in equities and 30% in fixed income, and is primarily used to capture market appreciation while gathering some income. This portfolio is recommended for people with a longer time horizon, due to the fact that the appreciation of many equities does not happen over night and may some times be an up and down roller coaster ride. The last thing I want is for someone to buy equities to try and gain appreciation but have a time frame that is to short, and to be forced to sell their portfolio at a down turn on

the roller coaster ride of the stock market.

An Appreciation portfolio is a portfolio that is more aggressive and has the smallest mix of both stocks and bonds. This portfolio is normally about 90% equities and 10% fixed income, and is designed to capture market appreciation, while using the fixed income portion to give you a slight cushion. This portfolio is designed for investors with a longer time horizon, for example investing for a child's college fund or a younger employee saving for retirement.

A Super appreciation portfolio is almost identical to an Appreciation portfolio with the exception that this portfolio is 100% invested in equities and has no fixed income in it at all. This portfolio is designed for investors with longer time horizons and is normally considered the most aggressive portfolio based on risk objectives. Since

this portfolio is 100% in equities it give you the most market appreciation, but it also you the highest level of volatility and should be rebalanced more often then any of the other portfolios, but in the long run this portfolio if invested correctly will give you the greatest ability to grow your money.

How to build your own portfolio based on what you have learned?

Now that we have learned how to determine our risk tolerance, how to determine of investment goals and objectives, and have learned about the different types of investments i.e. ETFs, mutual funds, stocks, bonds, etc. its time to talk about how to build a portfolio. The first thing you should do is determine what your investment objective is, if you have not already figured it out. The next thing to do is determine if you want to use ETFs, stocks, bonds, mutual funds, etc. Remember that we went over the basic differences between these investment vehicles earlier. I recommend doing some homework first, some places that will give you great information is Morningstar.com, Powershares.com, iShares.com,

Bloomberg.com, and Yahoo Finance. We will expand on this in the doing home work section later. What I would like to do now is break down how I would build a portfolio in percentages.

The income portfolio from conservative to most aggressive:

Short term bonds: 65%-0%

Intermediate bonds: 28%-15%

Total Return: 5%-50%

Corporate bonds: 0%-10%

Global bonds: 0%-10%

High Income bonds: 0%-10%

Cash: 3%-10%

Here is an example of how I would build this portfolio if I were looking for a medium income portfolio using the above percentages scale:

Short term bonds: 35%

Intermediate bonds: 25%

Total Return: 15%

Corporate bonds: 10%

Global bonds: 5%

High Income bonds: 5%

Cash: 5%

Total: 100%

The Balanced Portfolio with an emphasis on Income

- **Fixed Income:**

Short term bonds: 5%

Intermediate bonds: 30%

Long term bonds: 7%

High Yield bonds: 7%

Global Bonds: 10%

- **Equities:**

  US Large Cap: 15%

  US Mid Cap: 4%

  US Small Cap: 4%

  International Developed: 6%

  International Emerging: 2%

- **Real Assets:**

  Global REITs: 5%

  Commodities: 5%

The Balanced Portfolio:

- **Fixed Income:**

  Short term bonds: 5%

  Intermediate term bonds: 20%

  Long Term bonds: 2%

  High Income bonds: 4%

  Global bonds: 8%

- **Equities:**

  US Large Cap: 21%

  US Mid Cap: 5%

  US Small Cap: 5%

  International Developed: 10%

  International Emerging: 4%

- **Real Assets:**

  Global REITs: 5%

  Domestic REITs: 5%

  Commodities: 7%

The Balanced portfolio with an emphasis on Appreciation:

- **Fixed Income:**

  Short term bonds: 2%

  Intermediate term bonds: 15%

  Long term bonds: 0%

  High Income bonds: 4%

  Global Bonds: 5%

- **Equities:**

  US large cap: 27%

US mid cap: 5%

US small cap: 5%

International Developed: 15%

International Emerging: 4%

- **Real Assets:**

Global REITs: 5%

Domestic REITs: 5%

Commodities: 9%

The Appreciation portfolio:

- **Fixed Income:**

Short term bonds: 0%

Intermediate term bonds: 7%

Long term bonds: 0%

High Income bonds: 4%

Global bonds: 3%

- **Equities:**

US Large cap: 34%

US Mid cap: 7%

US Small cap: 5%

International Developed: 15%

International Emerging: 5%

- **Real Assets:**

Global REITs: 5%

Domestic REITs: 5%

Commodities: 10%

The Super Appreciation portfolio:

- **Fixed Income: 0%**
- **Equities:**

US large cap: 42%

US mid cap: 8%

US small cap: 5%

International Developed: 19%

International Emerging: 6%

- **Real Assets:**

Global REITs: 5%

Domestic REITs: 5%

Commodities: 10%

Now I am sure you are wondering why I have broken the portfolios down in to these specific subclasses. I know when I first saw this break down, the first question I had was, "What's the difference between large cap, mid and small cap, the same went for the bonds and REITs." The reason I broke the

portfolios apart in this fashion, is because I believe in Asset Allocation. You are probably now thinking what's Asset Allocation? Asset allocation is the strategy that many investors use to allocate their investments among a wide variety of different investment vehicle classes. Asset Allocation is based on the notion that in different years a different asset may be the best performing asset in your portfolio. A fundamental justification for asset allocation is the notion that different asset classes offer returns that are not perfectly correlated, hence diversification reduces the overall risk in terms of the variability of returns for a given level of expected return. Therefore having a mixture of asset classes is more likely to meet the investor's goals.

Now that we know why we have asset allocation, lets go into more specific detail about

the types of assets that are being allocated. The fixed income assets should be a quick review so we will cover them first. Short-term bonds are normally bonds that are a year or shorter in duration. Intermediate bonds are over a year but less than five years in duration. Long-term bonds are bonds that are normally over five years in duration. High-income bonds are bonds that pay a higher yield, but have a lower credit rating. Global bonds are bonds that are offered in the wide global markets simultaneously. For example a bond can be offered within the Euromarkets and several other world markets at the same time. These bonds are normally issued in the currency of the issuing country.

A large cap (Large market capitalization) company is a company that normally has a market

capitalization of more than $10 billion. A company's market capitalization is determined by multiplying a company's shares outstanding by the price per share. A couple examples of larger cap company's are McDonalds and Wal-Mart. Large Cap funds are funds (either ETFs or Mutual funds) that invest in a wide range of companies that fill the large cap sector.

A mid cap (Middle market capitalization) company is a company that normally has a market capitalization of $2-$10 billion. The capitalization is also determined by multiplying the company's shares outstanding by the price per share. Some examples of mid cap companies are Pacific Sunwear and Teva Pharmaceutical Industries. Mid cap funds are funds (either ETFs or Mutual Funds) that invest in a wide range of companies that fill the mid cap sector.

A Small cap (Small market capitalization) company is a company that normally has a market capitalization of $300 million to $2 billion. The capitalization is also determined by multiplying the company's shares outstanding by the price per share. Some examples of mid cap companies are BeBe Stores and Lithia Motors Inc. Small cap funds are funds (either ETFs or Mutual Funds) that invest in a wide range of companies that fill the small cap sector. Another note to remember is that these classifications are simply approximations and companies are expected to change over time.

An International developed country is a country that has a high level of income per capita and a high gross domestic product. Developed countries also maintain a high level of industrialization and a high Human Development Index rating. The Human

Development Index rating is a combination of economic measures, national income, life expectancy and education. Some examples of developed countries are France, Germany, and Japan. International developed countries funds are funds that primarily invest in foreign developed countries.

An International emerging country is a country that is progressing towards becoming advanced as shown be liquidity in local debt and equity markets and the existence of a type of market exchange and an exchange regulatory body for that exchange. Emerging market countries normally do not have the level of market efficiency that the developed countries have. Emerging markets are normally desired by investors because of their ability to grow rapidly and therefore higher opportunities for returns. Investing in emerging countries have more risk than investing in developed

countries because of greater political instability, currency volatility and a more limited equity exchanges. Emerging Market funds are funds that invest in emerging markets.

Doing Home Work and Research

Doing homework is probably the most important thing that you need to learn when managing your own account, but it's not as hard as most people think. The reason I say it's not really as hard as people make it out to be, is simple, you can cheat! The first thing that you need to accomplish of course is to determine your risk tolerance and what type of portfolio you would be comfortable being invest in. Once that has been determined you can start doing some homework. The first thing I would recommend doing is start from the big picture and work your way to fine details. Start by reading about the economy and different markets in general, and really try to focus on getting familiar with what's going on. For example what political changes are being made and how will they affect the markets?

Is the government showing signs of intervention with the market? What's happening in other countries and how will they affect my portfolio? What's happening on the commodities front and how will they affect my portfolio? Don't reinvent the wheel, go find 3-5 different sources that are reputable and read what they have to say. Some that are good are Bloomberg, Thompson Rueters, Yahoo Finance, The Wall St Journal, The Economist, and Forbes. Read what the people whose only job is to do in depth analysis have to say, and compare them with your other sources, if the consensus is strongly favoring one opinion and your common sense tells you that it makes sense then go with it. I guarantee you that after a few months of reading and doing homework you will develop your own instincts about the markets, and you will be able to determine if the opinion of an analysis makes sense or

doesn't. I would strongly advise betting against the consensus, even if you feel that your opinion is valid, the reason is because the market moves with the consensus regardless of whether that consensus makes sense or not, just look at what happen with the mortgage back securities in 2007-now.

Once you gain some understanding on the big picture, start narrowing your views to specific sectors and asset classes. For example if are interested in financial stocks, start doing research on the financial sector. If you want to know about bonds, then do homework on bonds. I guarantee you that this will help you narrow your views naturally, if you read about financial stocks and do your homework long enough, you will be able to tell the difference between a great stock and a not as great stock. For example going back to financial stocks, the question may arise "What the

difference between buying Bank of America stock or buying JP Morgan stock?" Is there a difference? Remember that you are in the business to MAKE MONEY, and if you are going to invest in the financial sector by buying bank stock, you had better get the best bang for your buck.

Executing Orders

Now that we know how to do home work, and have a better understanding of how to research investments its, time to learn how to submit your orders. The first thing that you will need to determine is whether you want to place your own trades via a discount broker or have an Investment Professional place them for you. The discount broker option is a fancy way of saying that you prefer to open an online trading account, for example an E Trade account or Wells Trade Account. Once you have opened one of these accounts, you will have the ability enter orders to buy or sell securities at a certain price, and thus build your own portfolio. Many of these accounts give you a certain number of free trades a year, which should be enough to help you build and rebalance a decent

portfolio. These accounts normally charge an annual or monthly fee, and may some times charge you a trading fee/commission fee, depending on what types of assets that you buy or sell. The other option is to hire an investment professional to execute your trades and manage your account for you. This is slightly more expensive, and you really do not have direct control over the pricing of you assets. This is an option that I would recommend if you do not have the time to manage your own account or are not yet confident in your own abilities, but once again this is slightly more expensive.

Now let's discuss some important terms that you will need to know prior to investing your own account. First lets good over the most common types of order entry policies, they are Market, Limit, and Stop Limit. Market orders are normally placed, when the

market is having a down day, and are executed at the current market price of the asset that you are trying to buy or sell. For example if I wanted to purchase 100 shares of Apple at the market price, I would get 100 shares at whatever the price of Apple is when I press the submit order button. Second is the Limit Order, which allows us to buy or sell a set number of shares at a specific price or better. Depending if the limit is a buy or sell order, they can sometimes be known as a buy limit order or sell limit order. Limit orders are extremely useful when the stock is low volume or very volatile. The next order is the Stop Limit order. A stop-limit order will be executed at a specified price (or better) after a given stop price has been reached. Once the stop price is reached, the stop-limit order becomes a limit order to buy (or sell) at the limit price or better. For example if I wanted to buy Apple stock and its

trading at $100, but I don't want to buy the stock until it begins to show some upward momentum, I could put a stop-limit order in. I would be able to put a stop order in at $105 and a limit price of $107. If Apple moves above the stop price of $105, the order is activated and turns into a limit order, and as long as the order can be filled under $107 (the limit price), then the trade will be filled. All of these orders are based on the last market price of the traded asset.

Conclusion

Now that you have finished this book, you should feel comfortable determining your risk tolerance, time horizon, goals and objectives. You now know how to build your own portfolio and determine which assets are right for you. You can now set your own Investment Objective using some of the example models that are listed in this book and by using your knowledge of asset allocation. You have an idea of how to do some research and homework, thus making sure that you are current with some of the critical economic and political news that will affect the market and your portfolio. Lastly you know to get your trades placed so you can start putting your money to work for you in the market.

I want to personally thank you for taking the

time to read my thoughts, I truly hope that you are all hugely successful, or at least feel more confident when you go into sit down with your financial advisors. Remember that this book was meant to give you a basic foundation that you should continue to build upon as you grow in your experience. If you want more information I would recommend either buying some more advanced level books, reading on the internet, or going into get professional advise from an investment professional, if you live in the Los Angeles area look me up and come see me, I would love to help anyone you took the time to read this book.

Glossary

Asset Class: Types of investments that have similar characteristics, and behave similarly in the market place, and are subject to the same laws and regulations.

Asset Allocation: An investment strategy that attempts to balance risk and reward by diversifying a portfolio's assets according to an individual's goals, risk tolerance and investment horizon.

Dividend Yield: The yield of a stock based on the dividends paid by the company.

Financial Plan: A document that includes a full profile and risk assessment of the investor, takes into account both assets and liabilities. Should also include the investor's goals, the asset allocation needed to meet

those goals, and all other specific plans for the client.

Large Cap Stocks: Stocks with market capitalizations generally higher than $10 billion.

Load Funds: A mutual fund that has an upfront sales charge or commission generally used to compensate the seller.

Mid Cap Stocks: Stocks with market capitalizations between $2 billion and $10 billion.

No-load Fund: A mutual fund that does not have an upfront sales charge or commission.

Small Cap Stocks: Stocks with market capitalizations between $300 million and $2 billion.