KNOW THE FINANCIAL PLANNING INDUSTRY LINGO

Investing Terminology

Principles and Concepts

Asset Allocation – aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance, and investment horizon.

Brokerage – a brokerage house is where you can go open Roth IRA or brokerage account to start investing. There are many brokerages online or with physical locations.

Compound interest – interest upon interest upon interest. Compound interest illustrates how powerful time can help to build interest-bearing investments into sizable assets over a longer time period.

Diversification – is risk management strategy that mixes a wide variety of investments within a portfolio. As the saying goes, don't put all of your eggs in one basket.

Dollar Cost Averaging - divide up the total amount to be invested across periodic purchases of a target asset in an effort to reduce the impact of volatility on the overall purchase.

Fees – are what you play for the privilege of buying, holding or selling. Savy investors pay attention ways to reduce or eliminate investment fees. Some examples include:

- **Expense Ratio** – the percent you pay each year for owning a mutual fund or index fund. For example, if an index fund costs $20 and expense ratio 0.10%, $0.02 would be taken out of the investment returns each year to pay for operating expenses.
- **Class A (front-load fee)** – a percent typically between 1-2 percent to sell a Class C mutual fund from a commissed-based broker.
- **Class C (backload fee)** – a percent typically between 5-6 percent to sell a Class A mutual fund from a commissed-based brokerage.
- **No-load funds** – index funds that do not carry a Class A or Class C fee
- **Trade commission** – a price for buying or selling stocks and bonds. Many brokerages are moving to $0 commission.

Fiduciary - a person or organization that acts on behalf of another person or persons to manage assets, executing in care, good faith, in their best interest. Ask if your financial professional is bound by a fiduciary standard.

Investment Professionals – there are many types of financial advisors and investing professionals with different certificates and designations. Do your research and refer to investor.gov for more information. Check your professional's experience at: https://brokercheck.finra.org/

- **Commission-based** -- usually a broker-dealer or insurance agent – gets paid by commission for providing advice, based on what they sell you. They may operate on a Suitablity Standard (see definition).
- **Fee-only** – is paid by you, and works for you. The fee might be by the hour or by the project, or it could be based on a percentage of your investments if the planner actually manages your funds. Many of them are held to a Fiduciary Standard (see definition).

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- **Robo-advisor** – more and more online brokers are offering this service. are digital platforms that provide automated, algorithm-driven financial planning services with little to no human supervision. More and more brokerage services are offering robo-advising.

Retirement Savings Contribution Credit. (Savers Credit) – IRS provides a tax credit for individuals who made a contribution to their retirement account (see Retirement Account) is income-eligible. Google: "IRS Form 8880" to read about eligibility.

Risk – investment risk is related to the potential gain/loss/volility of an investment decision. Asset allocation, diversification, dollar cost averaging, and a longer time frame are some examples of ways to reduce investment risks.

Rule of 72 - a quick, useful formula that is popularly used to estimate the number of years required to double the invested money at a given annual rate of return. 72/rate of return = years to double. For example, if your rate of return is 6%, it would take 12 years (72/6) for your investment to double.

Suitability Standard - The suitability standard requires that a broker make recommendations that are suitable based on a client's personal situation, but the standard does not require the advice to be in the client's best interest.

Investing Account Types

Brokerage Account – an account you open through a brokerage that allows you to invest in stocks, bonds and index funds, with no tax-advantaged account.

Education Account – alternatively called a 529 plan or the Oregon College Savings Plan. It is a tax-advantaged savings plan designed to help pay for education expenses.

Retirement Account – examples include IRA (Individual Retirement Accounts), 401(k), 403 (b), SIMPLE IRA, 457, which allow individuals to direct pre-tax income toward investments that can grow tax-deferred. Alternatively, a Roth IRA, OregonSaves and Roth 401(k) allow individuals to invest with after-tax income and withdrawal with tax-free compound interest in retirement.

Health Savings Account (HSA) – some employers offer this tax-advantaged account created for individuals who are covered under high-deductible health plans to save for medical expenses that HDHPs do not cover.

Oregon ABLE Account – allows Oregonians with a documented disability before age 26, invest and set money aside for savings goals that will not jeopardize disability benefits. Visit: oregonablesavings.com/

Oregon College Savings Plan (Oregon 529) – see "Education Account" and visit: oregoncollegesavings.com/

OregonSaves – is automatic, opt-out way for Oregonians without a workplace retirement plan to save for retirement in the form of a Roth IRA. Contributions start 5% and escalate by 1% every year until the saver is saving 10%. Find eligibility and more information at: oregonsaves.com

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Types of Investment (listed in order of level of volitility)

Certificate of Deposit – A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are issued by credit unions and banks and are insured by the FDIC.

Bond - A bond is a loan to a company or government that pays investors a fixed rate of return over a timeframe.

US Tresurary Bond - A marketable, fixed-interest U.S. government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semi-annually and the income that holders receive is only taxed at the federal level. They can be bought individually or in mutual funds. Treasury instruments that mature in 10 years or less are called “Treasury notes” (2 to 10 years) or “Treasury bills” (1 year or less).

Index Fund – a basket of stock and bonds into one security; type of mutual *fund* with a portfolio constructed to match or track the components of a financial market *index*

ETF (Exchange Traded Fund) – Similar to an index fund, an exchange-traded fund (ETF) is a basket of securities that tracks an underlying index. ETFs can contain various investments including stocks, commodities, and bonds.

Targt Date Fund (or Age Based Fund) – A fund that automatically resets its asset mix of stocks, bonds and cash equivalents in its portfolio according to a selected time frame that is appropriate for a particular investor. For example, a younger worker hoping to retire in 2050 would choose a target-date 2050 fund, while an older worker hoping to retire in 2030 would choose a target-date 2030 fund.

S&P 500 Fund – An index fund that invests in stocks matching the “Standard and Poor’s 500 index.” The S&P 500 index is a list of 500 stocks chosen for market size, liquidity, and industry grouping among other factors.

Value Investing - an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book *value*.

Growth Investing - an investment strategy that focuses on companies expected to grow at an above-average rate compared to their industry or the market.

Socially Responsible Investing (SRI) – as the name implys, SRI is an *investment* that is considered *socially responsible* due to the nature of the business the company conducts.

Stock – (also known as "shares" or "equity") is a type of security that signifies proportionate ownership in the issuing corporation.

Start-up Company/ Intial Public Offering (IPO) – a company that recently transitioned from being private to being public listed on a stock exchange, and available to invest in.

Alternative Assets – precious metals, cryptocurrencies, currencies, commodities, etc. – bound by supply and demand instead of company earnings, these assets are historically more volatile, and may be less liquid.

Sources: Adapted from Investopedia, OregonSaves, Oregon ABLE Account

DIY Investment Company Comparision

There are many good places to start to open a retirement account and start investing. Simply go to the website of your choice, click “Open an Account” and select either Roth IRA or Traditional IRA option to get started. Here are some options:

Company	Fees	Mimium to start	Total Market?	Investment Options	Other comments
DIY Investment Fund Provider & Online Brokerages					
Vanguard vanguard.com	$0/trade Expense Ratios: 0.05% +	$0 for ETFs $1000 for Index Funds	VTI VTSMX	Vanguard ETFs Vanguard Index Funds 3rd Party Funds	Vanguard is preferred for the cost conscious investor. Passively managed index funds were first developed by Vanguard founder John Bogle back in the 1970s. Advocates of his philosopy meet at: www.bogleheads.org/
Fidelity fidelity.com	$0/trade Expense Ratios: 0.00% +	$0	FZROX	Fidelity ETFs Fidelity Active Funds Fidelity Indexc Funds	Fidelity became the first brokerage house to offer $0 minimum accounts and 0.00% expense ratios in 2018. They offer a wide range of low cost index funds as well.
Charles Schwab schwab.com	$0/trade Expense Ratios: 0.04% +	$0	SWTSX	Schwab ETFs Schwab Funds Schwab Indexc Funds	Charles Schwab offers index funds with competitive inexpensive expense ratios. Some of Schwabs funds have lower minimums.
Online Brokerages					
E*Trade etrade.com	$0/trade	$0	VTI	Stocks, Bonds, ETFs, most everything	One of the first online brokerages. Best for self directed investors with some investing experience.
Robinhood robinhood.com	$0/trade	$0	VTI	Stocks, Bonds, ETFs, cryptocurrencies	Started in 2013 by two Stanford college roommates who started the first $0 commission stock brokerage. Now many have followed.
Robo-Advisors					
Betterment betterment.com	0.25% Management fee Expense Ratios: 0.09% +	$0	They do it for you.	Pre-selected diversified ETFs based on your age/risk level	Robo-Advisors manage your investments for you. This includes portfolio rebalancing, tax-loss harvesting. Betterment incorperates goal-setting.
Wealthfront wealthfront.com	0.0% Management fee Expense Ratios: 0.05% +	$500	They do it for you.	Pre-selected diversified ETFs based on your age/risk level	Robo-Advisors manage your investments for you. This includes portfolio rebalancing, tax-loss harvesting. First $5000 is managed for free.
Round up / Microsaving Services					
Acorns acorns.com	Free if under age 24 $1 fee/month	$0	They do it for you.	Pre-selected diversified portfolio	Link debit and credit cards to “round-up” purchases, capturing your savings to your investments.
Stash stashinvest.com	$1 fee/month or .25% for $5000+	$5	You choose.	Choose among diversified portfolio options.	Stash Invest is an automated investment app that gives you the choice among different thematic allocations like “Clean & Green.”
State Retirement Savings Plan for Oregonians					
OregonSaves oregonsaves.com	1% fee/year	$0	Three choices.	Automates to age-based diversified fund	You’ll automatically be enrolled in OregonSaves if you’re employeer does not offer a retirement account. The default contribution starts at 5%.

Information is based on 1/9/2020. As with any service, do your own research before selecting an investment company.

DIFFERENCES BETWEEN ROTH IRA AND TRADITIONAL IRA

Roth IRA vs. Traditional IRA

As U.S. taxpayers contemplate funding IRAs, they may wonder which type of IRA - Roth or Traditional - is the better choice. If you are one of these individuals, here is an outline of some of the differences between these two retirement accounts, their eligibility requirements and other factors to consider when choosing the account that's right for you.

	Roth IRA	Traditional IRA
Contribution Limit	The year's regular contribution limit plus a catch-up contribution for those at least 50 years old by year end.	The year's regular contribution limit plus a catch-up contribution for those at least 50 years old by year end.
Deductibility	Contributions are never deductible.	Contributions may be deductible, depending on tax-filing and active-participant statuses, as well as income amount.
Age Limitation	No age limitations on contributions.	No contributions allowed after and for the year the taxpayer attains age 70.5.
Tax Credit	Available for saver's tax credit.	Available for saver's tax credit.
Income Caps for Contributions	Income caps may prevent taxpayers from contributing.	No income caps will prevent taxpayers from contributing
Treatment of Earnings on IRA Investments	Earnings grow tax deferred. Qualified distributions are tax free, including distribution of earnings.	Earnings grow on a tax-deferred basis. Earnings are added to taxable income for the year distributed.
Distributions Rules	Distributions may be taken at any time. Distributions are tax and penalty free if qualified.	Distributions may be taken at any time. Distributions will be treated as ordinary income and may be subjected to an early-distribution penalty if withdrawn while the owner is under the age of 59.5.
Required Minimum Distribution	Owners are not subject to the RMD rules. However, beneficiaries are subject to the RMD rules.	IRA owners must begin distributing minimum amounts beginning April 1 of the year following the year they turn age 70.5. Beneficiaries are also subject to the RMD rules.

Be sure to consult with your tax professional, as there are usually other factors that could determine which options are most suitable to meet your financial needs.

Source: http://www.investopedia.com/articles/retirement/03/012203.asp#ixzz3r6ZNM5Ot

Six Rules to Disciplined Investing

October 6, 2015 By Rick Ferri

Investment discipline isn't easy. Despite best intentions and claims to the contrary, many investors chase performance, react emotionally to market moods, and generally incur far more trading costs than good discipline would suggest. Even when there is a long-term plan in place, if it's not followed, the plan is useless. Over the years, I've seen good intentions go by the wayside time and again because discipline was not followed.

These observations aren't limited to individual investors. I've seen similar conduct from investment advisers who claim to have a disciplined strategy, only to add that they'll "adapt to changing market conditions" when warranted. This loophole leaves an ample opening for ever-shifting adjustments based on what seems to be the right move at the time. It's particularly common in bear markets when clients become anxious and hint that they may be looking to take their business elsewhere. Loopholes in discipline statements may allow an adviser to retain skittish clients, but lack of discipline is rarely in a client's best long-term interest.

I've put together six rules to disciplined investing. They will help you (and perhaps your adviser) make better long-term decisions:

1. Have a long-term investment philosophy.
2. Form a prudent asset allocation based on this philosophy.
3. Select low-cost funds to represent asset classes in the allocation.
4. Maintain this portfolio through all market conditions.
5. Don't change the asset allocation due to recent market activity.
6. Don't hold back on new investments while waiting for market clarity.

Have a long-term investment philosophy: There are two investment philosophies in the world. You either believe you have a high probability of beating the markets or you don't. I decided a long time ago that the markets are more efficient at pricing securities than I could ever hope to be. I do not have enough skill to consistently add value to a portfolio by picking mispriced stocks, bonds, industry sectors, countries, or entire markets. So I don't try. Market returns are all I need to achieve my long-term financial goal.

Form a prudent asset allocation based on this philosophy: Asset allocation is how a portfolio is diversified among asset classes. A prudent asset allocation should be based on each person's own long-term financial goals. This gives you a personalized beacon to follow through turbulent market conditions. The allocation should be in fixed percentages that you plan to stick with over time, rather than floating or tactical reactions to the ongoing turbulence.

Select low-cost funds to represent asset classes in the allocation: Implement the asset allocation using an appropriate mix of index funds and exchange-traded funds (ETFs). These products provide broad diversification within an asset class for a very low cost. Building a select portfolio of index funds and ETFs that tracks the markets will help you receive your fair share of the markets' returns.

Maintain this portfolio through all market conditions: Markets do not remain at their current levels for long, yet a portfolio should be maintained at roughly the same asset allocation through all market conditions. Rebalancing helps control the portfolio allocation. An annual rebalancing can serve as the method to maintain a portfolio. Cash contributions and withdrawals also provide an occasion to rebalance.

Don't change the asset allocation due to recent market activity: Since a portfolio is based on long-term needs, it should be maintained for the long-term. If you're not willing to hold an asset class or fund for the next 10 years, then you shouldn't own it now. It doesn't matter what's going on in the markets today; build and hold your portfolio for the long haul, giving it the greatest chance to fulfill its intended purpose.

Don't hold back on new investments while waiting for market clarity: It's not easy to invest new money in a portfolio that has recently lost money, but that's what you have to do. If your plan is to invest every month, then invest every month regardless of recent market activity. Discipline in investing is about forming good habits and then doing them consistently.

Some critics of these methods say these rules are too rigid – they don't offer flexibly for what's happening in the markets today. Well, THAT'S what discipline means! It's discipline that makes a plan work. Create a plan and stick to it.

Part of your plan may be to make an asset allocation change at the appropriate time in the future when your own life's circumstances have changed. These circumstances can be related to your health, career, retirement, a lump-sum windfall or a similar life-changing event. The shift may result in a different allocation, but it remains just as important to maintain discipline.

Investment discipline is easy to read about. It's the same as a doctor telling you to exercise regularly, eat right and get plenty of rest. It sounds so easy when someone else says it! Yet, in real life, it's not so easy to do. That's why we have to be reminded to be disciplined. My advice is to re-visit this post whenever you may doubt your discipline.

Remember, a well-balanced portfolio works if you actually do it – in good times and in bad. For more information on this topic, please read All About Asset Allocation, 2nd edition, McGraw-Hill, 2010.

Source: http://www.rickferri.com/blog/investments/six-rules-to-disciplined-investing/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+RickFerri+%28Rick+Ferri+Blog%29

Investor Checklist
Some Key Questions for Hiring a Financial Professional

Expectations of the Relationship

- ✓ How often should I expect to hear from you?
- ✓ How often will you review my account or make recommendations to me?
- ✓ If my investments aren't doing well, will you call me and recommend something else?
- ✓ If I invest with you, how can I keep track of how well my investments are doing?

Experience and Background

- ✓ What experience do you have, especially with people like me? What percentage of your time would you estimate that you spend on people with situations and goals that are similar to mine?
- ✓ What education have you had that relates to your work?
- ✓ What professional licenses do you hold?
- ✓ Are you registered with the SEC, a state securities regulator, or FINRA?
- ✓ How long have you done this type of work?
- ✓ Have you ever been disciplined by a regulator? If yes, what was the problem and how was it resolved?
- ✓ Have you had customer complaints? If yes, how many, what were they about, and how were they resolved?

Products

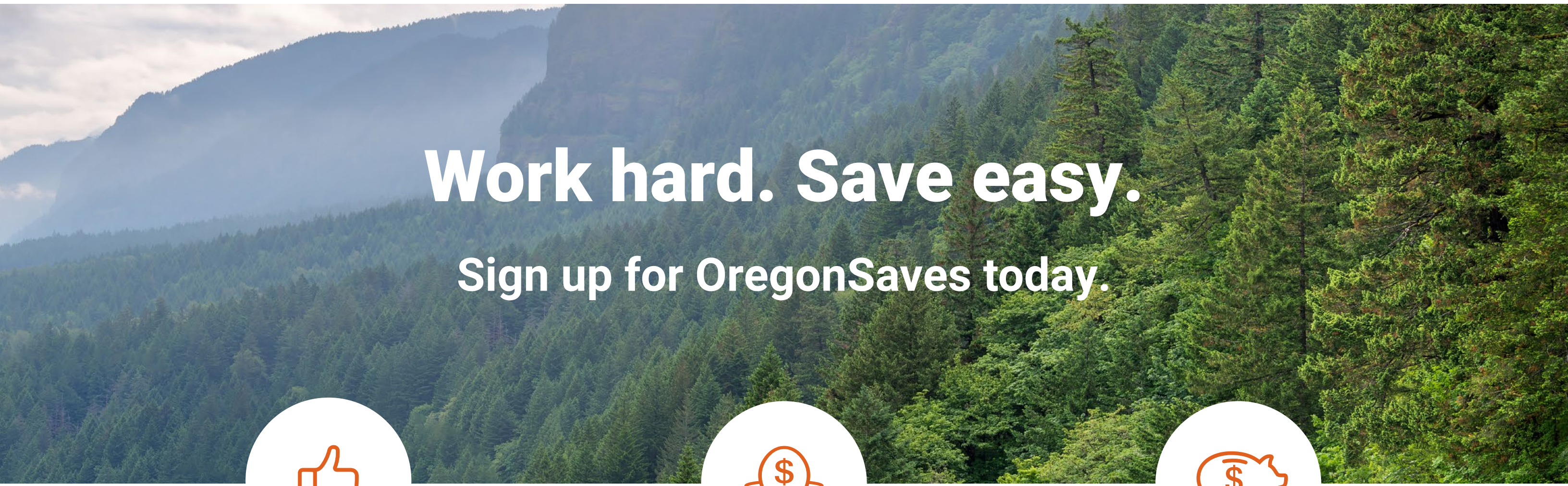
- ✓ What type of products do you offer?
- ✓ How many different products do you offer?
- ✓ Do you offer "house" products? If so, what types of products are they, and do you receive any incentives for selling these products, or for maintaining them in a customer's account? What kind of incentives are they?

Payments and Fees

- ✓ Given my situation and what I'm looking for, what is the [best / most cost effective] way for me to pay for financial services? Why?
- ✓ What are the fees that I will pay for products and services?
- ✓ How and when will I see the fees I pay?
- ✓ Which of those fees will I pay directly (such as a commission on a stock trade) and which are taken directly from the products I own (such as some mutual fund expenses)
- ✓ How do you get paid?
- ✓ If I invested $1000 with you today, approximately how much would you get paid during the following year, based on my investment?
- ✓ Does someone else (such as a fund company) pay you for offering or selling these products or services?

oregonsaves™

OregonSaves is a simple, convenient way for Oregonians to save for retirement.



Work hard. Save easy.

Sign up for OregonSaves today.

OregonSaves is **open to all**, whether you are self-employed or work for someone else. If OregonSaves isn't available through your job, **sign yourself up today**.

You can **save easily and automatically** through your bank account, by check, or through payroll deductions (if available through your employer).

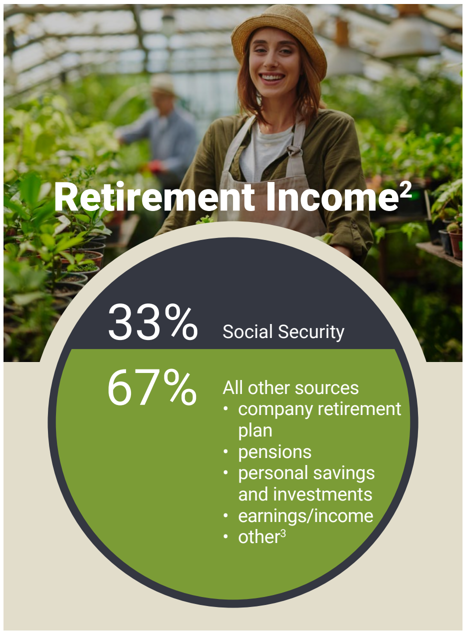
Your savings go into **your own personal Roth IRA** (individual retirement arrangement) that stays with you throughout your career. It's time your money went to work for you.

It's time to be prepared for retirement.

Based on saving $250/ month starting at age 24, you could possibly have over half a million dollars saved at age 65. [1]

For many of us, Social Security payments won't be enough when it comes time to retire.

Saving even a little now can potentially make a difference later. Saving money for the future can also save you money now—the IRS offers a tax credit called the **Saver's Credit**[2] to qualifying savers.



You control your account.

- You can choose to **save as little as $5 per month.**
- You can select from a menu of investment options.
- You can withdraw your contributions without penalty.
- You can contribute in different ways throughout your career into a single account.

For more information saver.oregonsaves.com (844)661-6777 Mon - Fri 8 a.m. – 8 p.m. PT

OregonSaves is open to all:

Most workers are eligible for OregonSaves. You can sign up today if:

- You are 18 or older
- You have earned income
- You are eligible for an IRA

Standard savings choices:

Set up automatic contributions through your bank account. The minimum is just $5 per month, or you can open an account with a minimum initial deposit. You can also contribute through check or payroll deductions, if available through your job.

Invest in **an OregonSaves Target Retirement Fund based on your age** or choose different funds from a simple menu of investment options.

Your account will be a Roth IRA. Contributions into a Roth IRA are made after-tax and not taxable when you remove them from your account. Any earnings on those contributions could be tax free if you meet certain IRS criteria. You can also choose a traditional IRA instead.

The only administrative charge for OregonSaves is in the form of an annual asset-based fee of approximately 1%, which means **you will pay approximately $1 per year for every $100 in your account**. You will not get a bill. This cost is automatically taken out of your OregonSaves balance on a regular basis to help pay for the administration of the program.

Learn more from OregonSaves at saver.oregonsaves.com:

The benefits of saving for retirement	**Roth IRA eligibility and contribution guidelines**
Financial wellness resources	**Your eligibility for the Saver's Credit offered by the IRS**

1. This hypothetical example is for illustrative purposes only –your individual results will vary. The example assumes an annual investment return of 6%.
2. The Savers Credits gives a special tax break to low-and moderate-income taxpayers who are saving for retirement. Please consult with your financial or tax advisor to determine whether you can take advantage of the Saver's Credit.
3. Social Security Administration, Fast Facts & Figures about Social Security, http://bit.ly/SSA-fast-facts, 2017.

OregonSaves is overseen by the Oregon Retirement Savings Board. Ascensus College Savings Recordkeeping Services, LLC ("ACSR") is the program administrator. ACSR and its affiliates are responsible for day-to-day program operations. Participants saving through OregonSaves beneficially own and have control over their Roth IRAs, as provided in the program offering set out at saver.oregonsaves.com.

OregonSaves' Portfolios offer investment options selected by the Oregon Retirement Savings Board. For more information on OregonSaves' Portfolios go to saver.oregonsaves.com. Account balances in OregonSaves will vary with market conditions and are not guaranteed or insured by the Oregon Retirement Savings Board, the State of Oregon, the Federal Deposit Insurance Corporation (FDIC) or any other organization.

OregonSaves is overseen by the Oregon Retirement Savings Board. Ascensus College Savings Recordkeeping Services, LLC ("ACSR") is the program administrator. ACSR and its affiliates are responsible for day-to-day program operations. Participants saving through OregonSaves beneficially own and have control over their Roth IRAs, as provided in the program offering set out at saver.oregonsaves.com. OregonSaves' Portfolios offer investment options selected by the Oregon Retirement Savings Board. For more information on OregonSaves' Portfolios go to saver.oregonsaves.com. Account balances in OregonSaves will vary with market conditions and are not guaranteed or insured by the Oregon Retirement Savings Board, the State of Oregon, the Federal Deposit Insurance Corporation (FDIC) or any other organization.

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