

# The Power of Investing

The more you know about investing, the more confident you'll be about making decisions.

None of the factors that defines you—age, gender, marital status, your education—limits what you can learn or the uses to which you can put your investment knowledge.

The difference between people who make the most of investment opportuni-

ties and those who don't isn't necessarily the amount they invest. Most of the time, it's how carefully they plan, how soon they start investing and how consistently they stick with it.



# Knowledge =



## PUTTING KNOWLEDGE TO WORK

Learning investing, like learning anything else, works best when you put your knowledge to work right from the start. It might help to compare learning about investing to learning how to handle a job or play a sport. You certainly weren't born with those skills, and chances are you had some help on your way to mastering them. But you did it. The same is true of learning about investing.

The knowledge you need to be an effective investor will come from a combination of the money-management skills you already have, the information you can get in this book and other sources and the help of a financial advisor. Whether you're just starting an investing program or are ready to expand your horizons there are four basic things you need to know:

- WHICH** investments are available
- HOW** they work
- WHY** specific ones will help you meet your goals
- WHEN** to sell

## HERE'S ONE APPROACH YOU MIGHT TRY:

- 1** When you've finished reading this book, identify one type of investment you want to make—perhaps a mutual fund or stock.
- 2** Narrow your choice to a specific investment by talking to your financial advisor.
- 3** Invest in your choice promptly, and add to it regularly.
- 4** Track how well your investment performs by reading the information you get in the mail, checking its price in the newspapers and asking your advisor for regular updates.
- 5** After a year, evaluate how well your investment has performed in comparison with similar investments, with how well you expected it to do and with what you had been earning on your money before you invested.
- 6** If the investment is meeting your objectives, keep building it systematically. If not, consider an alternative investment.

## DIFFERENT PATHS

The best way to learn about investing depends a lot on your personality, your life style and your financial goals. That's true whether you pursue the information on your own or with the help of a financial advisor.

If you prefer to develop your investment skills independently, you might take an adult education course at a local

school, ask your bank or legal advisor about investment seminars designed for women, or begin reading personal finance columns in the magazines and newspapers you subscribe to.

Whatever your initial approach, you'll probably find it makes sense to work with a professional advisor in developing your investment plan, a subject that's discussed in detail in chapter four.

## THE MORE YOU KNOW...

Research conducted by OppenheimerFunds and other groups has found that in the past women have tended to invest too conservatively and therefore less profitably than men. But women who are more confident about their investment knowledge regularly commit more of their income to investing and make more growth-oriented investment choices.

Some of that increased confidence is the product of greater commitment in the financial community to meeting women's needs. Some of it results from the growing experience of women in the workforce, and some from a widespread sense that in the future government help for people who are retiring will be scaled back.

Whatever the reasons, the resulting financial security women can create for themselves should make a major difference in their lives. At the very least, it can reduce the fear many women have of ending up as a burden to their children if they can't afford to live independently when they are older.

Investing can—and often does—mean the difference between realizing your goals and having to settle for less.

Investing rewards the people who make choices best suited to meeting their personal goals.

Successful investing is within everyone's grasp.



## SHOULD YOU KNOW WHERE THE MARKET IS TODAY?

If you can't quote the Dow Jones Industrial Average, the best-known stock market index, or aren't sure whether it's up or down, should you abandon any thought of investing? Of course not—any more than you'd abandon a trip you've planned to a special destination because you haven't tracked the average temperature there.

The DJIA and other stock market indexes do help you follow what other investors are doing. But despite the attention the Dow gets, following its gyrations isn't what makes a successful investor. Knowing where your money is, why it's there, and how it's doing are far more important.

# Basics of Investing

If you concentrate on the principles, you'll have the elements of an investment strategy.

You can begin to invest with confidence and grow more comfortable with investing by following two basic principles:

- You manage **risk**, or the chance of getting poor returns, by diversifying, or making a variety of investments
- You measure investment reward by **return**, or the money you get back for what you put in

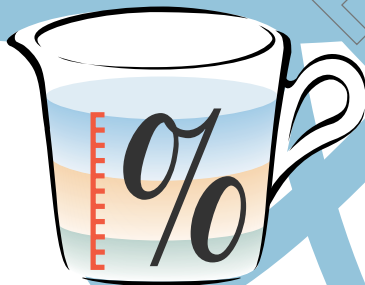
## DIVERSIFICATION

is making several different types of investments rather than just one or two



## ALLOCATION

is deciding what percentage of your portfolio goes into stocks, bonds and cash—or mutual funds that invest in them



## PLANNING AND MONITORING

An important part of financial planning is anticipating how well investments will perform. That means weighing the risks you're taking against the rewards you can potentially receive. In addition, you need to monitor return and yield so you can judge how well you're actually doing.

Another key to successful investing is having a broad perspective. This means

looking at a range of investments in relation to one another rather than zeroing in on one or two. You also have to set your sights on long-term rewards, ignoring the inevitable short-term swings in the market place.

**VOLATILITY**  
is how much and how quickly the value of an investment changes



## RISK

is the chance you take of getting a poor return or losing money



## RETURN

is what you get back, based on what you invest, usually measured on an annual basis

Total Return					
1 Yr	3 Yr-R	5 Yr-R			
+14.5	E	+14.3	C	+15.8	B
+13.1	E	+9.8	E	+13.0	D
+14.5	B	NS	..	NS	..
+13.5	D	+10.6	C	+11.8	C

## YIELD

is the income you receive as a percent of what your investment cost you

ONE YEAR CD	ANNUAL PERCENTAGE YIELD	6.25%
	INTEREST RATE	6.00%

## A DISTINCTIVE DIFFERENCE

Saving and investing both have a place in your financial plan, but they're not the same:

**Saving** is holding money, usually in bank accounts or money-market funds, for a specific *short-term* purpose.

**Investing** is buying things of value—particularly mutual funds, stocks and bonds—that provide income or increase in worth over the *long term*.

Though your savings earn interest, they may actually shrink in value over time. That's because the interest you earn is rarely more

stocks and stock mutual funds providing both growth and income in addition to those emphasizing growth alone. By reinvesting your dividends and other gains, it's possible to build your investment base more quickly and still benefit from long-term growth. Or, if you've retired and want to begin collecting income from your portfolio, you may want to shift some of your assets to income-producing investments like bonds.

Any strategy, however, requires attention to basic details: understanding risk, volatility, diversification, asset allocation and how to measure and evaluate yield and return.

## KEEPING ON TRACK

Picking the right investments is only the first step in achieving your financial goals. You also have to monitor their performance regularly, asking whether these investments are still right for your portfolio as your goals shift and your life style changes. And—this is where many investors falter—you have to be ready to make adjustments, sometimes

even major changes, when you redefine your goals, or when the investments you've made aren't performing as well as you expected.

It can be hard to move in new directions. If you feel comfortable relying on the investments you already know—perhaps CDs, money-market accounts, or stock in the company you work for—there's always the temptation to stick with them. And while they may have their place in your investment plan, tying up your money in one or two places exposes you to greater investment risk.

than the rate of inflation. For example, if you put \$10,000 in a savings account earning 4% interest, you'd accumulate \$20,300 after 18 years. If inflation averaged 4% per year, your savings would actually be worth \$10,150. After taxes, you'd have less buying power than when you started.

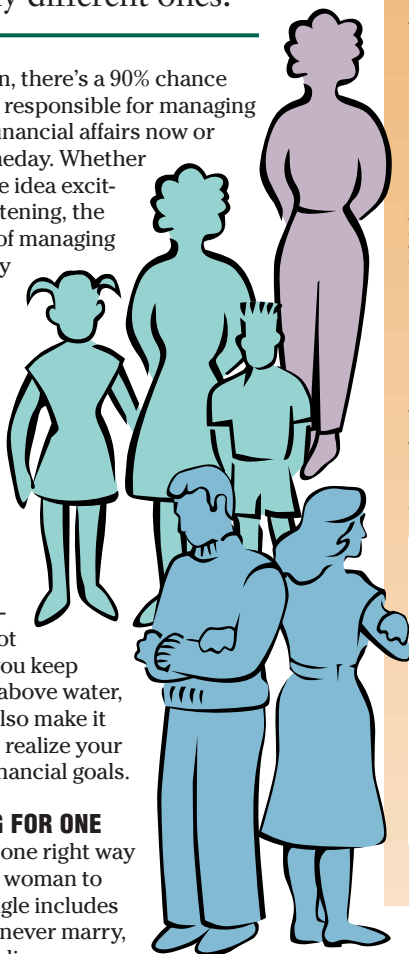
But if you'd invested the money, earning 8% for 18 years, you'd have \$40,000. After accounting for inflation at 4% per year, you still have \$20,000, or twice what you started with.

# Investing on Your Own

Being single isn't one category—it's many different ones.

As a woman, there's a 90% chance that you're responsible for managing your own financial affairs now or will be someday. Whether you find the idea exciting or frightening, the likelihood of managing your money means you'll need to know as much as you can, not only about your day-to-day expenses but about investing. This knowledge will not only help you keep your head above water, but it will also make it possible to realize your personal financial goals.

**INVESTING FOR ONE**  
There's no one right way for a single woman to invest. (Single includes those who never marry, those who divorce and those who are widowed. It also includes those who are heads of households, who live with partners, or who live alone.) Your age will make a difference as well, since the period of time you have to invest for specific goals will affect the



## SINGLE

If you are single and have no dependents, you may not be responsible for other people's welfare. If you don't have to worry about providing health care for your parents, paying for a college education, or making sure your spouse has enough to live on after you die, you can invest for the things you value for yourself.



At the same time, you are the only one responsible for your financial security. Most women who collect Social Security based on their own earnings collect less than men and less than widows. That makes it doubly important to invest through employer-sponsored retirement plans or set up your own tax-deferred account if you're self-employed.

### WHAT THE NUMBERS SHOW BY AGE GROUP

	20s	30s	40-54	55-65	65-74	75-84	85 and over
<b>NEVER MARRIED</b>	35.3%	12.8%	5.9%	4.1%	3.8%	4.0%	8.0%
<b>MARRIED</b>	52.8%	66.7%	68.3%	66.1%	52.4%	30.3%	13.3%
<b>DIVORCED</b>	6.8%	14.1%	16.6%	12.6%	7.7%	4.1%	2.9%
<b>WIDOWED</b>	.03%	1.20%	4.7%	13.9%	34.2%	59.9%	73.7%

Source: U.S. Bureau of the Census, 1994

investment strategies you use. For example, a woman in her 20s and a woman in her 60s might both be investing for retirement. The former is likely to look for investments that will grow in value, while the latter may be shifting to investments that produce income.

### FINDING HELP

If you find that investment information that's generally available seems designed for a traditional couple, don't despair. You can get investment information that's tailored for you.

- Look for a financial advisor who has experience working with single women
- Find an investment discussion group or seminar that's designed for singles. Check with your local library, civic center, religious or educational institution
- Get information from your professional or union affiliation
- Find out about an existing investment club you can join, or discuss forming one with your friends and colleagues (see page 16)
- Contact local or national women's groups for information and referrals. The Older Women's League is just one example. You can call them at 202-783-6686, or write to 666 11th Street, NW, Suite 700, Washington, D.C. 20001

## FAMILY HEAD

If you're a single woman with children, you are responsible for their well-being as well as your own. In fact, you may have put your own long-term goals on hold to meet your children's needs.



No one can fault you for that. But you should also be looking for ways to invest for your future, even while your current investments are helping to pay for your children's education. You're likely to live a lot longer after they're on their own.

One good way to build your nest egg while meeting other expenses is by putting money into a retirement plan sponsored by your employer (see pages 130-131). These plans have the added benefit of reducing your current taxes and providing a source for loans should you need some cash in the short term.

## NEWLY SINGLE

If you suddenly find yourself single and responsible for your own finances after many years of marriage, your primary concern may well be making the money you have last as long as you'll need it. And if you've never been involved in investment decisions, the responsibility may seem overwhelming.



But it doesn't have to be, because you can get the help you need to make wise decisions. Attorneys who specialize in Elder Law, for example, do much of their work for women. If you don't have a financial advisor, or are uncomfortable working with the one your husband used, ask your lawyer about finding someone to work with. Or, you can ask for advice and professional referrals from your children or from other relatives or friends who have had similar experiences.

Table does not include married women living apart from their husbands.

## EMERGENCY FUNDS

Financial emergencies happen in everybody's life, whether you're single or married. The real issues aren't whether, or even when, they will happen, but how they can be resolved.

One safety net that most financial experts recommend is an **emergency fund**, money set aside in an account you can tap easily—like your bank or mutual fund money market account (though not your checking account), or in short-term investments like Certificates of Deposit (CDs) or U.S. Treasury bills.

You'll find that different financial experts suggest different reserve amounts, with the most typical being the equivalent of three to six months salary. Experts differ dramatically, though, on how much a *single* woman should keep in reserve.

Some advisors, who recognize the consequences of keeping too much

money in low-paying accounts, urge women to invest most of their emergency money in a balanced portfolio of stocks, bonds and mutual funds. The argument is that you can always sell the investments if you must have the cash. It is possible that you might lose some money if you need to sell on short notice, but the odds that you'll come out ahead are statistically in your favor.

Other advisors, who are concerned that women on their own may have more difficulty getting assistance from their families or a harder time finding a new job, think that women should keep more money in emergency funds than the amount they recommend for men.

While you'll have to make the final decision about the size of your reserve fund, you should resist the temptation to confuse being cautious with dragging your heels about putting your money to work.