Principles of Saving and Investing

Principles of Saving and Investing [9]

This session will focus on providing you with both information about this topic as well as new ideas and activities for making this topic engaging.

Specifically, as a result of this session, you will be able to:
- Define and differentiate savings and investing.
- Identify the places people save or invest.
- List and describe the foundations for investing.
- Explain the eleven principles of saving and investing.
- Explain where principal is safe and the system of insurance at some depository institutions.
- Explain the relationship between risk and return.
- Identify the risk/return tradeoff of different savings and investment vehicles.
- Explain systemic versus non systemic risk.
- Define different types of risk including market risk, interest rate risk, inflation risk, liquidity risk, credit risk and management/firm risk.
- Describe asset allocation.
- Explain how a mutual fund works.
- Use the rule of 72 to calculate how fast money doubles given a rate of investment.

Are the "principles of saving and investing" an important topic to address in financial education for AFI Participants? YES   NO

What are some reasons for or against including this topic your financial education program?

[9] Materials are based on the Principles of Saving and Investing for the Pioneer Library System and Citizen Potawatomi Nation developed by Inger Giuffrida.

Saving and Investing

What is the difference between saving and investing?

Saving	Investing

Where do people save? Where do people invest?

Saving	Investing

How do people find money to save?

Foundations for Saving and Investing

1. What are you investing for and how much do you need? This is your goal.

2. When do you need that money? This is the time frame.

3. How much risk can you take? This is your risk tolerance.

The answers to these questions help determine where to save or invest your money.

Remember that before putting money into a saving or investing instrument, you must save money—set it aside or not spend it. Setting aside money through the act of savings comes before putting it in a savings account, an IDA or a mutual fund.

Individual Exercise -- Risk Tolerance Self Assessment[10]
Complete the following risk tolerance self assessment. Do no spend too much time thinking about your responses. Quickly select the best answer for you.

1. You have saved for a big vacation. Two weeks before you are scheduled to go, you lose your job. You...

A. Cancel your vacation.
B. Make plans for stay-cation.
C. Make plans for a modest vacation at the beach instead.
D. Go as scheduled reasoning that job hunting will go better after a good vacation.
E. Extend your vacation and plan a real blow-out—this might be your last opportunity for a while.

2. Which statement best represents your outlook?

A. I always expect for and plan for the worst.
B. No matter what I plan or decide, I worry.
C. I am open to new ideas, but I am cautious when making plans or decisions.
D. I like to view the pros and cons; then I make a decision and live with it.
E. Things always work out in the end.

3. If the value of your investments dropped 20% in a year, you would:

A. Fire your investment advisor.
B. Move money to more conservative investments immediately.

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[10] Resources: Risk Tolerance Quiz from www.moneycentral.msn.com; Century Financial Risk Tolerance Quiz; Research Capital Risk Tolerance Questionnaire

C. Monitor the situation; if it looks like things could get worse, move some of my money to more conservative investments.
D. Consult with an investment advisor and review where my money is invested, my goals, and my time horizon. Make adjustments and ride it out.
E. Consider investing more because prices are so low.

4. Which risk do you fear the most?

A. Loss of any principal—the amount I invest.
B. Inflation that is more than what I am earning on my money.
C. Overall investment performance that does not meet my goals.
D. Overall investment performance that is less than industry benchmarks.
E. A missed investment opportunity that could have resulted in higher returns even though it meant more risk.

5. You invest $1,000 in a stock. The next day, it drops 10%. You…

A. Sell and go back to certificates of deposit (CDs).
B. Wait for the stock to regain the $1000 it loss and sell it.
C. Sit tight because you did the research.
D. Buy more while the stock is down.

6. After making a decision regarding money, you feel:

A. Regretful.
B. Confused.
C. Satisfied.
D. Thrilled.

7. Which investment would you choose if you had a windfall of $5,000 to invest?

A. Investment A would be worth between $5,025 and $5,150 at the end of 1 year.
B. Investment B would be worth between $4,850 and $5,300 at the end of 1 year.
C. Investment C would be worth between $4,500 and $5,500 at the end of 1 year.
D. Investment D would be worth between $4,000 and $6,250 at the end of 1 year.

8. When faced with a major decision, you …

A. Agonize.
B. Call all of your friends and get their opinions.
C. Research the options.
D. Go with your gut.

9. Your partner, spouse or best friend says you are ____________ when it comes to risk or making decisions?

A. A total avoider
B. Cautious
C. A researcher
D. Foolhardy

10. How long do you have to invest (before you need the money or most of it)?

A. Less that one year.
B. Between one and three years.
C. Between three and five years.
D. Between five and ten years.
E. Ten years and more

A's	B's	C's	D's	E's	
					Total for letter
1	2	3	4	5	

The Principles of Investing

Principle 1: What you invest is not what you earn.

- What you invest is called . . .
  - **Principal**
- What you earn is called . . .
  - **Returns**
- And the most common kinds of earning are:
  - **Interest**—amount agreed to be paid for use of money
  - **Dividends**—portion of company profits given back to shareholders; can be cash or more shares
  - **Increased share value**—market of value of share is greater than you paid; increases portfolio value but only creates income if you sell

Principle 2: Don't invest what you cannot afford to lose.

Where principal is safe:

Savings, Checking, Certificates of Deposit and Money Market Deposit Accounts < $250,000 per account per ownership category (has been $100,000).

Insured by FDIC—Federal Deposit Insurance Corporation (banks) or NCUA (National Credit Union Administration) through NCUSIF—National Credit Union Share Insurance Fund (credit unions)

Where principal is not safe:

Stock, bonds, mutual funds, exchange traded funds, and other securities

If you work through a brokerage and it *fails* AND is insured by SIPC (Securities Investor Protection Corporation) you may be able to recover some of your losses (generally, maximum is $500,000 with $100,000 for cash claims)

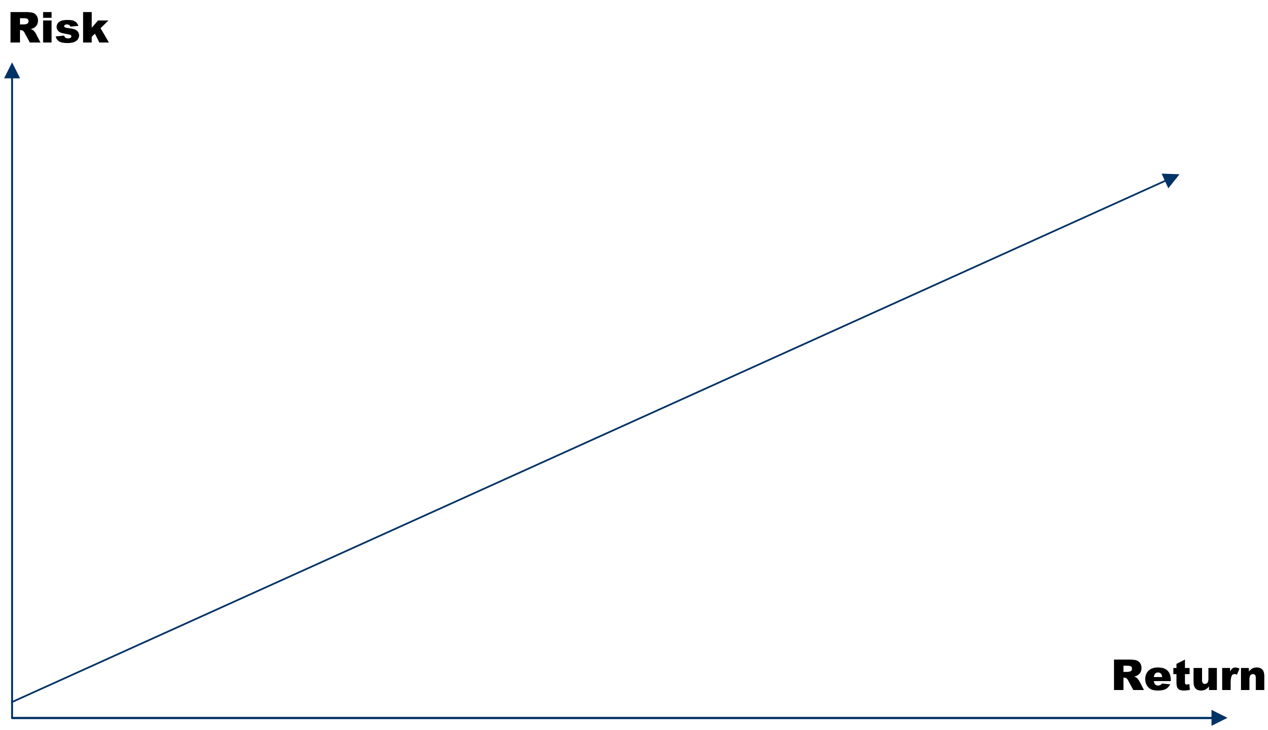
Principle 3: High return usually means high risk.

Small Group Work – Plot the Savings and Investing Instruments

Working with your group, plot the savings and investing vehicles along the risk/return tradeoff line. risk/return trade of line.

- ❑ Certificate of Deposit
- ❑ Money Market Deposit Accounts

- ❑ Individual Development Account
- ❑ Stocks
- ❑ Bonds
- ❑ Mutual funds
- ❑ Savings Account
- ❑ Treasury securities



Following is a list of common savings and investing vehicles with a brief description of each.

- ❑ **Certificates of Deposits:** Money invested with a financial institution for a fixed time (period) at a fixed return. The higher the amount invested and the longer the period, the higher the interest rate you will earn.

- ❑ **Money Market Deposit Account:** A Money Market Deposit Account or Money Market Account is an interest bearing savings account with limited transaction privileges (6 withdrawals with no more than three as checks), higher minimum balance requirements and higher rates of interest than a savings account. Money Market Deposit Accounts are FDIC insured as long as the institution selling the account is FDIC insured.

- ❑ **Money Market Mutual Fund:** A Money Market Mutual Fund is a mutual fund with underlying investments comprised of short-term debt investments (debt securities that mature in less than 13 months). The Securities and Exchange Commission requires the average maturity of investments in a money market mutual fund be less than 90 days. This limits the risk of these funds. These are not FDIC insured although they are generally considered very low risk.

- **Treasury Securities**: U.S. Treasury securities are debt instruments. The U.S. Treasury issues securities to raise the money needed to operate the federal government and to pay off its debt. They are generally considered safe because the full faith and credit of the U.S. government guarantees that interest and principal payments will be paid on time. Also, most Treasury securities are liquid, which means they can easily be sold for cash. Common treasury securities are savings bonds, treasury bills, treasury notes, bonds and TIPS. (See www.treasurydirect.gov for more information on Treasury Securities.

- **Bonds:** Bonds are issued when governments (federal, state or city) or corporations need to borrow money. The money they borrow from you they agree to pay back at a certain date in the future with interest. As interest rates increase, bond prices fall and vice versa. When bonds are doing well, in general, stocks overall are not and vice versa. Some bonds carry very little risk. Some bonds are risky.

- **Stocks:** Stocks are investments that represent ownership in a company. When you invest in a stock, you are getting equity in a company.

- **Mutual Funds:** Mutual Funds are pools of money managed by professionals. The managers invest the money in stocks or bonds; the investor buys shares in the mutual fund. Mutual funds are actively managed by fund companies and as such the companies charge fees for the services they provide. Mutual funds are traded once at the end of the trading day based on net asset value.

- **Exchange Traded Funds (ETFs):** ETFs are funds that track an index. They are not actively managed like mutual funds and therefore have lower operating and transaction costs compared with mutual funds. They can also be traded like stocks. The first ETF was created in 1993 by Standard & Poor's called Standard and Poor's Deposit Receipt, which was abbreviated SPDR and referred to as "Spider".

Principle 4: There are many kinds of risk—under the types of risk and ways to lessen the exposure to this risk.

There are two major kinds of risk[11]:
Systemic

Non systemic

Systemic	**Non systemic**
Market	Liquidity
Inflation	Management/firm
Interest-rate	Credit
Socio-political	

[11] Source: FINRA

Small Group Work – Figure Out the Risk Exposure

Working with your group, identify the risk that are lessened by each saving or investing vehicle and the risk(s) that an individual may be exposed to as a result of the savings or investing vehicle.

	Risk you have lessened (mitigated)	**Risk you may experience**
Savings Account		
Certificate of Deposit		
Stock		
Mutual Fund (Stock)		

Principle 5: Diversify.

What does it mean to diversify?

Common Mutual Fund Categories[12]

Fund Objective or Style	Investment Considerations
Aggressive Growth Stock	High risk-return. High price volatility and very high market valuations. No dividends.
Growth Stock	Above average risk and price volatility. Fast-paced price appreciation. Above market valuations. Low or no dividends.
Equity Income Stock	Moderate growth and modest dividends.

[12] Taken from *Mutual Fund Categories* by Richard Loth on Investopedia.

	Average market valuations.
Value Stock	Average to below average risk. Reliable, dividend-paying companies with relatively low valuations. Modest price appreciation.
Blend	A mix of growth and value stocks.
Sector or Specialty Stock	Narrow focus on an industry sector.
Stock and Bond Index	Broad market or market segments. Passive management.
International/Foreign Stock	Foreign companies and world, regional and country markets.
Ultra-Short Term Bond	Very short maturities. High credit quality.
Short, Intermediate and Long Term Bonds	Government, corporate and foreign issues. Maturities from one to 30 years. Yields vary accordingly. Duration and credit quality matter.
Municipal Bonds	Long, intermediate, and short-term maturities. Tax-exempt. Generally of high credit quality.
High-Yield Corporate Bond	High risk-return ("junk bonds").
Hybrid	A blend of stocks and bonds. Includes balanced, targeted and life-cycle type funds.
Money Market Fund	For liquidity and safety. Cash and cash equivalent securities. Low risk-return.

Mutual Fund Capitalization

Mutual funds are categorized also based on their capitalization. Capitalization is just a big word for the number of shares of a mutual fund company times the price per share.

There are five general categories related to mutual fund capitalization:

- ❑ Mega Cap: < $50 billion market capitalization
- ❑ Large Cap: $10 - $50 billion
- ❑ Mid Cap: $2 - $10 billion
- ❑ Small Cap: $300 million to $2 billion
- ❑ Micro Cap: < $300 million

Generally, the larger the capitalization, the lower the risk. But often, the returns are not has high as they are a mid or small cap fund. The underlying securities (stocks and bonds) in these funds are poised for growth. But, this growth is not guaranteed.

Common Mutual Fund Fees[13]

- **Management fees.** These fees pay the fund's portfolio manager.
- **12b-1 fees.** These fees, capped at 1 percent of your assets in the fund, are taken out of the fund's assets to pay for the cost of marketing and selling the fund, for some shareholder services, and sometimes to pay employee bonuses.
- **Other expenses.** This miscellaneous category includes the costs of providing services to shareholders outside of the expenses covered by 12b-1 fees or portfolio management fees. You also pay transaction fees for the trades the fund makes, though this amount is not reported separately as the other fees are.

The following fees are based on actions you may take, so may or may not be amounts you pay:

- **Account fees.** Funds may charge you a separate fee to maintain your account, especially if your investment falls below a set dollar amount.
- **Redemption fees.** To discourage very short-term trading, funds often charge a redemption fee to investors who sell shares shortly after buying them. Redemption fees may be charged anywhere from a few days to over a year. So it's important to understand if and how your fund assesses redemption fees before you buy, especially if you think you might need to sell your shares shortly after purchasing them.
- **Exchange fees.** Some funds also charge exchange fees for moving your money from one fund to another fund offered by the same investment company.
- **Purchase fees.** Whether or not a fund charges a front-end sales charge, it may assess a purchase fee at the time you buy shares of the fund.

Principle 6: Buy low, sell high.

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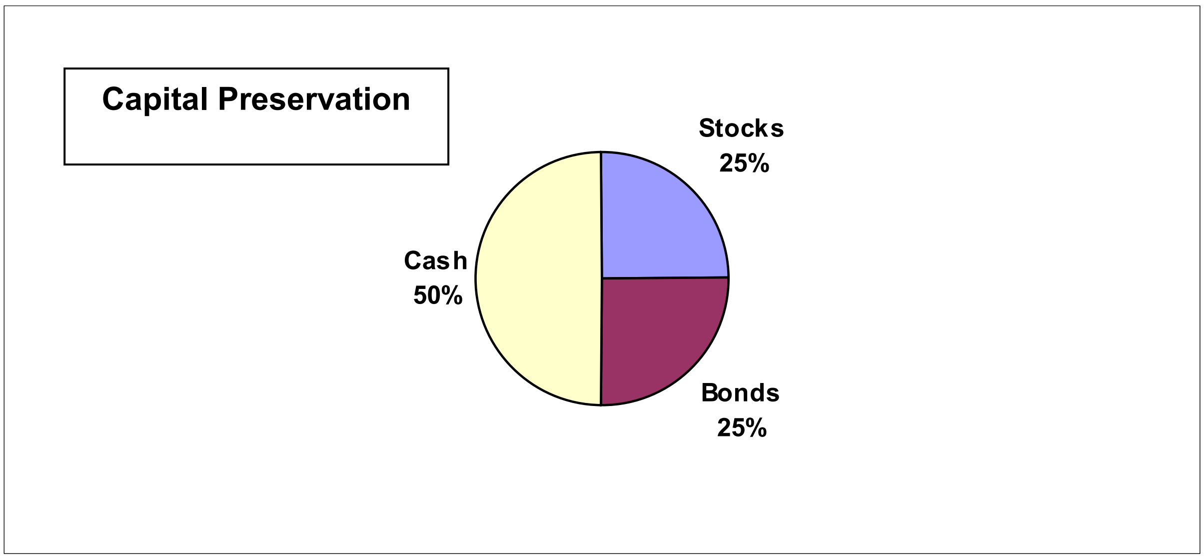
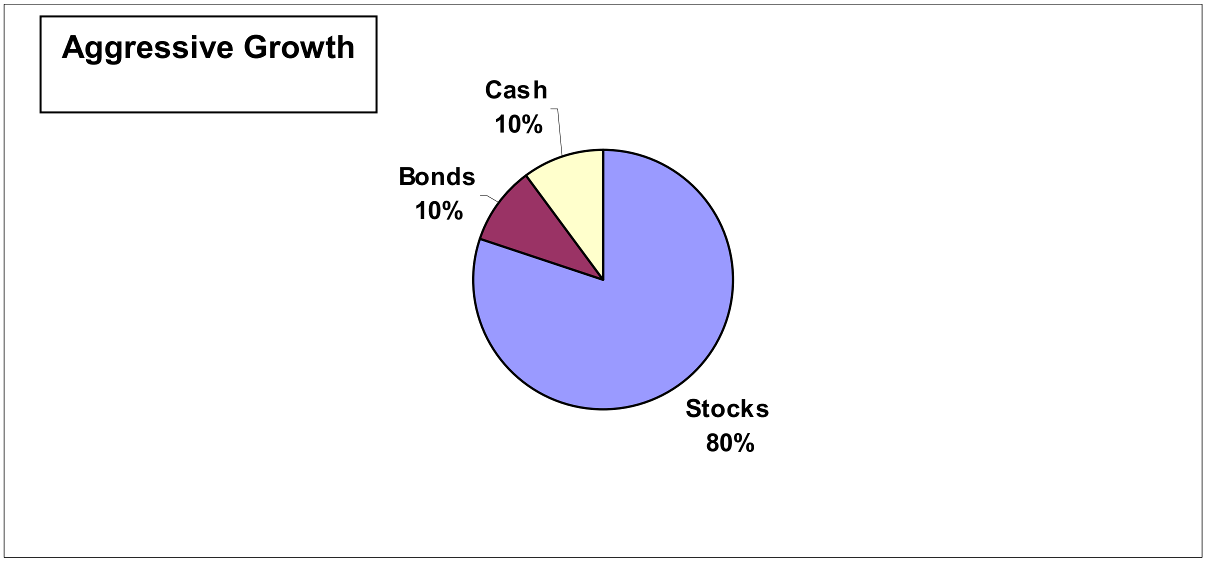
[13] Taken from *Mutual Funds* by FINRA on www.finra.org

Principle 7: Learn about asset allocation.

Asset allocation involves investing your financial resources in a variety of asset classes. Often, there are three major asset classes discussed in investing:

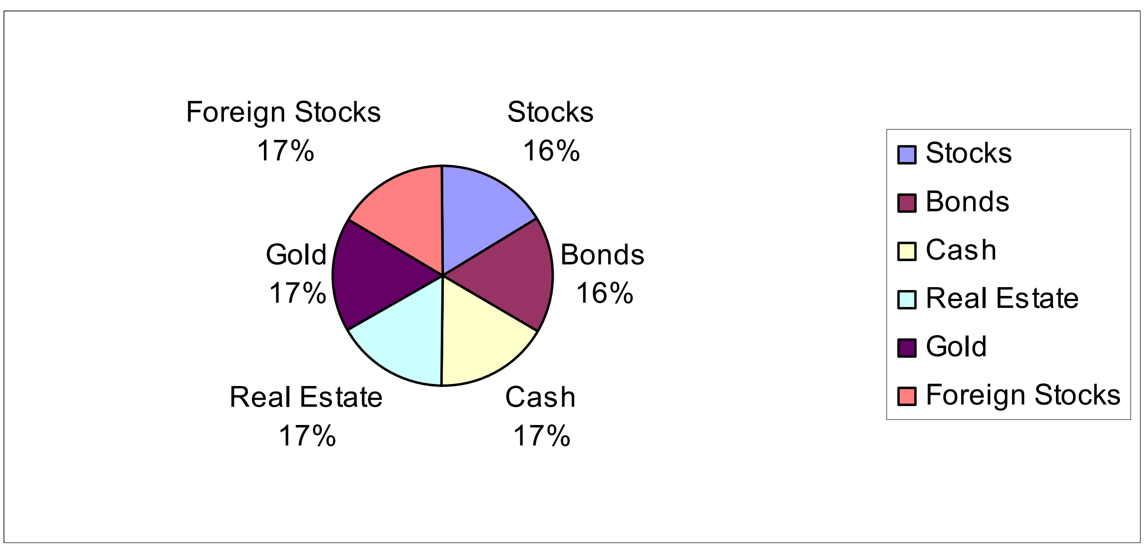
A. -**Cash**--savings deposits, certificates of deposit, treasury bills, money market deposit accounts, and money market funds
B. -**Stocks** (equities)
C. -**Bonds** (debt)





Some financial planners suggest including real estate, gold and foreign (non-domestic stocks) as asset classes, too.

The following represents **balanced asset allocation** among six rather than three asset classes.



Principle 8: Understand the time value of money.

The basic idea behind the time value of money is that money today is worth more than money in the future. Specifically $100 today is better than $100 a year from today.

What are the reasons money today is better than money in the future?

A dollar today is worth less than a dollar ten years ago because of inflation.

For example, if something cost $100 in 1970, that same item today would cost around $545. Alternatively something that costs $100 today, could have been purchased for $17.20 in 1970. [14]

Another reason money today is better than money next year is that you have a whole year to invest and earn money on those funds received today. And those earnings can be reinvested one year from now.

This leads to principle 9.

Principle 9: Make your money make money—compounding.

Interest (or earnings) reinvested earn more; returns can be reinvested to earn more returns Compounding works *for* you. (It's the opposite when carrying a balance on a credit card)

Compounding interest and time earn money in investing. When you invest money, it earns interest. If you leave the money alone, the interest or return you have earned gets added back into the principal. Then your principal plus the interest (return) you earned earns more interest. The longer you leave your money in savings or an investment account (time), the more this happens. The more the interest **compounds**. This is how money makes money.

For example, you invest $100 at 5% and the interest compounds yearly. At the end of one year, you would have $105 ($100 principal + $5 interest earned). In the second year, you would earn $5.25 in interest. It is higher in year 2 because you are earning 5% on $105 not just $100. The first table shows you how much you would have in 15 years if you just leave $100 in the account and let the compound interest work for you. The second table shows what you would earn if you invested just $100 each year at 5% for 15 years and let the compound interest work for you.

Table 1: $100 Invested One Time **Table 2: $100 Invested Each Year**

[14] Calculated using the inflation calculator at www.westegg.com

Year	Principal	Interest Earned		Year	Principal	Interest Earned
1	$100.00	$5.00		1	$100.00	$5.00
2	$105.00	$5.25		2	$205.00	$10.25
3	$110.25	$5.51		3	$315.25	$15.76
4	$115.76	$5.79		4	$431.01	$21.55
5	$121.55	$6.08		5	$552.56	$27.63
6	$127.63	$6.38		6	$680.19	$34.01
7	$134.01	$6.70		7	$814.20	$40.71
8	$140.71	$7.04		8	$954.91	$47.75
9	$147.75	$7.39		9	$1,102.66	$55.13
10	$155.13	$7.76		10	$1,257.79	$62.89
11	$162.89	$8.14		11	$1,420.68	$71.03
12	$171.03	$8.55		12	$1,591.71	$79.59
13	$179.59	$8.98		13	$1,771.30	$88.56
14	$188.56	$9.43		14	$1,959.86	$97.99
15	$197.99	$9.90		15	$2,157.86	$107.89

If interest compounds more often than one time a year, you will earn even more money. This is because the interest earned is added back to the principal more often. This table shows $100 invested at 5% with interest compounded quarterly (4 times in a year).

Table 3: 100 Invested at 5% with Interest Compounded Quarterly

Year	Principal and Interest
1	$100.00
2	105.09
3	110.44
4	$116.07
5	$121.98
6	$128.19
7	$134.72
8	$141.58
9	$148.79
10	$156.37
11	$164.34
12	$172.71
13	$181.51
14	$190.76
15	$200.48

How much more do you earn when the interest is compounded 4 times per year at the end of 15 years?

Principle 10: Money doubles by the rule of 72.

You can figure out how long it will take your money to double. Divide the number 72 by the rate of return. For example, at 10%, your money would double in 7.2 years.

You can also use this to figure out what interest rate you need to get on an investment for it to double in a certain time period. To find out the interest rate, divide 72 by the number of years in which you want your money to double. For example, if you want your money to double in 6 years, you would need to get a 12% rate of return.

Small Group Work – Using the Rule of 72

With other members of your table, complete the following exercise. How long will it take your money to double? Use the Rule of 72 to find out:

Rate of Return:	**3%**	**6%**	**9%**	**12%**
Years to double	**72/3 = 24** **If you invest at 3%, it will take 24 years for your money to double**			

What rate of return do you need for your money to double? Use the Rule of 72 to find out: -

Number of Years:	**2 years**	**5 years**	**12 years**	**24 years**
Rate of return for your money to double	**72/2 years = 36** **If I want my money to double in 2 years, I need to invest it at 36%--this is a very high return.**			

Principle 11: Never invest in what you do no understand.

This is the most important principle.

Where do you go for more help?

- www.mymoney.gov
- www.finra.org
- www.investoreducation.org
- www.sec.org -
  http://www.sec.gov/edgar/quickedgar.htm -
- www.nyse.org
- www.valueline.com
- www.bloomberg.com
- www.morningstar.com

Getting Started[15]

1. - Start with the foundations of investing—know why you are investing and how much you need, know when you'll need it, and know how much risk you can take.

2. - Make and keep a budget.

3. - Pay off your debt especially unsecured debt.

4. - Save. If you have work based retirement programs, save in this first. Your employer could be offering a match. If you're not taking it you're leaving money on the table.

5. - Start and build an emergency fund.

6. - Start saving for your retirement (other than work-based opportunities) and your - children's education. -

7. - Research, research, research.
   - ❑ Value Line
   - ❑ Bloomberg
   - ❑ McGraw Hill/Standard and Poor's
   - ❑ Morningstar

8. - Do some online simulations at Investing Online Resource Center: - http://www.investingonline.org. -

9. - Get professional assistance.

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[15] Principles for Saving and Investing by Inger Giuffrida for the Pioneer Library System.

Getting Professional Assistance

While getting professional assistance for saving, investing or financial planning may seem I far off for the clients you serve, it's important to understand this market so you can appropriately those clients that want to find out more information.

Exercise in Pairs
Put a check mark by those titles that are "official designations" for investment or planning professionals?

√	**Official Designation**
	Financial Analyst
	Financial Planner
	Certified Financial Planner
	Financial Consultant
	Accredited Financial Counselor
	Investment Consultant
	Registered Financial Gerontologist
	Wealth Manager
	Certified Divorce Financial Analyst
	Financial Adviser
	Certified Money Manager
	Financial Educator

There are many titles people use. Understanding what each titles means if anything makes finding the right person a challenge. In some cases, titles are self-conferred. In others, the holder of the title has completed years of formal schooling, passed a credentialing exam, and commits to ongoing education and minimal levels of practice annually to continue the certification.

Here is a broad overview[16]:

1) Broker-Dealer
While this is not a specific credentialed title, it means something very specific. This individual (or firm) buys and sells securities on behalf of the customer (broker) or herself/himself/itself (dealer). People who work for broker-dealers are known as registered representatives. Broker-dealers must be registered with the Securities and Exchange Commission (SEC), and they may be members of FINRA. Registered representatives may be financial consultants, financial advisers, or investment consultants. If they also have a Series 6 license, they can sell mutual funds, variable annuities, and similar products. If they also have Series 7 license, they can sell an even broader range of securities.

To check the background of a Broker-Dealer, visit:

[16] Information from FINRA.

http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/

http://www.sec.gov/investor/brokers.htm

2) Investment Adviser
These individuals are paid for providing advice about securities to clients and manage portfolios for customers. The SEC regulates Investment Advisers who manage more than $25 million in client assets. Investment Advisers that manage less than that amount must register with the state agency.

To check the background of an Investment-Adviser, visit:

http://www.adviserinfo.sec.gov/(S(4zligiqzra1rru55vgdls245))/IAPD/Content/IapdMain/iapd_SiteMap.aspx

3) Accountant
These individuals focus on tax planning, financial planning, tax implications of financial decisions, tax reporting, auditing and management consulting. Many states now require practicing accountants to become Certified Public Accountants. Some CPAs are also Personal Financial Specialists. They also provide financial planning services that included assessment of financial situation, developed of budgets, setting goals for savings and investing, developing a plan for monitoring progress and reaching goals.

To find out more about a CPA, visit:

http://www.aicpa.org

4) Lawyer
These individuals are licensed to give legal advice. They are able to analyze and provide advice on the legal impact one financial planning or investment decision may have on another.

To find out more about the qualifications of a lawyer, visit:

http://www.abanet.org

5) Financial Planners
Many professionals that have specific credentials are also financial planners--brokers, investment advisers, insurance agents, and accountants. Some financial planners may have no credentials at all. There is no regulator that has jurisdiction over financial planners. Organizations that provide credentials, however, have standards that they enforce among those individuals to whom they have conferred credentials. An individual that is an Investment Adviser and a financial planner is regulated by the SEC or the state.

To find out more about the qualifications of a financial planner, consult the list below.

Following is a complete list of accreditations from the Certified Financial Planner Board of Standards (http://www.cfp.net/learn/knowledgebase.asp?id=15):

AAMS®

Accredited Asset Management Specialist℠ (800-237-9990)
This designation is awarded by the College for Financial Planning to investment professionals who complete its 12-module AAMS® Professional Education Program, pass an examination, commit to a code of ethics and agree to pursue continuing education.

AEP

Accredited Estate Planner (610-526-1389)
The AEP designation is awarded by the National Association of Estate Planners & Councils to estate planners who have completed two graduate-level courses administered by The American College, meet specific professional requirements and who practice as one of the following: attorney, CPA, trust officer, CLU, CFP® certificant or ChFC.

AFC

Accredited Financial Counselor (614-485-9650)
This designation is awarded by the Association for Financial Counseling and Planning Education (AFCPE) to individuals who pass AFCPE courses, meet experience and ethics requirements and submit three letters of reference.

ATA

Accredited Tax Advisor (703-549-2228)
This mark is awarded by the Accreditation Council for Accountancy and Taxation (ACAT) to individuals who complete six educational courses and pass corresponding exams, fulfill experience, ethics and continuing education requirements, and pay an annual registration fee.

CEBS

Certified Employee Benefit Specialist (262-786-6700)
The CEBS designation is cosponsored by the International Foundation of Employee Benefit Plans (IFEBP) and the Wharton School, University of Pennsylvania. The 8-course college level curriculum provides a comprehensive understanding of benefit concepts and principles.

CDFA

Certified Divorce Financial Analyst (800) 875-1760
The Certified Divorce Financial Analyst LLC, offers a credential for financial professionals in the divorce arena. A candidate must successfully complete four exams based on the Certified Divorce Financial Analyst Self-Study course, be in good standing with his or her firm, broker/dealer and/or governmental regulation agencies, and complete 20 hours of continuing education courses every two years.

CFDP®

Certified Financial Divorce Practitioner® (866) 744-4250
The Academy of Financial Divorce Practitioners awards the Certified Financial Divorce

Practitioner® credential to financial professionals who complete an education program covering the financial consequences of property settlements, alimony, and maintenance, who receive a passing grade on two exams, and who complete 15 hours of continuing education each year.

CFA®

Chartered Financial Analyst® (800-247-8132)

Holders of the Chartered Financial Analyst® (CFA®) designation are securities analysts, money managers and investment advisers who have completed the CFA program, a graduate-level, self-study curriculum and examination program for investment professionals that covers a broad range of investment topics. CFA charterholders are required to affirm their commitment to high ethical standards and voluntarily submit to the authority of CFA Institute.

CFP® certification

CERTIFIED FINANCIAL PLANNER™ certification (800-487-1497)

The CFP®, CERTIFIED FINANCIAL PLANNER™ and certification marks are financial planning credentials awarded by Certified Financial Planner Board of Standards Inc. (CFP Board) to individuals who meet education, examination, experience and ethics requirements.

CFS

Certified Fund Specialist (800-848-2029)

The Institute of Business and Finance (IBF) offers this designation to financial services professionals who successfully complete its 60-hour course, pass a comprehensive exam, adhere to the IBF's code of ethics and complete 15 hours of continuing education courses each year.

CIMA

Certified Investment Management Analyst (303-770-3377)

The CIMA credential is awarded by the Investment Management Consultants Association to professionals who pass a pre-qualifying and a certifying exam, complete coursework at the Wharton School, University of Pennsylvania, have a minimum of three years' experience in investment consulting and fulfill continuing education requirements.

CIMC

Certified Investment Management Consultant (202-452-8670)

This credential is awarded by the Institute for Certified Investment Management Consultants (ICIMC) to financial consultants who meet its ethical, experience and continuing education requirements, and who pass two levels of FINRA-administered examinations based on the ICIMC's self-study course in Investment Theory and Management/Elements of Investment Management Consulting.

ChFC

Chartered Financial Consultant (610-526-1450)

The ChFC credential is a financial planning designation awarded by The American College.

CLU

Chartered Life Underwriter (610-526-1450)

The CLU designation is awarded by The American College to insurance and financial services professionals who have met the College's three-year business experience requirement, passed its eight college-level education courses and agreed to abide by its code of ethics.

CMA

Certified Management Accountant (800-638-4427)

This professional designation is awarded by the Institute of Certified Management Accountants (ICMA) to management accountants who pass a four-part exam, meet certain work requirements, comply with the ICMA's Standards of Ethical Conduct for Practitioners of Management Accounting and Financial Management and who are members of the Institute of Management Accountants (IMA).

CMFC®

Chartered Mutual Fund Counselor℠ (800-237-9990)

The College for Financial Planning awards this designation to investment practitioners who complete its nine-module CMFC® Professional Education Program jointly sponsored by the College and the Investment Company Institute (202-326-5800), pass an examination, commit to a code of ethics and agree to pursue continuing education.

CPA

Certified Public Accountant (888-777-7077)

The CPA designation is awarded by the American Institute of Certified Public Accountants (AICPA) to accountants who pass the AICPA's Uniform CPA Examination and satisfy the work experience and statutory and licensing requirements of the state(s) in which they practice.

CPCU®

Chartered Property Casualty Underwriter (800-644-2101)

The American Institute for Chartered Property Casualty Underwriters (AICPCU) confers the CPCU® insurance designation on those who complete its nine courses and national essay examinations, meet experience requirements and agree to abide by the AICPCU's Code of Professional Ethics.

CTFA

Certified Trust and Financial Adviser (202-663-5092)

The Institute of Certified Bankers (ICB) awards the CTFA designation to individuals who meet personal trust experience and education requirements, pass an examination on tax law, investment management, personal finance, insurance and estate planning, fiduciary and trust activities, and agree to meet ICB's continuing education requirements.

EA

Enrolled Agent (202-694-1851)

The Internal Revenue Service (IRS) offers this designation to individuals who wish to represent taxpayers before the IRS at all levels of examination, appeal and collection. To attain enrolled agent status, an individual must pass the IRS's comprehensive two-day Special Enrollment Examination on all aspects of tax law (or have five years of qualifying employment with the IRS) and have his or her enrolled agent application approved by the IRS.

PFS

Personal Financial Specialist (212-596-6200)
The PFS credential is a financial planning designation awarded by the American Institute of Certified Public Accountants (AICPA).

REBC

Registered Employee Benefits Consultant (610-526-1450)
This designation is awarded by The American College to professionals working in the employee benefits field that have successfully completed the College's five-course curriculum **and** met experience, ethics and continuing education requirements.

RFC

Registered Financial Consultant (800-532-9060)
This designation is awarded by the International Association of Registered Financial Consultants (IARFC) to members who have met education, experience and membership requirements, agreed to abide by its code of ethics and previously earned either a securities/insurance license, or one of the following: CPA, CFA®, CFP® certification, CLU, ChFC, J.D., EA or RHU.

RFG

Registered Financial Gerontologist (888-367-8470)
The RFG designation is awarded by the American Institute of Gerontology (AIFG), in conjunction with the American Society on Aging and Widener University School of Business Administration to help financial planners, insurance agents, CPAs, Elderlaw attorneys, etc., who work with older clients and their families. Financial professionals receiving the designation complete six courses in the field of aging and financial issues administered by AIFG, pass a comprehensive examination, commit to a code of ethics and complete a service learning requirement.

Where to Go After the IDA

Many people want to know how to provide guidance to those participants who want to take the next step beyond the IDA. Knowing where to stop in terms of providing this guidance, i.e., when the questions have progressed to the level that a financial professional should be consulted is important when considering how to provide this guidance.

What is the difference between providing advice and providing education/coaching?

Should financial educators/coaches in AFI Programs be providing advice to clients on financial issues? If yes, at what point should you refer the client on to others?

Ultimately, what participants "should" do with respect to their money after the IDA really starts with on the foundations for saving and investing:

- What are they saving or investing for and how much do they need? This is their goal.
- When do they need that money? This is the time frame.
- How much risk can they take? This is their risk tolerance.

For most people, an emergency fund is a great place to expand savings activity. Funding an emergency account can help protect assets, avoid unsecured debt and handle other emergencies that are likely to arise.

What is the best place to put an emergency fund?

If the person has a lot of debt, should he/she save or just work on paying off that debt?

Achieving the Vision Questions for Reflection and Action

How does this section of information on the *principles of savings and investing* help you build next level financial education for your clients? Specifically, how does it help you help them to potentially:

- **Achieve or retain economic security**

Building the Bridge

In the first financial education training of trainer, you learned about building the bridge for clients with financial education. How does this section of information g help you build a **financial education bridge** for your clients? Specifically, how does it help you:

- **Choose topics**
- **Develop an approach**
- **Provide support**
- **Create an environment that helps clients succeed**