A First-Time Investor's Guide

Discover how to put your money to work for you.

1 Assess your current financial state

Build an emergency fund worth 3-6 months of living expenses.

Reduce or eliminate high-interest debts before contributing to investment accounts – credit cards, car loans, etc..

If you have an employer who offers a 401k with a match, employees should maximize their contributions at least up to the match.

3 Analyze your risk tolerance

Design a portfolio with your financial advisor that properly utilizes your risk tolerance.

Low risk = low return

2 Set realistic savings goals

Short-term goals

Weddings, house down payment, car, children's education, vacation home, etc

Investing may not be the best solution to reach short-term goals – instead, utilize and grow a traditional savings account, a certificate of deposit (CD) account, or a money-market account.

Long-term goals

Retirement, estate planning, etc.

Investing is a great solution to reach your long-term goals.

Personal Capital's Retirement Planner can help you create, assess, and reach your retirement goals.

4 Basic investment principles

While the following principles are not rules, they are good goals to work toward with your investments. Remember, investing is a long-term strategy, so patience is an important virtue to keep in mind.

- ***Don't try to beat the market***
- ***Diversify***
- ***Invest for the long-term***

5 Cheat Sheet: Investing terminology

Dividends – Dividends are a payout of a portion of a company's earnings to the shareholders. Dividends can be cash payments or additional shares and are typically paid out quarterly.

Mutual funds – Mutual funds allow you to pool your money with other shareholders to purchase a diversified collection of investments. Disadvantages of mutual funds include high fees and poor tax optimization.

Exchange Traded Funds (ETFs) – ETFs are a group of investments (like a fund) that you can buy or sell easily on an exchange.

Stocks – Stocks are a piece of ownership of a company. Stocks are sold in units known as shares.

Bonds – Bonds are a debt security between you and a bond issuer. You will receive regular interest payments until the bond matures and the principal amount is paid back.

Asset Class - An asset class is a group of investments with similar characteristics and return drivers.