

HIGHER-RISK INVESTING

When you are ready for higher-risk, long-term investing, consider stocks, bonds, real estate and mutual funds. They provide potentially higher rates of return, typically with a corresponding amount of risk. Many mutual funds combine investments in stocks, bonds and other securities, providing built-in diversification.

STOCKS

Companies sell stock to raise capital. When you buy stock, you become a shareholder and own part of the company. As a shareholder you can share in the company's profits if it chooses to distribute periodic payments called dividends. Additional points to consider:

- » Your goal may be to buy stock, hold it for a time, then sell it for more than you paid for it.
- » Stocks can receive capital gains treatment for federal income tax purposes, which may be beneficial.
- » Brokers generally charge a commission or sales fee for each transaction, reducing your returns.
- » Low-commission or discount brokers are less expensive, and are typically used by individuals who are able to make their own purchase and sales decisions.
- » Stocks can also be bought and sold through an online investment account.
- » Stock investing is not typically recommended for inexperienced investors or those without substantial sums of money to invest.

