

# SA304 STEP-BY-STEP INVESTING GUIDE

## STEP 1 Determine your objective & the funds you have for it

As simple as investing really is, you just can't get around the requirement of having to actually have money in order to be able to invest. Once you've defined exactly what your objective is for your portfolio (i.e. retirement, college funding, saving for a wedding, etc.) you need to actually determine how much you initially have to fund the objective. Many brokerage firms have minimum amounts to start an account or alternately minimum monthly deposits. You'll need to know this for the next step.

## STEP 2 Open an account at a brokerage firm & deposit money

There are a number of brokerage account reviews all over the web and it will be wise for you to re-search them based on the options you need for your account. If you are opening an IRA account, you will have different needs than someone opening a taxable brokerage account. In addition, some also offer promotions if you transfer or start an account with them. Once you've decided on the brokerage firm, they will have simple instructions for depositing money to the account, usually with either an ACH transfer or by mailing a check.

## STEP 3 Decide on a portfolio allocation based on your risk tolerance

This class (SA304) went over how to decide on a portfolio allocation. First, you'll assess your personal risk tolerance and that will help you to decide on a general asset allocation between stocks and bonds. For example, you may take a risk survey and it suggests a 75% stock and 25% bond allocation. You would further refine it based on your preferences, risk tolerance (more stocks if you want to take on more risk and less if not), and other interests you have such as REITs or sector funds.

## STEP 4 Choose & purchase your desired securities

This step, choosing specific securities, is the most time-consuming of the entire process. This is especially difficult for the beginner investor, but don't get too caught up on this that you don't actually purchase anything. Start by looking at index funds that track market, balanced funds and target date funds if the portfolio is for retirement or college education. You want to specifically consider: the load, ongoing management fees, the exact makeup and historical returns for mutual funds, and whether it is an income or growth security.

## STEP 5 Track your portfolio & rebalance regularly

Once you've gone through all the previous steps, you can step back and simply monitor your portfolio over time. Just like everything in life, investing is a learned process and you may make some mistakes in the beginning. Just remember to stay the course and commit to being in the market for the long-run. Buying high and selling low is the biggest mistake to be made! About once a year, check your portfolio allocation and rebalance it to reflect the stock/bond allocation ratio you desire.