WHERE DO I INVEST MY MONEY?

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There are a myriad of choices available for an investor to put their money to work. Perhaps the most popular vehicle is the savings account offered by banks and credit unions. Account holders deposit money into a savings account to earn interest their deposits. These type of accounts are considered virtually risk free and are insured by the Federal Deposit Insurance Corporation (FDIC). There may be a minimum amount of money required to keep an account open and a limited number of transfers and/or withdrawals per month or statement cycle. The current annual rate of return is well below 1%.

Certificates of Deposit (CD) are termed deposits offered by banks, credit unions, and other thrift institutions. They are also low risk and are insured by the FDIC and National Credit Union Administration (NCUA). CDs differ from savings accounts in that they have a specific fixed term (usually three months, six months, or one to five years) and a fixed interest rate. The rate of return on CDs is higher than savings accounts because of its fixed term. The money held in the CD cannot be withdrawn until its maturity. Current yield for a 1-year CD is slightly above 1%.

Government savings bonds are issued by the U.S. government and are currently offered in Series EE bonds and Series I bonds. They can be purchased at a federal reserve bank, through payroll deduction with employer participation, or online. Series EE bonds are purchased with a fixed rate of interest (The US Treasury sets rates semiannually) for a term up to 30 years. They can be purchased in $50, $75, $100, $200, $500, $1,000, and $5000 denominations. You can purchase Series EE bonds online from $25 to $10,000. The annual interest rate for Series EE bonds purchased between May and October 2014 is 0.50%.

Series I bonds are a security that earns interest based on combining a fixed rate and an inflation rate. They can be purchased electronically in any amount from $25 to $10,000. The rate is generally changed twice a year. Both Series EE and Series I bonds are meant to be long term investments. They earn interest for terms of up to 30 years. You can cash them in after one year,

but will lose the last three months interest if cashed in before a five-year time period. In March 2014, I bonds had an annual yield of 1.38%.

An advantage of government savings bonds over traditional savings accounts is that the interest earned on a savings bond is not taxable until the bond is redeemed. Also, it is exempt from state and local taxes. If a government bond is redeemed to pay educational expenses, an added benefit is that this amount is yours tax-free.

Treasury Bills (T-bills) are short term bonds that are issued at a discount and mature in less than one year. They are backed by the U.S. Treasury and are considered safe investments. They would only become worthless if the U.S. Treasury goes bankrupt. T-bills are sold in denominations of $1,000 and have maturities of 4 weeks, 13 weeks, 26 weeks, and 52 weeks. They can be purchased directly from the U.S. Treasury, banks or brokers. As an example of how T-bills work, an investor may purchase a 52 week T-bill with a $1,000 face value for $990. When the T-bill matures he will be paid $1,000. The difference from the discounted purchase price ($990) and the $1,000 maturity payout is $10. This is the investment return for purchasing the 52 week, Treasury bill. The interest paid is considered ordinary income and is taxed by the federal government during the year the T-Bill matures. T-Bill interest is exempt from state and local taxes. In states with higher income tax rates, this may make T-bills a more attractive alternative compared with CDs.

Treasury Inflation Protected Securities (TIPS) are marketable securities whose principal is adjusted by changes in the Consumer Price Index. When inflation (a rise in the index) occurs in the Consumer Price Index, the principal increases. When deflation (a drop in the index) occurs in the Consumer Price Index, the principal decreases. TIPS pay interest every six months at a fixed rate, but the amount varies because of principal fluctuations due to changes in the Consumer Price Index as explained previously. TIPS are sold through Treasury Direct (a financial services website), and through banks and brokers. The minimum purchase price is $100 and are sold in increments of $100. They are issued for terms of 5, 10, or 30 years. Interest paid from TIPS is subject to federal taxes, but exempt from state and local taxes.

Annuities are financial products sold in the U.S. by financial institutions such as insurance companies in which an individual pays a financial institution a single premium that will later be paid back in payments over a period of time agreed upon in the annuity contract. Annuities are primarily used as income during an individual’ s retirement years. There are two possible phases for an annuity. The first phase is when the annuitant deposits money into an account. The second is when the annuitant withdraws money over a specified period of time, such as ten years.

There are different types of annuities. Two popular types are Immediate and Deferred annuities. Immediate annuities are designed for an annuitant to take a sum of his own money to invest, for which the issuer will then make a series of payments over a set period of time, such as ten years. The payments may be fixed or variable. The immediate annuity with different payment amounts is called a variable immediate annuity. These payments are usually tied to the performance of certain investments such as bond and mutual funds. Deferred annuities are paid out after a lapse of a specified time after the last purchase premium has been paid.

Money Market Accounts are similar to savings accounts and are offered by banks and other financial institutions. They offer higher interest rates compared to savings accounts. This is because they require a higher minimum balance and offer fewer withdrawals over a given period of time. Money Market accounts offer limited check writing benefits and like savings accounts are FDIC insured.

Mutual Funds are popular investment vehicles based on professionally managed funds invested in diversified portfolios made up of stocks, bonds, and other securities. A mutual fund will take the funds from many investors to create a portfolio of securities based on the fund' s financial objectives. By investing in a number of securities, the risk is spread out for all investors equally and the downside risk is minimized. There are many kinds of mutual fund categories based on financial objectives and the type of securities in which the funds are invested. Some categories include: bond funds, international funds, index funds, sector funds that invest in one area such as finance stocks or gold stocks, emerging market funds, large cap growth stock funds, small cap growth stock funds, and balanced funds. There are load funds which have sales charges and no load funds that don' t have built in sales charges. If you purchase mutual funds from a broker or financial institution you will probably incur sales charges. Purchasing a no load fund directly from a mutual fund company such as Fidelity, Vanguard, T Rowe Price or Franklin will minimize sales charges. Some load mutual funds have substantially higher sales charges, which may be as high as 4-5% of your investment. Some mutual funds may appreciate 5-10% or more a year depending on the state of the economy. Conversely, mutual funds may decrease more than 10% if problems in certain segments of the economy occur or the general economy is not growing. The higher the risk an

investor faces when expectations seem likely to not be met, the higher the reward is when they do get met.

Stocks are securities that represent shared ownership in a corporation. Corporations raise capital by issuing stocks that are bought and sold on stock exchanges such as the New York Stock Exchange or the American Stock Exchange. The value of a stock is determined by the supply and demand of the stock on the stock exchange. When investors value a stock (of a corporation traded on the exchange) highly, demand for the purchase of the stock is higher than demand for the sale of the stock, and the price increase reflects the demand. A stock price can decrease reflecting the supply and demand for the stock. If investors do not value a stock for their earnings potential or perceive the stock to have bad prospects, they will sell the stock to limit their losses.

There are two main types of stocks: common and preferred. Common stock entitles the shareholder to have voting rights and receive dividends. Shareholders of preferred stock generally don't have voting rights, but have a higher claim on assets and earnings should a stock go bankrupt. The dividends paid on preferred stock is generally higher than common stock, but the price doesn't fluctuate as much as common stock since this class of stock is not traded (bought and sold) as much as common stock.

Investors who spend a significant time studying stocks and make their own decisions may purchase stocks through a discount broker to limit commission charges. These type of trades can cost as little as $7 per trade (buying or selling stock). An investor who doesn't have time to study stock investments and seeks out a professional stockbroker or financial advisor to select stocks in which to invest will have to pay higher commission fees for their expertise. Commission fees can be several times higher than discount broker fees.

Some investors purchase stocks directly from corporations that offer a Dividend Reinvestment Plan (DRIP). Investors can purchase stock directly from the corporation for a lower commission fee and have the option to reinvest their dividends to purchase more stock. This can be done for a nominal fee. Investors can often take advantage of a DRIP by owning at least one share of a corporation's stock. DRIPs offer investors a low cost alternative to entering the stock market by purchasing a small amount of shares and then reinvesting dividends with low commission fees compared with going through a broker for a similar transaction.

The stock market offers investors a place to invest their money to potentially make significant earnings. If you believe in the future of the U.S. economy, an investment in the stock market will

deliver positive earnings to an investor over a long period of time. This includes the bad years when the economy and stock market perform poorly. Generally, the higher the risk one takes, the greater the reward can be. Do your research and invest in companies that have a risk level you feel comfortable taking. There are many solid companies that have increasing earnings with good dividend rates (2-3% annual yield or more). If you can accept more risks, invest in companies that are out of favor, who are less popular, but may offer more upside should their earnings rebound or the economy pick up. There are many websites that are devoted to stocks investment. Some valuable sites include: The Motley Fool, Yahoo Finance, The Street, Google Finance, Bloomberg, Seeking Alpha, and Morningstar. Compare the information on these different sites and then draw your own conclusions. If you do not have the time or inclination to make investment decisions, find a financial advisor or planner with a proven record, and good references, and with whom you feel comfortable dealing. Also, check their credentials. Or, deal with an established broker such as Merrill Lynch or a financial advisor at an established bank. Remember, commission charges may be substantial if you deal with financial advisors or planners.

The Roth IRA is a retirement account that uses money that has already been taxed (Unlike Traditional IRAs which offer up-front tax deductions). An individual can contribute up to $5,500 to a Roth IRA (up to $6,500 if you are 50 years or older). There are income eligibility requirements to be met to open a Roth IRA. You must hold a Roth IRA for least 5 years and be at least 59 1/2 years old to begin withdrawing from the account to avoid paying a 10% early withdrawal penalty. Roth IRAs are a great investment that benefits investors who may not need an upfront tax deduction. These people will be enjoying years of tax free compounded growth from their investment. When they do withdraw their money, it will be tax free.

Your Thrift Savings Plan is another investment opportunity. Maximize your Thrift Savings Plan (TSP) and contribute as much as you can to it. If you cannot do this, then at least contribute up to the percentage that is matched by your employer, the USPS. You are throwing away money that you wouldn' t get otherwise when you don' t match. Your TSP contributions are tax deferred and there is an up-front tax deduction since contributions are not taxed until you withdraw your TSP money.

As you can see, there are many places to put your money to work for you. Do your homework and talk to people who have been successful in different types of investments. There is a wealth of information available through the internet, advisory investment services such as Value Line and Standard and Poor’ s, and investment books. Watch television programs on finance and investing. Listen to radio programs on investing. They will all provide you with important information.

Invest what you can now and you will be rewarded later. Don’ t depend solely on your retirement pension and social security. No one knows what will happen to social security or to retirement pensions and how they are calculated in the future. They may not provide enough income for your retirement years.

It is important that you consult with your tax and financial advisor before you make any investment decision. They make give you valuable information and suggestions that fit your individual needs more precisely.

To good investing and prosperity,

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