

Your Money...

Save, Invest & Protect

Investor Education
for Utah



Utah
Department
of Commerce
Division of Securities

Key Investing Concepts

Virtually every investor has the same basic goal - to achieve the maximum amount of investment growth at a tolerable level of risk. Goals and priorities change over time. The need to modify your approach to investing may arise. The key investing principles include: risk and return, the time value of money, diversification and volatility.



Risk and Return

Investment risk is any uncertainty with the potential to negatively affect your financial welfare.

Investment return is the money you get back on an investment. Ideally, the return will be positive and the initial investment will remain intact. A positive return means you will end up with more money than you invested.

Higher returns come with higher risk. Lower returns generally mean lower risk.



Time Value of Money

Ongoing fees can reduce the value of your investment portfolio. Over time, not only is the investment balance reduced by the fee, but you also lose any potential return earned on that fee.

Even paying small, ongoing fees is money lost and can have a big impact on your investment portfolio.



Diversification

An important way to lessen the risk of investing is to diversify your investments. Don't put all your eggs in one basket.

If you buy a mix of different types of stocks, bonds, or mutual funds, and one goes down in value, you could still come out ahead overall.



Volatility

Volatility is the tendency of some investments to fluctuate rather quickly in value. The more volatile an investment, the more it can potentially lose or gain value in the short term.

For instance, stock and stock mutual funds tend to change price more quickly than bonds. Some degree of volatility is a fact of investing.

Investment Professionals

When you need financial help, you may hire a professional. These professionals may include brokers, investment advisers, lawyers, accountants, insurance agents, and financial planners. The decision to work with one or several professionals will depend largely upon your needs and may change during your lifetime.



Steps for Choosing a Professional

Step 1 - Become familiar with the different types of professionals, the licensing requirements and whether they are regulated.

Step 2 - Investigate backgrounds, confirm the license status, and discover any history of customer complaints or regulatory actions.

Step 3 - Interview each professional about products and services offered. Request written explanation of the fees and commissions charged and payment process.



Ask the Right Questions

- How much will I have to pay for your services?
- How frequently will we meet to discuss my portfolio?
- How will you communicate performance results to me?
- Is your firm a member of SIPC (Securities Investor Protection Corporation)?
- Have you or your firm ever been disciplined by a regulator?
- Have you ever had a professional license revoked or suspended?



Check Before You Invest

The Financial Industry Regulatory Authority (FINRA) sponsors BrokerCheck, a free tool to check the background of brokerage firms and individual brokers. Visit brokercheck.finra.org or call toll-free at 800-289-9999.

For additional guidance, visit the U.S. Securities and Exchange Commission (SEC) site, investor.gov.

For local help, call the Utah Division of Securities at 801-530-6600.



Retirement Savings Vehicles



One of the important reasons to invest may be to enjoy a comfortable retirement. Various savings plans help save money for retirement. However, each plan is structured differently.

With some plans, you must take the initiative to enroll, such as the IRA (Individual Retirement Arrangement). With others, such as a 401k, you might be automatically enrolled through an employer, putting you on the path to saving for retirement.

Employer-sponsored Plans

Many employers offer retirement savings plans as part of their employee benefits package. These savings plans are known as **Defined Contribution Plans (DC)**.

The employee contribution to the DC Plan varies. The employer's contribution is guided by a particular formula and is restricted by an annual cap. DC plans vary, not only by type of plan, but by employer.

Defined Contribution Plans are increasingly replacing **Defined Benefit Plans (DB)**, better known as pensions.

All savings plans share some specific characteristics, such as tax advantages, self direction, matching contributions, vesting, and portability.

Individual Plans

Individual savings plans include accounts opened separately from an employer-sponsored plan. The most widely known individual plan is the **Individual Retirement Arrangement (IRA)**.

With an individual plan, you decide where and how to invest. Spreading investments among different asset classes, such as stocks, bonds, cash, and other investment categories is called **Asset Allocation**.

A decision to diversify investments within each class helps reduce investment risk. When to sell one investment and buy another is another necessary decision with an individual savings plan.





Safeguarding Your Investments

Investing involves risk. The possibility exists that any investment could lose value at some point. To moderate this risk, choose investments carefully and make adjustments to your portfolio when necessary.

A completely different type of risk to avoid is the risk of theft, fraud or other illegitimate activities. Investment fraud and related crimes cost individuals and the financial services industry billions of dollars every year.



Avoid Investment Scams



Warning Signs

- A Pushy Broker or Salesperson
- Missing Documentation
- Account Discrepancies
- High Investment Returns
- Guarantees
- Nontraditional Products



Psychological Tactics



- Source Credibility - uses a fancy title or hopes to appear successful
- Phantom Riches - guarantees returns & promises spectacular profits
- Social Consensus - uses the "Everyone is doing it" story
- Scarcity - explains the offer is for a limited time only
- Reciprocity - the feeling of obligation by providing free meals or other gifts

The Risk of Investment Fraud

Investment fraud is real. The risk of losing money to a scam can, and unfortunately does, happen. Minimize the risk of losing money to a fraudster or scam by performing the two very important actions described below.

Check Out Investment Professionals

Ask whether the promoter of an investment opportunity is licensed to sell you the investment. Confirm which regulator issued that license, and if it has ever been revoked or suspended. Depending on the type of business the firm conducts, it must be registered with FINRA, the SEC or a state securities regulator. An insurance agent must be licensed by the state insurance commissioner. Independently verify the answers.

Broker or Brokerage: FINRA's BrokerCheck, brokercheck.finra.org.
Call 800-289-9999.

Investment Adviser: SEC's Investment Adviser Public Disclosure, adviserinfo.sec.gov. Call the SEC Salt Lake Regional Office at 801-524-5796.

Insurance Agent: Utah Insurance Department, insurance.utah.gov.
Call 801-538-3899.

Check Out Investments

Ask whether the investment is registered and, if so, with which regulator. Most investors want to buy securities products that are registered with the SEC or with state regulators. With very few exceptions, companies must register their securities before selling shares to the public.

Find out whether a securities product is registered with the SEC by using the EDGAR database found at www.sec.gov/edgar.shtml.

**For assistance, call the Utah Division of Securities,
801-530-6600.**



Investor Assistance



Depending on the type of assistance you need, the resources below can help you report and attempt to resolve investment-related issues.

Filing a complaint is often the best place to report suspicious or potentially fraudulent activity, or to determine if the matter requires regulatory attention.

FINRA Complaint Center- Online: [finra.org/complaint](https://www.finra.org/complaint). Send written complaint to: FINRA Investor Complaint Center 9509 Key West Avenue Rockville, MD 20850 Fax: (866) 397-3290.

Securities Helpline for Seniors® - Online information: [finra.org/investors](https://www.finra.org/investors). Call toll-free: 844-574-3577.

SEC's Office of Investor Education and Advocacy- Online: [sec.gov/tcr](https://www.sec.gov/tcr). Call toll-free 800-732-0330.

Utah Division of Securities- Online: [securities.utah.gov](https://www.securities.utah.gov). Mail form to Utah Division of Securities, Heber M. Wells Bldg. 160 E. 300 S., SLC, UT 84111. Call 801-530-6600.

Utah Securities Whistleblower Referral Form and Reward Information - The Utah Whistleblower Referral Form can be found at [securities.utah.gov](https://www.securities.utah.gov). View the entire Utah [Securities Fraud Reporting Program Act](#).



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