



Article Sample 3

Investment Options That Will Define Your Future

Plagued by a weak and struggling economy, more and more individuals are looking at ingenious strategies on how to improve their financial situation. While there are those who increase their compensation by working double time, others, on the other hand, secure a second or third job to generate more money. Typical workers are not satisfied with a regular stream of income. They always make an effort to find other means of living either by setting up a new business or working part-time.

Unfortunately, even if these may all sound convincing, some people do not hope to exhaust their bodies or work for their entire life just to survive the day-to-day necessities of living. Realizing that working alone would not satisfy their desires and demands, they are focused on strategies on how to grow and multiply their existing savings and assets.

One of the most compelling ways to achieve financial success is to save and invest your earnings. This does not only allow you to produce an additional stream of revenue. But it also allows your money to grow in value and give you additional profits in the long run. So what types of investment vehicles are most profitable and advantageous?

Investing 101

Bonds. Considered as a debt security, this type of investment involves lending money to an entity (corporation, government, federal agency, etc.) for a definite period of time at a fixed interest rate. It provides a return in the form of fixed payments and eventual return of principal at maturity. Also, this option is often considered as a fixed-income investment because the earning received from a bond is generally set at the period it was made. Investment alternatives in the bond marketplace may include the following:

- Corporate bonds
- Municipal bonds
- Agency bonds
- Treasury securities
- Asset-backed securities

Stocks. This is the process of buying company shares in the form of equity. The return on investment in stocks depends on the success or failure of the company(ies) being invested on. In stocks, there are two ways to generate money:



Dividend. This relates to the distribution of payments made by a corporation to its shareholder members as a portion of its profits or surplus.

Capital Gains. This is the payment made to investors when the investment of that capital is sold at a profit.

Mutual Funds. This basically involves pooling money from many shareholders and investing them into securities such as stocks, bonds, short-term money-market instruments, other securities or assets, or a combination of these. It is operated by professional money managers and is often referred to as “collective investment schemes” that are controlled and open-ended in nature. Though mutual funds are diversified and are handled by professional investment managers, they can also be detrimental, often requiring additional fees and returning less foreseeable income.

Choosing the Best Vehicle

While improving one’s financial situation is the most common reason why people consider the above types of investment, it is still important to pick the best option. The following guidelines will help you choose the most appropriate one for you:

Determine your personal goal(s).

Identify the minimum level of return needed to achieve those goals.

Consider the tenure of the assets in the investment.

Analyze the future stability of the business entity you chose to invest your money into.

Meanwhile, as there is no such thing as a completely safe and secure venture, it is important to remember that there is always a range of risk engaged in every type of investment. As such, an individual has to consider all the necessary precautionary measures to avoid any degree of misconception or misinterpretation in one’s chosen investment alternative.