So You Want to Invest?

The key to controlling your financial life is responsibility. As you prepare to take charge of your own life as a young adult, one important area you will have to deal with is finances. How you handle money now will affect how much money you’ll have in the future. This, in turn, will affect your ability to do the things you want in the future.

Most people would like to be able to spend all the money they make doing things that they enjoy. They’d like to be able to buy anything they want on the spur of the moment. But spending money continuously without a thought for the future can lead to financial disaster and large amounts of debt.

Saving and investing are important parts of planning for your future. They are ways of increasing your wealth, in addition to working and earning a salary. Furthermore, the sooner you start to invest, the longer your money has to grow and the more money you will eventually have.

The first step in obtaining financial security is to figure out what your long-term financial goals are. Once you are out on your own, you will need to figure out how much money you are earning and what all your expenses are. This process is called budgeting. Making a budget allows you to ensure that the money you pay out is less than the money you earn. It also allows you to see how much money is left over after you pay your expenses. You can then decide how much of this money you want to spend and how much you want to save or invest. Budgeting gives you control over your financial future, rather than leaving it to chance.

The same type of analysis and thought will enable you to invest in a sensible way that both allows your money to grow and protects it to the greatest extent possible. It then discusses investing both for retirement and to increase your wealth. Before committing money, you may want to talk to an investment professional.
Ten Great Questions to Ask a Financial Expert

1. What’s a budget and why do I need one?

2. How can I get the most for my money?

3. What fees can I expect from using a checking account?

4. What should I do if I find a mistake on my credit report?

5. What’s the difference between simple and compound interest?

6. What’s the difference between value and growth investing?

7. What’s a bear market?

8. How does my credit history affect me?

9. I’m young—why do I have to pay for Medicare?

10. What’s identity theft?

- **age of majority** The age you are legally considered an adult.
- **bounce (a check)** To write a check for more than you have in your account. The bank or other financial institution will return the check unpaid to the person you wrote the check to.
- **budget** A plan for how you will spend your money.
- **collateral** Property that secures a loan. If the borrower defaults, the lender keeps the property.
- **credit limit** The highest amount that your balance can be.
- **deductible** The amount an insured person pays before insurance covers a loss.
- **default** Failure to pay a debt when it is due.
- **diversification** Spreading investments among different companies or types of investments to reduce the risk of losing money.
- **fraud** Deception for personal gain.
- **grace period** The time you have to pay off a balance without owing interest.
- **growth stock** Stock in a company that consistently earns above-average profits.
- **identity theft** The theft and use of a name, Social Security number, credit card number, or other personal information for illegal purposes.
- **interest** An amount paid as a percentage of the amount lent or borrowed.
- **market value** The price a buyer is willing to pay for something.
- **maturity date** The date that a bond comes due.
- **negotiating** Bargaining for a lower price than a seller is asking.
- **overdraft fee** The amount a bank or other financial institution charges as a penalty for writing a check or making a debit purchase for more than you have in your account.
- **premium** The payment for an insurance policy.
- **value** A fair price in exchange for goods or services.
- **value investing** Buying stock in a company with the hope of making money when it is later sold at a higher price.
- **yield** Interest earned on an investment in stocks, bonds, or mutual funds.