

Fundamentals of Money Management

The Securities Market



In prior articles for this series we have discussed preparation for investing and the securities market with special emphasis on the Stock and Bond Markets. In this series I will move on to The Mutual Funds Market.

Mutual Funds

What is a Mutual Fund (MF)?

A mutual fund is sort of like a market index where groups of individual securities are pooled into one fund. Example: if you want exposure to the technology industry, you could purchase individual securities, or you could invest in a mutual fund that contains many technology companies like IBM, Microsoft, Apple Computers, and Intel. Mutual Funds invest in all of the other asset classes: Stocks, Bonds, Options, Futures, Currencies, and Money Market Securities. Mutual Funds are managed by an investment company. You also get the advantages of:

- The company's research capabilities
- Professional management
- Asset allocation
- Diversification

Most fund managers have a specific style of management. Some funds are aggressive in that they look for greater valuation and price appreciation. Others may be more conservative and are geared toward generating revenue through sales, dividends and interest income.

There are hundreds of Mutual Funds in the marketplace, and most likely there are several that you can choose from that match your financial goals and objectives.

Most importantly, you will want to select funds that meet your risk management, asset allocation criteria, and goals.

Here are some examples of the types of mutual funds offered in the marketplace. For a full description of these titles, go to the internet and look them up.

- Aggressive Growth
- Asset Allocation
- Balanced Funds
- Exchange Traded Funds (ETF's)
- Fixed Income Fund
- Income or Income and Growth
- Index Funds
- International, Global, Emerging, and Developing markets
- Large Capitalization Funds
- Life Cycle/Target Date Funds (2020, 2030, 2040, 2060 Funds)
- Medium Capitalization Funds
- Private Equity Funds
- Real Estate Investment Trusts (REIT's)
- Small Capitalization Funds
- Tax Exempt

Total Return
U.S. Government securities (Treasury, Notes and Bonds)

In the next article on Mutual Funds we will discuss Mutual Fund Rating Agencies.

By Robert L. Woods, M.B.A. is the author of “A Beginners Guide to Wealth Building - Defined Contribution Plans” and “My 1st Investments Coloring Book” which can be obtained from my website: www.ifiecorp.com.

Disclaimer: The views and opinions expressed in this piece are those of the author(s) and do not necessarily reflect the views or position of SacObserver.com, The Sacramento OBSERVER, Sacramento OBSERVER Media Group, it’s owners or management.