

Fundamentals of Money Management

The Securities Market



In the prior articles we discussed The Mutual Funds Market. In this article we will discuss the Mutual Fund Prospectus.

The Prospectus

As stated in the prior article, whenever you begin investing there are some preliminary things that you must do before you start throwing money into the financial markets. Not doing some basic homework can cost you time and money.

Things to do prior to investing in a Mutual Fund

Take a Financial Retreat: Take some time to read a “Prospectus” of the mutual fund(s) you want to invest in.

The Prospectus

According to the **Securities and Exchange Commission (SEC)**, mutual funds must provide a copy of the fund’s Prospectus to shareholders when they purchase shares, but investors can and should request and read the fund’s Prospectus before making an investment decision.

There are two kinds of Prospectuses:
The Statutory Prospectus, and
The Summary Prospectus.

The **Statutory Prospectus** is the traditional, long-form Prospectus, which most mutual fund investors use.

The **Summary Prospectus** is used by many funds and is just a few pages long, but contains key information about the fund.

Both Prospectuses contain important information, including:

- The mutual fund’s investment objectives or goals.

- Its strategies for achieving those goals.

- The principal risks of investing in the fund.

- The mutual fund’s fees and expenses.

- Its past performance.

Investors can find more information that is detailed in the Statutory Prospectus, including:

- Information relating to the fund’s investment advisers and portfolio managers.

- Details on how to purchase and redeem shares.

The SEC specifies the kinds of information that must be included in fund Prospectuses and requires funds to present key data in a standard format so that investors can compare different funds. Review a fund’s Prospectus carefully and use tools such as a mutual fund cost calculator when analyzing and comparing funds.

SEC Disclaimer

We have provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

When you are investing in a Defined Contribution Plan, you will find many choices in which to choose from. Also, look to see if your employer has an employer match. If so, contribute the maximum allowable limit. An employer match comes with an automatic return on your investments.

You can also invest directly into a mutual fund or buy individual stock through a brokerage firm, a banking institution, or on-line investment company.

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