

Open Your Mutual Fund Account

Objective: To ensure that your money is safely invested in the best mutual fund for today's economy.

When it comes to stocks and bonds, there are good investments and there are long-term investments, but there are no good, long-term investments. To become a successful investor, you must be willing to move your money, but only once every year or two. Learn the basics of the Money Movement Strategy to accomplish these goals:

- To safely earn good returns on your investments.
- To pay little or no commission
- To pay minimum taxes on your earnings.

Time Required: Two to three hours.

Instructions:

Review the Money Movement Strategy Chart. Turn to the business section of your local newspaper or favorite investment website and locate the section that reports the current prime interest rate. The current prime interest rate and its direction of movement help determine the type of mutual fund in which you should have your investments.

Checklist

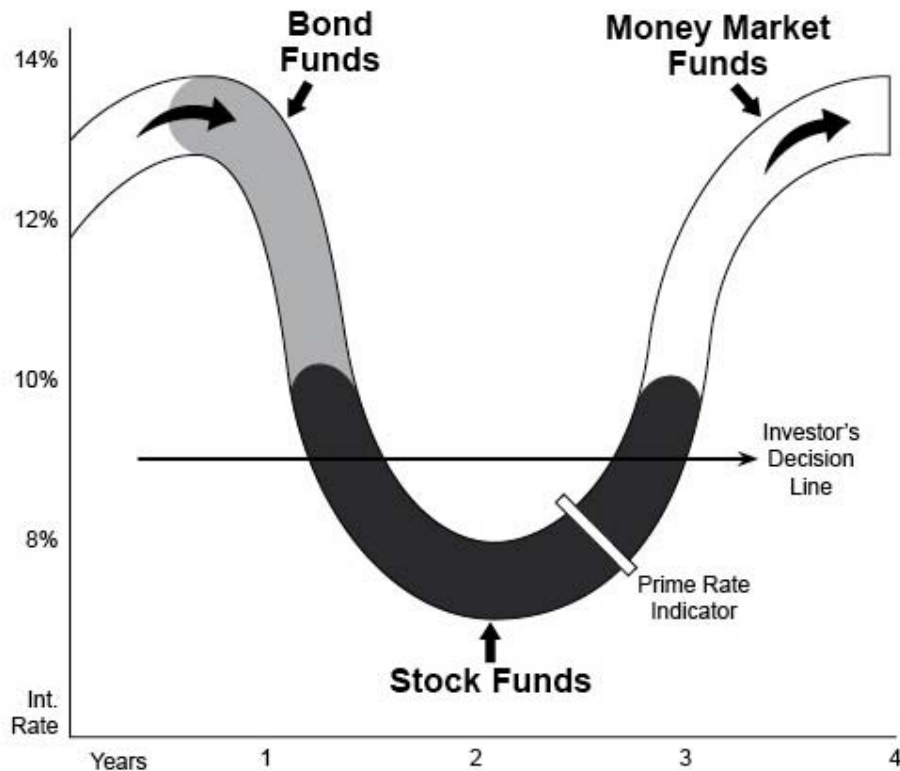
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1. Review the **Money Movement Strategy Chart**.

2. Select the appropriate fund for you.

Prime Rate Chart

Money Movement Strategy



How It Works

Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds—stock, bond or money market, there is only one type of investment at any given time that will give you above-average returns.

The Money Movement chart represents typical changes of interest rates smoothed out over time. The Investor's Decision Line (IDL) indicates the point at which you should move your money from one type of fund to another. At this time, the IDL indicates stock funds.

Money Movement Review

The secret to safely investing in stocks and bonds is mutual funds – spreading your risk over hundreds of well-managed portfolios. However, there are three entirely different types of funds – stock, bond and money market.

Here are the strategies:

- Note that each period has its single correct investment. Choose the right type of mutual fund for each economy
- Invest in only one type of mutual fund at a time.
- Use the prime interest rate* to identify the safest and best mutual fund investment for each economy.
- The investor's decision line for the prime rate is currently 8.5%
- Invest in stock mutual funds any time the prime interest rate* is below the investor's decision line.
- Move your money to a money market fund when the prime rate* moves above the investor's decision line.
- Move your money to a bond fund when the prime rate* is high and coming down.

Choose the Appropriate Fund for Your Goals

- The fund is part of a family of funds (stock, bond and money market)
- Choose a no-load fund.
- Choose a mutual that has a minimum required initial deposit within your investing limits.
- Choose the right type of mutual fund for the current economy.
- Choose a fund with assets of less than 10 billion (unless it is an index fund).
- Choose a mutual fund based on its track record for the type of economy in which you intend to use it, not its five-year or 10-year performance record.
- If your account is an IRA or Keogh, check the minimum required investment and yearly fee.