



Welcome to Woman with Portfolio's Get-Started-Now workout for new investors! Put on your sweatbands and comfy shoes and get ready to overcome that habit-forming inertia. Time to get moving and get rid of that financial flab slowing you down!

Some of you may never have actually purchased stock in a company, and you're not sure how to proceed. But don't worry. We began with the same doubts and questions. But we were determined not to let more time slip by without actually doing something about taking charge of our financial future. And we've not merely survived but thrived in the market.

First of all, you need to establish your *goals*. Are you a young investor building a nest egg for buying a home? Are you a thirty-something Mom planning to send your kids to college? A professional woman looking to secure your retirement? Are you an older investor looking mainly for a stream of income? You'll have to ask yourself some questions and answer them honestly. What is your purpose in investing? What is your time frame? What is your risk tolerance?

If you might need all your savings for a goal that's just months or even two or three years from now, don't invest your money in stocks. You'll need a minimum of five to seven years as a time frame to overcome the inevitable volatility and make significant gains in the market. If you simply can't stand the thought that the value of your account might actually dip from time to time, you might be better off in treasury bonds. Although the market has climbed upward for a century, it has taken some serious dips along the way.

Before beginning to invest, you'll need to take care of first things first. That means paying off any significant credit card debt, making sure you have enough insurance, and setting aside an emergency fund in cash. And if your employer offers the option of a 401K plan, be sure you're setting aside the maximum amount allowed. We call this covering your assets.



Our free Investment Gym blog, on our Web site, will help you build your most basic investing skills and improve your fiscal fitness.

We've learned that when women work out together, we can do things we never even imagined we could. By working together and sharing our knowledge and experiences, we help each other build a better financial future.

www.womanwithportfolio.com

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How much money can you afford to invest? How much money can you afford to set aside for the future rather than for everyday expenses? Do you really need that twice-daily Starbucks boost or those to-die-for Manolo Blahnik shoes? (Well, maybe you do, but maybe wait for a sale. We won't insist you wear Crocs, though we like the Sassari wedgies.) Do you really need to lend your hard-earned moolah to that no-goodnick cousin? Sorry, no excuses accepted. You need to put your future up there at the top of the list. You can get started with as little as \$50 in a mutual fund. The best way to invest is to keep adding to your portfolio on a regular basis. This secret to wealth-building is called dollar-cost averaging. Little grains of sand add up to Waikiki Beach – or at least a place for your beach towel and umbrella there.



Remember, little grains of sand, added up, make a great beach!

Choosing a Brokerage

If you don't have one yet, you'll need to open a brokerage account. This is not much different from opening a bank account. You can fill out your application online, go to a local office, or have the brokerage send you an application through the mail. You'll be able to deposit funds with them electronically from your bank or by check. Each brokerage has its own required minimum in order to open an account.

We prefer using a discount online brokerage, though some of you may already have an account with a traditional broker whom you call or visit in an office. If you've found someone trustworthy who delivers returns that at least equal the performance of the market (with average annual returns of 8% to 9% over the years) and who doesn't make excessive trades in order to generate fees, you might want to stick with them. Otherwise, we think you can do at least as well using an online brokerage. Actually, better. For one thing, it's a heck of a lot cheaper and requires a significantly smaller minimum to get started. Another secret to building wealth is minimizing your costs and expenses.

YAHOO! FINANCE

We like Yahoo! Finance for its comprehensive information about stocks, ETFs, and indices. It's easy to use to manage a portfolio, and it has great charts and other tools for tracking and comparing investments. And it's free! You can create your own portfolio (once you have a free Yahoo! account), and you can get streaming price quotes, news updates on your stocks, and even links to blogs that mention your stocks. It's at <http://finance.yahoo.com/>.

ALWAYS steer away from the slick-haired Gordon Gekko wanna-be's (remember the movie *Wall Street*?) who are driving expensive sports cars bought with fees from churning your account, while you're stuck in a rusty clunker.

Each of the leading online brokerages has its advantages, and you might want to do some comparison shopping. For example, we find a real advantage in working with a brokerage tied to a bank account. That makes it easy to transfer funds back and forth. Those who are fortunate enough to be able to join USAA as members of the military, retired military or their children should take advantage of the company's outstanding and inexpensive banking and brokerage services.

We like both Schwab and Fidelity, both of which offer banking with relatively high interest yields on their bank accounts. Both Schwab and Fidelity both offer strong and easy-to-use research capabilities, though their transaction fees are higher than those of some other discount brokers. For those who are concerned primarily with getting the lowest transaction fees, TD Ameritrade and Scottrade are also considered good, reliable brokers. Scottrade charges only \$7 a transaction for example, and the minimum to open an account is \$500.

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It's Never Too Early or Late!

No matter what your age, you can get started investing! Put your money to work by learning about the market. You don't need to wait until you're older, and you can continue to profit as you get older. Women can be good investors at any age. And women of all ages can share their experiences on *Woman With Portfolio!*

Learning the Lingo

Let's define some terms that you may be familiar with, but which might need some clarifying before you get started.

Stocks:

When you buy stock, you're buying equity, or a piece of ownership, in a company. You're buying a piece of the rock. Each unit of stock is called a share. As a shareholder in a company, you have the right to participate in decisions made at the company's annual meeting. The market value of a stock (how much buyers are willing to pay for the stock) is related to the success, or potential success, of a company.

Any profit you make when you sell a stock is called a capital gain, and you'll have to pay taxes unless it's in a tax-free account like an IRA. You'll also have to pay taxes on any dividends you accrue.

The stock market is simply the means for buying and selling your shares. There are different stock exchanges, with the main ones

being the New York, the Nasdaq and the American. Some stocks that haven't yet met the requirements to be listed on those exchanges are sold on an "over-the-counter" basis or on an exchange called the "Pink Sheets." These are the riskiest stocks.

The size of a company, or its market capitalization, determines whether it's classified as a "large cap," "mid cap" or "small cap." The largest companies, obviously, are large caps; middle-sized companies are mid caps; and small companies are small caps. The really small companies are sometimes called "micro caps."

Stocks are also classified as "growth" stocks, "value" stocks, or "income" stocks. Growth stocks represent companies with fast-growing earnings generally recognized by the market. With growth stocks, many investors buy high and hope the price goes higher. "Value" stocks are beaten-down stocks either not recognized or appreciated by the market. These are bargain stocks, bought low with the hope that the price will rise once the company's value is appreciated or when a turn-

Comparison of Online Brokerages

Brokerage	Minimum to Open an Account	Commission
Charles Schwab	\$10,000	\$9.95 (with 30 trades/quarter)
Fidelity	\$2,500	\$14.95 (with 36 trades/year)
TD Ameritrade	\$2,000	\$10.99
Scottrade	\$500	\$7

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around begins to pay off. "Income" stocks are stocks in companies that pay dividends. These tend to be blue-chip companies whose price is already substantial.

Bonds:

A bond is a "debt instrument," or I.O.U., issued for the purpose of raising capital by borrowing. Bonds can be sold by the federal government, states, cities, corporations and other institutions. The bond is essentially a promise to repay the principal along with interest on a specified date (maturity). When you buy a bond, you become a creditor of the issuer, although that doesn't give you any rights of ownership. Bond holders have a greater claim on an issuer's income than a shareholder, in the case of financial distress, which makes bonds considered less risky investments than stocks.

Bonds are divided into different categories, based on tax status (some are tax exempt), issuer, maturity and credit rating. U.S. Treasury bonds are generally considered the safest bonds because the Treasury is highly unlikely to default on payments. Bonds issued by municipal, county and state governments are not subject to federal income tax and are sometimes exempt from state taxes as well. One of the most important things to know about bonds is that the price of the bond moves in the opposite direction of its dividend yield. You can't have the best of both worlds, unfortunately. When yields increase, bond prices decrease. And vice versa.

Corporate Bond: This type of bond is issued by a corporation in order to raise funds. The bondholder receives interest payments (known as the yield), and the principal is repaid on a fixed maturity date. Bonds receive ratings based on the financial health of the company, ranging from junk-bond rating to investment-grade ratings.

Mutual funds:

A mutual fund is a pool of money managed by a professional portfolio manager that invests in a group of stocks. You buy shares in the fund rather than in an individual stock. You're essentially investing in the performance of the portfolio manager, and, theoretically, you cut the risk of buying an individual stock by spreading it out among a group of stocks.

There are many kinds of mutual funds and thousands of individual funds. There are bond funds, growth funds, growth-and-income funds, value funds, balanced funds, and all manner of specialized funds based on sector or country. Some of the better known fund families are Vanguard, Fidelity and T. Rowe Price.

Usually there is a minimum required to invest in a fund, from \$1,000 to \$10,000. You can buy shares in a fund through your online brokerage account. But there is sometimes an extra fee to buy shares of certain families of funds. Brokerages such as Fidelity and Schwab that have their own funds won't charge you a fee to buy their funds if you're already a client of that brokerage firm.

Some fund families, like T. Rowe Price, allow you to get started in a fund for as little as \$50, with the agreement that you'll contribute a minimum amount monthly, drawn automatically from your bank account, which can also be as little as \$50. This way you also get the advantage of dollar-cost averaging, a guaranteed wealth-builder over the long term.

Exchange-traded Funds

Exchange-traded funds, or ETFs, as they are known, are a relative newcomer to the market. These funds bundle a group of securities, usually following an index. (See our workout on index funds.) That way you get the advantages of a mutual fund but with the advantage of being able to buy and sell it like a stock. ETFs are traded on stock exchanges and can be bought and sold at any time during the day, unlike mutual funds, and you can keep an eye on the price at the time you buy it, rather than waiting for the end of the day, as you do with mutual funds. They are more tax-efficient than most mutual funds, and because they track indexes they have low operating and transaction costs.

Closed-end funds:

These funds behave more like ETFs than they do a typical mutual fund. Closed-end funds, which usually specialize in a sector or country, issue a fixed number of shares to the public in an initial public offer, after which shares in the fund trade on the stock exchange just like stocks and ETFs. They are not obligated to issue new shares or redeem outstanding shares as mutual funds do, and so shares can

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either trade below their net asset value (at a discount) or above it (at a premium).

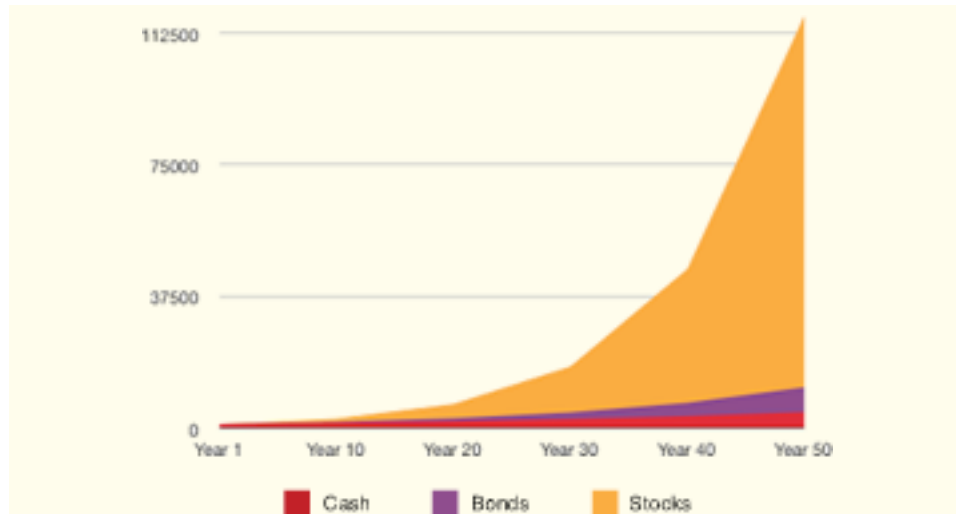
Other Investments

There are even more investment vehicles, including Real Estate Investment Trusts (REITs) and Commodity Funds, that we'll be talking about in future workouts in our online Investment Gym.

Try It Out Before Plunging In

We know some of you are already getting cold feet at the thought of actually plunging into the market. Well, you don't have to plunge. You can dip a toe in first. We recommend setting up a "dummy" portfolio first, before actually buying any stocks. You can do this on many financial sites, but we prefer the Yahoo Finance site because it's so easy to use and has most of the info you'll need to do at least some superficial research on your stocks.

Go to the main Yahoo site: <http://www.yahoo.com>. You'll need to sign up for a Yahoo ID if you don't have one. Once you've created an account and signed in, look on the left side of the page to click on the Finance section. Once there, look at the top of the page to click on My Portfolios. Click on Create New Portfolio. You can choose from creating a watch-list portfolio or an actual transaction portfolio. We recommend the transaction portfolio because you can put in the theoretical price you paid for the shares and number of shares you "bought," so that you can actually track how much money you're making or losing in your virtual portfolio. Then you can add the companies you'd like "buy" on your portfolio. By using the search option at the top of the page, you can type in



This shows why it's important both to be in the stock market, and to get started as early as you can. Over time, good stock investments are the best investments, and this is how people build security and prosperity.

the name of the company and Yahoo will give you the stock ticker symbol you need to actually buy or track the stock on your portfolio. You'll also get the current market price, and you can see the upper and lower range of the price as it fluctuates during the day. You can also look at a graph of the stock's performance over the short or long term.

We'll be adding more workouts in our online Investment Gym to help you in researching and buying stocks. In the meantime, get started by opening a brokerage account. Now is a great time to go window shopping and make your wish list.

Your next step will be to set up a lazy woman's portfolio, which is actually a portfolio for the very busy woman. Check out the portfolios we've described in the Investment Gym, which allow you to be diversified in the safest and easiest way: through index funds or exchange-traded funds. Once you've covered your assets with these funds, you'll be ready to start buying individual stocks.



Join Womanwithportfolio.com

The best way to learn about the world of investing is to share your goals, experience and strategies with others. That's why our online community of smart women (and men!) investors should be an important part of your investment portfolio.

For just \$100 per year, you'll get access to our detailed and daily stock information, our Idea Spa discussion forums, and our online portfolios of stocks that have our interest. No spam, no stock touts, no junk or jerks, we promise!

Join us at womanwithportfolio.com!