STOCKTON CENTER FOR ECONOMIC & FINANCIAL LITERACY
THE RICHARD STOCKTON COLLEGE OF NEW JERSEY

Fin Lit? Ask Me How. $

Stockton Peer Financial Education Program
The Stock Market and Investments for College Students

$$$ Money in the piggy bank!! $$$

Why should students invest their money?

- To save for your dream car!
- Saving for future investments – Money to buy your first dream home!
- Savings—MONEY IN DA BANK!
- Pay off tuition and fees—Start your life off debt free!
- To be financially included in society—Be the boss of your financial life!

A Diversified Portfolio

A portfolio is a group of different kinds of investments where an individual has invested their money.
Different types of investments to have in your portfolio:

- Certificates of Deposit (CDs): a special type of deposit account with a bank or thrift institution that typically offers a higher rate of interest than a regular savings account. They are safe via the FDIC, or Federal Deposit Insurance Corporation. The FDIC is an insurance corporation that guarantees deposits to member banks for each account you have up to a value of $250,000.

- U.S. Savings Bonds: A bond is a debt investment in which an investor loans money to an entity that borrows the funds for a defined period of time for a fixed interest rate. They are used by governments to fund a variety of projects.

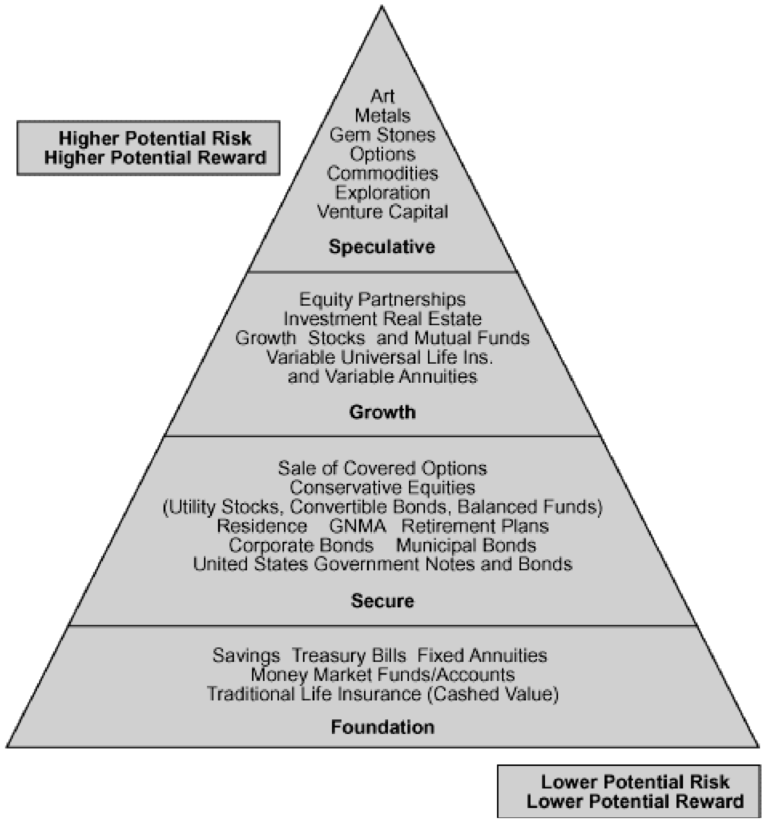
- Coverdell Education Savings Account (ESA): an investment vehicle designed to help parents fund their child's education. ESA is an education savings account. Earned interest in a Coverdell is tax deferred and withdrawals are tax-free. The ESA is a very financially beneficial way to save for an education.

- Mutual Funds: an investment vehicle that is made up of a pool of funds collected from many investors for the purposes of investing in securities such as stocks and bonds. They are operated by money managers.

- Stocks: A type of security sold in "shares" that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings. Unlike the less risky mutual funds, picking individual stocks is like trying to pick a winning ticket and is much more risky, because your money is only invested in one company.

An investment pyramid is a representation of the relative risk of various types of investments:

THE INVESTMENT PYRAMID[1]



- In the pyramid, the highest risk is at the top, e.g. investing in metals and commodity futures.
- The safest (less risky) investments at the bottom. Investments such as CDs have a very low risk and therefore low return. Return is the amount of money you make on top of what you invested.
- It is not a good idea to have too much of your money invested within one or two levels of the pyramid. A diversified portfolio blends numerous kinds of investments, but the balance between levels of risk is recommended to change with your age. Younger adults have more time to invest in risk and seek high returns in the longer run.

Suggested Further Resources:

www.Investopedia.com
www.Seekingalpha.com
www.Finance.yahoo.com

References:

[1] This diagram is from http://www.collyerandassociates.com/new/collyerandassociates/pyramid1mp.gif

For further information about Peer Financial Education, contact:
Dr. Deborah M. Figart, Professor of Education and Economics
Director, Stockton Center for Economic & Financial Literacy
Deb.Figart@stockton.edu