DEVELOPING THRIVING COMMUNITIES

Financial Planning

FINANCIAL FOUNDATIONS

Investor.gov: Test Your Money $marts

1. If you buy a company’s stock
    a. you own a part of the company.
    b. you have lent money to the company.
    c. you are liable for the company's debts.
    d. the company will return your original investment to you with interest.
2. If you buy a company’s bond
    a. you own a part of the company.
    b. you have lent money to the company.
    c. you are liable for the company's debts.
    d. you can help manage the company.
3. Over the past 70 years, the type of investment that has earned the most money, or the highest rate of return, for investors has been
    a. stocks.
    b. corporate bonds.
    c. savings account.
4. If you buy the stock of a new company,
    a. you cannot lose money.
    b. you can lose all the money you used to buy the stock.
    c. you can lose only a portion of the money you used to buy the stock.
5. Monique owns a wide variety of stocks, bonds, and mutual funds to lessen her risk of losing money. This is called:
    a. saving.
    b. compounding.
    c. diversifying.
6. Carlos has saved some cash and faces these choices. What would be the best thing for him to do?
    a. Put it in his savings account.
    b. Invest in a mutual fund.
    c. Buy a U.S. Savings bond.
    d. Pay off the balance on his credit card that charges 18% interest.
7. Maria wants to have $100,000 in 20 years. The sooner she starts to save, the less she'll need to save because
    a. the stock market will go up.
    b. interest rates will go up.
    c. interest on her savings will start compounding.
8. Jennifer wants to take some of her savings and invest in a mutual fund because mutual funds are
    a. guaranteed to earn more than savings accounts.
    b. risk free.
    c. managed by experts at picking investments.
9. Bob is 22 years old and wants to start saving now for his retirement in 43 years. Of these choices, where should Bob put most of his money now for this long-term goal?
    a. A savings account at the bank.
    b. A checking account at the bank.
    c. A mutual fund that invests in stocks.
10. Federal and state laws protect investors by requiring companies to
    a. show profits before they can sell stock.
    b. give investors important information.
    c. pay dividends.

1) A	6) D
2) B	7) C
3) A	8) C
4) B	9) C
5) C	10) B

http://investor.gov/node/2136/take

DIFFERENCES BETWEEN ROTH IRA AND TRADITIONAL IRA

Roth IRA vs. Traditional IRA

As U.S. taxpayers contemplate funding IRAs, they may wonder which type of IRA - Roth or Traditional - is the better choice. If you are one of these individuals, here is an outline of some of the differences between these two retirement accounts, their eligibility requirements and other factors to consider when choosing the account that's right for you.

	Roth IRA	**Traditional IRA**
Contribution Limit	The year's regular contribution limit plus a catch-up contribution for those at least 50 years old by year end.	The year's regular contribution limit plus a catch-up contribution for those at least 50 years old by year end.
Deductibility	Contributions are never deductible.	Contributions may be deductible, depending on tax-filing and active-participant statuses, as well as income amount.
Age Limitation	No age limitations on contributions.	No contributions allowed after and for the year the taxpayer attains age 70.5.
Tax Credit	Available for saver's tax credit.	Available for saver's tax credit.
Income Caps for Contributions	Income caps may prevent taxpayers from contributing.	No income caps will prevent taxpayers from contributing
Treatment of Earnings on IRA Investments	Earnings grow tax deferred. Qualified distributions are tax free, including distribution of earnings.	Earnings grow on a tax-deferred basis. Earnings are added to taxable income for the year distributed.
Distributions Rules	Distributions may be taken at any time. Distributions are tax and penalty free if qualified.	Distributions may be taken at any time. Distributions will be treated as ordinary income and may be subjected to an early-distribution penalty if withdrawn while the owner is under the age of 59.5.
Required Minimum Distribution	Owners are not subject to the RMD rules. However, beneficiaries are subject to the RMD rules.	IRA owners must begin distributing minimum amounts beginning April 1 of the year following the year they turn age 70.5. Beneficiaries are also subject to the RMD rules.

Be sure to consult with your tax professional, as there are usually other factors that could determine which options are most suitable to meet your financial needs.

Source: http://www.investopedia.com/articles/retirement/03/012203.asp#ixzz3r6ZNM5Ot

100 Year Historical Chart

Dow Jones Industrial

Dow Jones Industrial, Inflation Adjusted, Log Scale

www.macrotrends.net

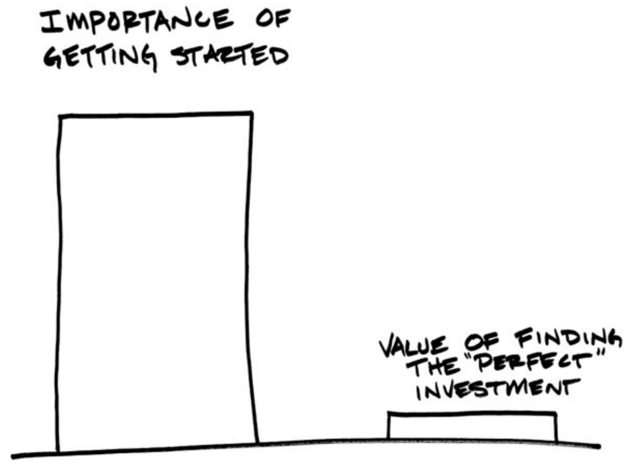
FROM RETIREMENT PROFESSIONALS

Rules of Thumbs

1. Wherever you are, the most important thing is to…just **start**.

2. Try to save **10 to 15** percent of your salary for retirement, including any employer match (could be less if you expect to have a pension).

3. Assume you will need **85** percent of your pre-retirement salary for living expenses in retirement – adjust up or down to fit your situation.



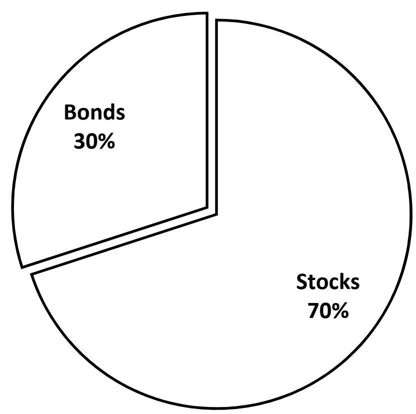
Carl Richards, a New York Times writer also known as "The Sketch Guy"

4. Most likely, you can safely withdraw four percent of your retirement savings per year (and adjust annually for inflation). This means that **every $30,000 in savings will give you an additional $100 per month** in retirement income.

5. A starting point for what percentage of your retirement savings should be in stocks and stock mutual funds**: take 110 and subtract your age** (or you can use a target date fund).

   For example, if you 40 years: 110-40= 70

   This suggests that a 40 year old may consider having 70% in stocks and 30% in bonds (see right).



6. Some goals to see whether your retirement savings are on track:
   - By age 40, retirement savings should total twice your annual salary.
   - By age 45, retirement savings should total three times your salary.
   - By age 50, four times your salary.
   - By age 55, five times your salary.
   - By age 60, six times your salary.
   - By age 67, eight times your salary.

… but most Americans have saved far less than these amounts! Again, ***the most important thing is start saving now.***

DevNW

Investment Types

Aggressive Growth Fund A mutual fund (see definition below) that attempts to achieve the highest capital gains. Investments held in these funds are companies that demonstrate high growth potential, usually accompanied by a lot of share price volatility. These funds are only for non-risk-averse investors willing to accept a high risk-return trade-off.
Bank Certificate of Deposit (CD) A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and are insured by the FDIC. The term of a CD generally ranges from one month to five years.
Bank Savings Account A deposit account held at a bank or other financial institution that provides principal security and a modest interest rate. Savings account funds are considered one of the most liquid investments outside of demand accounts and cash. Savings accounts are generally for money that you don't intend to use for daily expenses.
Blue-Chip Stock Ownership interest in a company that is nationally recognized, well-established and financially sound. Blue chips generally sell high-quality, widely accepted products and services. Blue chip companies are known to weather downturns and operate profitably in the face of adverse economic conditions, which helps to contribute to their long record of stable and reliable growth.
Commodity Futures An agreement to buy or sell a set amount of a commodity (for example, wheat, gold, beef, or oil) at a predetermined price and date. Buyers use these to avoid the risks associated with the price fluctuations of the product or raw material, while sellers try to lock in a price for their products. Like in all financial markets, others use such contracts to gamble on price movements. Trading in commodity futures contracts can be very risky for the inexperienced.
Emerging Markets Stock Fund A mutual fund that invests mostly in stocks from a single developing country or a group of developing countries. For the most part, these countries are in Eastern Europe, Africa, the Middle East, Latin America, the Far East and Asia. A developing country is characterized as being vulnerable to political and economic instability, having low average per-capita income, and of being in the process of building its industrial and commercial base. The "emerging market" label has been adopted by the investment community to identify developing countries with superior growth prospects. The potential for rewarding investment opportunities in this category of fund comes with relatively high risk.
High-Quality Corporate Bond Fund A mutual fund that invests in bonds with high ratings indicating that the bonds have a relatively low risk of default. Bond rating firms, such as Standard & Poor's, use different designations consisting of upper- and lower-case letters 'A' and 'B' to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds".
High-Yield (Junk) Bond Fund A mutual fund that invests in non-investment grade bonds. Junk bonds are fixed income instruments that carry a rating of 'BB' or lower by Standard & Poor's, or 'Ba' or below by Moody's. Junk bonds are so called because of their higher default risk in relation to investment-grade bonds. They tend to pay higher interest than investment-grade bonds.
International Stock Fund A mutual fund that invests in companies located anywhere outside the United States. (Note: a "global fund" can invest in companies located anywhere in the world including the United States.)
Money Market Fund An investment whose objective is to earn interest for shareholders while maintaining a net asset value (NAV) of $1 per share. A money market fund's portfolio is comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments. Investors can purchase shares of money market funds through mutual funds, brokerage firms and banks.

Source: http://www.investopedia.com

Investment Types

Muni Bond Fund A mutual fund that invests in debt securities issued by a state, municipality or county to finance its capital expenditures. Municipal bonds, or “munis,” are exempt from federal taxes and from most state and local taxes, especially if you live in the state in which the bond is issued. "Munis" are bought for their favorable tax implications, and are popular with people in high income tax brackets.
Mutual Fund A pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. An “index” fund tracks an existing index or list of stocks (sometimes called “passive management”). An “actively managed” fund relies on one or more managers to choose funds based on research and their own judgment.
S&P 500 Index Fund A mutual fund that invests in stocks matching the “Standard and Poor’s 500 index.” The S&P 500 index is a list of 500 stocks chosen for market size, liquidity, and industry grouping among other factors. It is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large-capitalization stock universe.
Sector Fund A mutual fund that invests solely in businesses that operate in a particular industry or sector of the economy. Because the holdings of this type of fund are in the same industry, there is an inherent lack of diversification associated with these funds. These funds tend to increase substantially in price when there is an increased demand for the product or service offering provided by the businesses in which the funds invest. On the other hand, if there is a downturn in the specific sector in which a sector fund invests, the fund will often face heavy losses as a result of the lack of diversification in its holdings.
Small Cap Stock Fund A mutual fund that invests in stocks with a relatively small market capitalization (market value of all the company’s shares). The definition of small cap can vary among brokerages, but generally it is a company with a market capitalization of between $300 million and $2 billion.
Start-up Company Stock An ownership interest in a company that is in the first stage of its operations. These companies are often initially bankrolled by their entrepreneurial founders as they attempt to capitalize on developing a product or service for which they believe there is a demand. Due to limited revenue or high costs, most of these small scale operations are not sustainable in the long term without additional funding from venture capitalists. There may not be a way to sell the stock unless it eventually becomes publicly traded (usually through a process known as an “IPO” or initial public offering).
Target Date Fund A mutual fund that automatically resets its asset mix of stocks, bonds and cash equivalents in its portfolio according to a selected time frame that is appropriate for a particular investor. For example, a younger worker hoping to retire in 2050 would choose a target-date 2050 fund, while an older worker hoping to retire in 2025 would choose a target-date 2025 fund. Because it has a longer time horizon, the 2050 fund would likely be weighted heavily toward stocks, with a relatively small percentage of bonds and cash equivalents, while the 2025 fund would hold relatively more bonds and cash equivalents and fewer stocks so it would be less volatile and more likely to contain the assets the investor needs to begin making withdrawals in 2025. The fund’s managers then rebalance the fund’s assets each year and keep its investments on track to meet the fund holders’ goal of using that investment to begin paying for their retirement in a particular year. Returns are not guaranteed, but depend on how the market performs. Sometimes called “life cycle” funds.
U.S. Treasury Bond A marketable, fixed-interest U.S. government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semi-annually and the income that holders receive is only taxed at the federal level. They can be bought individually or in mutual funds. Treasury instruments that mature in 10 years or less are called “Treasury notes” (2 to 10 years) or “Treasury bills” (1 year or less).

Source: http://www.investopedia.com

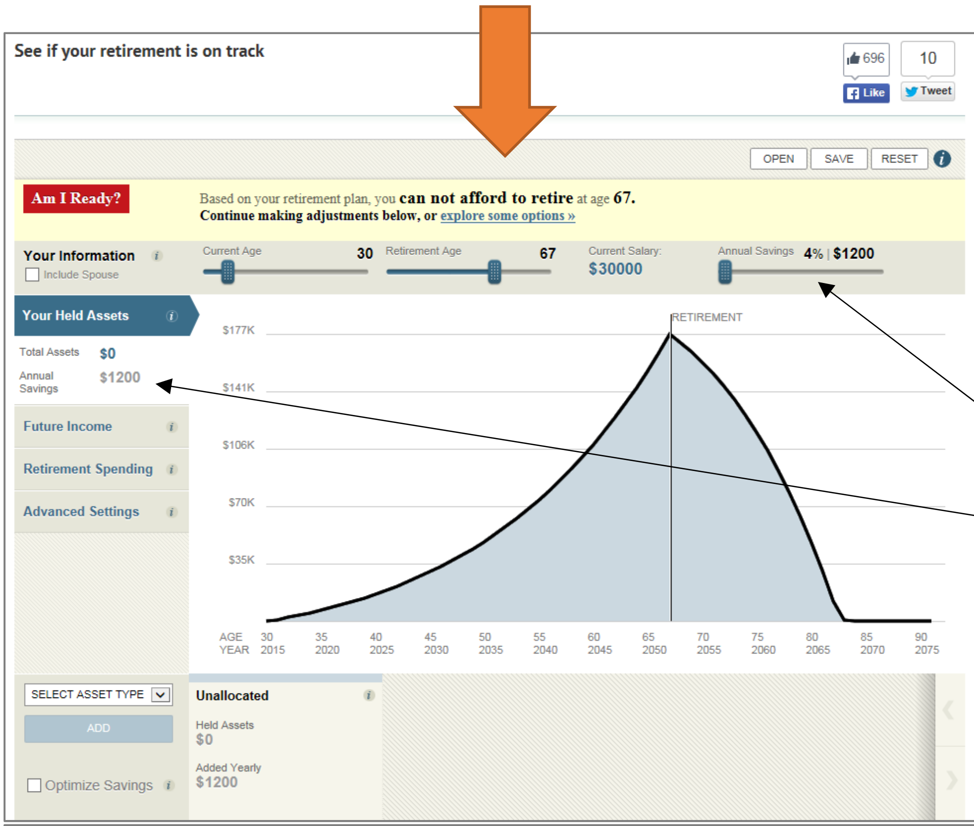
Online Retirement Calculators

Calculator	Fidelity	Returns	Platform	Cost	Notes/Features	Review
Fidelity Retirement Income Planner	3-High	Monte Carlo	Web	$0	Nice interface. Detailed expenses. Social Security estimate/override. Spouse. Multiple accounts. Asset allocation. Rebalancing. Real estate. Financial events. Retirement work. Scenarios. Tax calculations. RMDs. Annuities. Graphical/tabular output. Today's dollars option. Save data. Well documented. (Requires signup.)	12/2014
Retiree Portfolio Model	3-High	Average	Excel	$0	Social Security override/optimization. Spouse. Multiple accounts. Asset allocation. Financial events. Scenarios. Tax calculations. RMDs. Roth conversions. SPIA. Graphical/tabular output. Save data. Support forum.	12/2014
cFIREsim	2-Med	Average, Historical, Monte Carlo	Web	$0	Spouse. Asset allocation including gold. Rebalancing. Financial events. Spending policies. Graphical/tabular output. Dip analysis. Investigate scenarios. Save data. Support forum.	11/2014
FinancialMentor Ultimate Retirement Calculator	2-Med	Average	Web	$0	Simple input. Social Security override. Financial events. Retirement work. Tabular output. Computes savings/contributions needed to fully fund plan.	4/2013
FIRECalc	2-Med	Average, Historical, Monte Carlo	Web	$0	Simple start. Social Security override. Spouse. Spending policies. Asset allocation. Financial events. Scenarios. Graphical output.	4/2013
Personal Capital Retirement Planner	2-Med	Monte Carlo	Web	$0	Nice interface. Simple input. Social Security override. Spouse. Multiple accounts. Asset allocation. Real estate. Financial events. Retirement work. College saving. Annuities. Graphical/tabular output. Today's dollars. Save data. Well documented. (Requires signup.)	2/2016
CalcXML Retirement Savings	1-Low	Average	Web	$0	Simple input. Income replacement. Social Security estimate/override. Spouse. Graphical/tabular output. PDF report.	11/2014
T. Rowe Price Retirement Income Calculator	1-Low	Monte Carlo	Web	$0	Nice interface. Simple input. Social Security estimate/override. Spouse. Asset allocation. Rebalancing. Scenarios. Graphical output. Today's dollars. Save data. Well documented.	4/2013
Dinkytown.net Retirement Planner	1-Low	Average	Web	$0	Nice interface. Income replacement. Social Security estimate. Retirement work. Graphical/tabular output. Well documented.	11/2014
Great-West Retirement Investment Calculator	1-Low	Average	Web	$0	Simple input. Social Security override. Click 'Show Detail' for tabular output. Computes value of nest egg at retirement, and how long it will last.	11/2014
MoneyChimp Retirement Planner	1-Low	Historical	Web	$0	Simple portfolio survival analysis. Input retirement length, expenses, asset allocation. Outputs success rate and list of failing time periods.	11/2014
Vanguard Retirement Nest Egg Calculator	1-Low	Monte Carlo	Web	$0	Nice interface. Simple input. Asset allocation. Graphical output. Well documented.	3/2013
SmartAsset Retirement Calculator	1-Low	Average	Web	$0	Nice interface. Simple input. Social Security estimate. Multiple accounts. Tax calculations. Graphical output.	2/2016

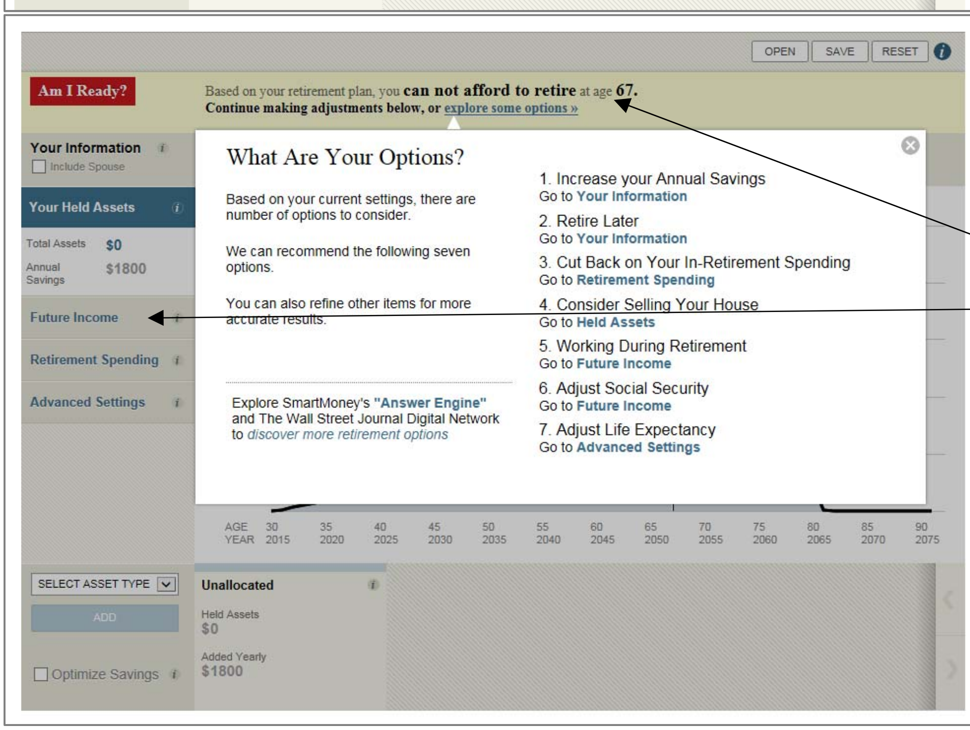
http://www.caniretireyet.com/the-best-retirement-calculators/

Retirement Saving Calculator Example

Using MarketWatch Calculator
http://www.marketwatch.com/retirement/tools/retirement-planning-calculator



Example: age 30, earns $30,000/year, no current savings, starting to save 4% of salary ($100/mo)



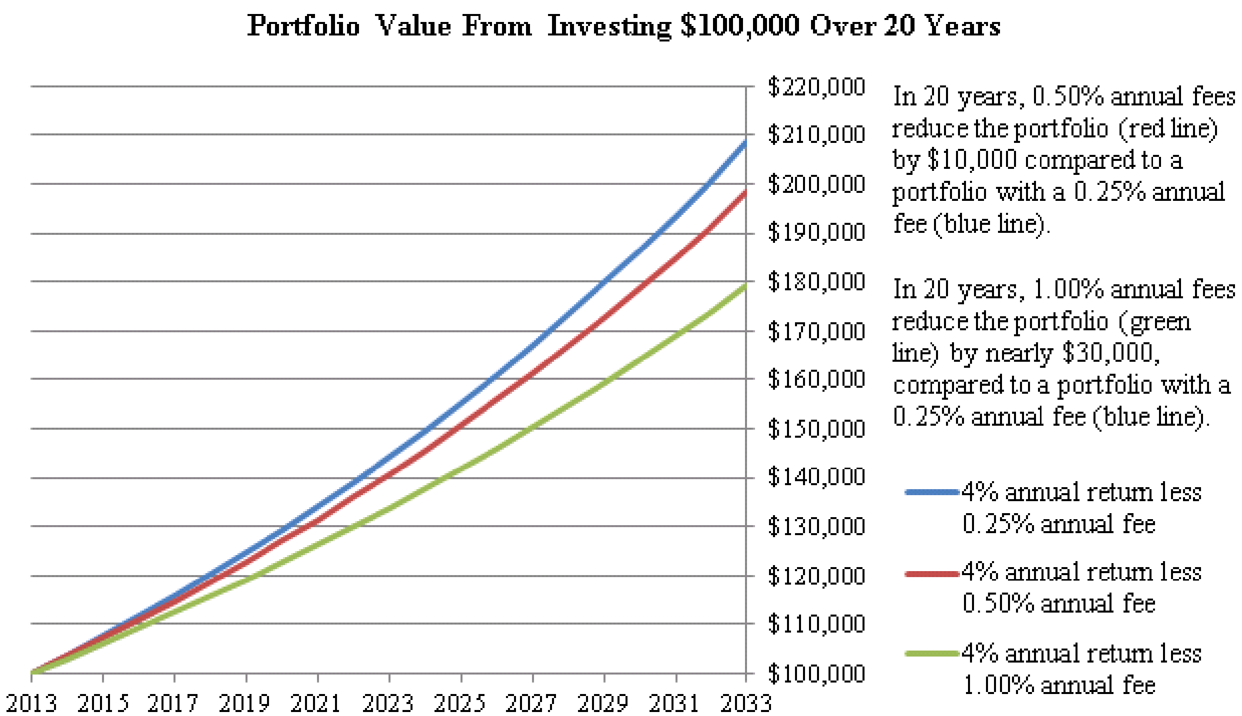
Click on "explore your options" and make changes using the menu on the left and the sliders at the top.

Investor.gov
U.S. Securities and Exchange Commission

Investor Bulletin: How Fees and Expenses Affect Your Investment Portfolio

The SEC's Office of Investor Education and Advocacy is issuing this bulletin to educate investors about how fees can impact the value of an investment portfolio.

As with anything you buy, there are fees and costs associated with investment products and services. ***These fees may seem small, but over time they can have a major impact on your investment portfolio.*** The following chart shows an investment portfolio with a 4% annual return over 20 years when the investment either has an ongoing fee of 0.25%, 0.50% or 1%. Notice how the fees affect the investment portfolio over 20 years.



Along with the other factors you think about when choosing either a financial professional or a particular investment, be sure you understand and compare the fees you'll be charged. It could save you a lot of money in the long run.

- **Get informed.** Find out what you may be charged by reading what your financial professional provides you. For example, look at your account opening documents, account statements, confirmations and any product-specific documents to see the types and amount of fees you are paying. ***Fees impact your investment, so it's important you understand them.***

- **Ask questions so that you understand what you will be charged, when and why. Questions might include:**
  - What are all the fees relating to this account? Do you have a fee schedule that lists *all* of the fees that will be charged for investments and maintenance of this account?
  - What fees will I pay to purchase, hold and sell this investment? Will those fees appear clearly on my account statement or my confirmation? If those fees don't appear on my account statement or my confirmation, how will I know about them?
  - How can I reduce or eliminate some of the fees I'll pay? For example, can I buy the investment directly without paying a financial professional? Can I pay lower fees if I open a different type of account?
  - Do I need to keep a minimum account balance to avoid certain fees?
  - Are there any other transaction or advisory fees? Account transfer, account inactivity, wire transfer fees or any other fees?
  - How do the fees and expenses of the product compare to other products that can help me meet my objectives?
  - How much does the investment have to increase in value before I break even?

- **Ask questions about your financial professional's compensation. Questions might include:**
  - How do you get paid? By commission? How are commissions determined? Do they vary depending on the amount of assets you manage?
  - Do you get paid through means other than through commissions and amount of assets you manage and, if yes, how?
  - Do I have any choice on how to pay you?

- **Check your statements.** Review confirmation and account statements to be sure you're being charged correctly and ask your financial professional to break the fees down for you if it's unclear.

What types of fees are there?

Fees typically come in two types—*transaction fees* and *ongoing fees*. Transaction fees are charged each time you enter into a transaction, for example, when you buy a stock or mutual fund. In contrast, ongoing fees or expenses are charges you incur regularly, such as an annual account maintenance fee.

Investor Checklist
Some Key Questions for Hiring a Financial Professional

Expectations of the Relationship

- ✓ How often should I expect to hear from you?
- ✓ How often will you review my account or make recommendations to me?
- ✓ If my investments aren't doing well, will you call me and recommend something else?
- ✓ If I invest with you, how can I keep track of how well my investments are doing?

Experience and Background

- ✓ What experience do you have, especially with people like me? What percentage of your time would you estimate that you spend on people with situations and goals that are similar to mine?
- ✓ What education have you had that relates to your work?
- ✓ What professional licenses do you hold?
- ✓ Are you registered with the SEC, a state securities regulator, or FINRA?
- ✓ How long have you done this type of work?
- ✓ Have you ever been disciplined by a regulator? If yes, what was the problem and how was it resolved?
- ✓ Have you had customer complaints? If yes, how many, what were they about, and how were they resolved?

Products

- ✓ What type of products do you offer?
- ✓ How many different products do you offer?
- ✓ Do you offer "house" products? If so, what types of products are they, and do you receive any incentives for selling these products, or for maintaining them in a customer's account? What kind of incentives are they?

Payments and Fees

- ✓ Given my situation and what I'm looking for, what is the [best / most cost effective] way for me to pay for financial services? Why?
- ✓ What are the fees that I will pay for products and services?
- ✓ How and when will I see the fees I pay?
- ✓ Which of those fees will I pay directly (such as a commission on a stock trade) and which are taken directly from the products I own (such as some mutual fund expenses)
- ✓ How do you get paid?
- ✓ If I invested $1000 with you today, approximately how much would you get paid during the following year, based on my investment?
- ✓ Does someone else (such as a fund company) pay you for offering or selling these products or services?

Inexpensive Advice

NOTE: Terms and details may have changed since this list was prepared – check each company for current information.

These “Robo Advisor” companies offer help picking and rebalancing index and exchange-traded funds or similar investments, and none charge more than about 0.5 percent of your assets each year for the privilege.

Company/Product	Costs	Minimum Balance Req.	Comments
Betterment www.betterment.com	**0.15 to 0.35 percent** of assets	None, but people with less than $10,000 must deposit $100 each month or pay a $3 monthly fee	One feature helps people determine a safe amount of money to withdraw for retirement each month. Betterment also offers tax-loss harvesting in taxable accounts with more than $50,000 and support for trust accounts.
Schwab Intelligent Portfolios Intelligent.schwab.com	**Free**	$5,000	Schwab, in the name of transparency, plans to publish the criteria by which it is selecting funds for the portfolio and will not disqualify any funds that don't pay it fees.
FutureAdvisor www.futureadvisor.com	**0.5 percent** of assets	None	FutureAdvisor will advise on, watch and rebalance multiple Individual Retirement Accounts and taxable brokerage accounts at Fidelity or TD Ameritrade. Customers don't have to sell investments in taxable accounts and potentially pay capital gains taxes to use the FutureAdvisor service if they already have money at those firms.
SigFig www.sigfig.com	**Free** for the first $10,000; **0.25 percent** after that	$2,000	SigFig manages money in your existing account if it's at Charles Schwab, Fidelity or TD Ameritrade. There are no trading costs, and the company trades for you.
Target-Date Funds from Various Companies	Vanguard’s are inexpensive and made up of index funds with average costs of **0.17 percent**	Generally very small, if any	Sometimes companies stuff target-date funds with their own actively managed mutual funds, which can raise costs. Funds from competing companies with the same target date may have very different ratios of stocks to bonds and other assets.
Vanguard **Personal Advisor Services** www.vanguard.com	**0.3 percent** of assets	$50,000	Vanguard is alone among this group in including full-service financial planning in the price.
Wealthfront www.wealthfront.com	**Free** for the first $10,000; **0.25 percent** after that	$500	Wealthfront does tax-loss harvesting for customers with more than $100,000 and helps Twitter and Facebook shareholders sell their stock and diversify in an efficient fashion.
WiseBanyan www.wisebanyan.com	**None**	None	WiseBanyan is still in beta, so you have to take a spot in line and wait. It intends to make money by charging for various financial planning services.

Costs are annual unless otherwise noted. There are also underlying fees for the funds that every one of these services uses, though they tend to be low since they go into index or similar funds. Trading fees, commissions and related charges are included unless otherwise noted; some companies are able to absorb them. Companies that have a range of fees usually charge less as you give them more money to manage.

Source: The New York Times and Corporate Insight (Aug. 22, 2014)

DevNW

Kiplinger’s Best Online Brokers

By Nellie S. Huang | November 2014

Investing through an online broker is a slam dunk: It's easy and fees are reasonable. The hard part is zeroing in on the broker that's right for you. We surveyed nine firms and analyzed each in seven broad areas. Overall scores depend heavily on how much weight you assign each category. We weighted the categories based on what our readers consider vital: investment choices, 25%; tools, 20%; Web site and mobile functionality, 15% each; commissions and fees, and research 10% each; and advisory services, 5%.

	Overall	Costs	Investment Choices	Tools	Research	Website	Mobile	Advisory services
1. Fidelity	★★★★☆	★★½☆☆	★★★★☆	★★★★☆	★★★★★	★★★★½	★★★★☆	★★★★☆
2. Charles Schwab	★★★★☆	★★☆☆☆	★★★★★	★★★☆☆	★★★½☆	★★★½☆	★★★★½	★★★★★
3. Merrill Edge	★★★½☆	★★½☆☆	★★½☆☆	★★★★★	★½☆☆☆	★★★★½	★★★★☆	★★½☆☆
4. E*Trade	★★★☆☆	★★½☆☆	★★☆☆☆	★★½☆☆	★★☆☆☆	★★★★½	★★★★★	★★★★☆
5. TD Ameritrade	★★★☆☆	★★☆☆☆	★★★½☆	★½☆☆☆	½☆☆☆☆	★★★★★	★★★★½	★½☆☆☆
6. Scottrade	★★½☆☆	★★☆☆☆	★★★½☆	★★☆☆☆	★★☆☆☆	★★★½☆	★★★☆☆	☆☆☆☆☆
7. TradeStation	★½☆☆☆	★☆☆☆☆	★½☆☆☆	★☆☆☆☆	☆☆☆☆☆	★★★★★	★½☆☆☆	☆☆☆☆☆
8. TradeKing	★½☆☆☆	★★☆☆☆	½☆☆☆☆	★½☆☆☆	★☆☆☆☆	★★★☆☆	★★☆☆☆	★½☆☆☆
9. Firstrade	★½☆☆☆	★★★½☆	★☆☆☆☆	½☆☆☆☆	★☆☆☆☆	★★★☆☆	★½☆☆☆	☆☆☆☆☆

Ultimately, you should decide what you consider most important and choose a broker accordingly. The best broker for you may not be the one that tops the charts. Your choice may boil down to the kind of investor you are. Active traders and new investors, for example, have very different needs and would likely prefer the services of different firms.

Take a look at our reviews of the following nine brokers to see which one is the best fit for you.

http://www.kiplinger.com/slideshow/investing/T023-S003-best-online-brokers/index.html

**To be included, firms had to offer online trading of stocks, ETFs, mutual funds and bonds. That eliminated firms such as T. Rowe Price, among others, that offer bond trading only through a representative. Vanguard opted not to participate, as did Interactive Brokers. The latter was in the middle of beefing up its mutual fund offerings and asked to be excused from the 2014 survey.*

Six Rules to Disciplined Investing

October 6, 2015 By Rick Ferri

Investment discipline isn't easy. Despite best intentions and claims to the contrary, many investors chase performance, react emotionally to market moods, and generally incur far more trading costs than good discipline would suggest. Even when there is a long-term plan in place, if it's not followed, the plan is useless. Over the years, I've seen good intentions go by the wayside time and again because discipline was not followed.

These observations aren't limited to individual investors. I've seen similar conduct from investment advisers who claim to have a disciplined strategy, only to add that they'll "adapt to changing market conditions" when warranted. This loophole leaves an ample opening for ever-shifting adjustments based on what seems to be the right move at the time. It's particularly common in bear markets when clients become anxious and hint that they may be looking to take their business elsewhere. Loopholes in discipline statements may allow an adviser to retain skittish clients, but lack of discipline is rarely in a client's best long-term interest.

I've put together six rules to disciplined investing. They will help you (and perhaps your adviser) make better long-term decisions:

1. Have a long-term investment philosophy.
2. Form a prudent asset allocation based on this philosophy.
3. Select low-cost funds to represent asset classes in the allocation.
4. Maintain this portfolio through all market conditions.
5. Don't change the asset allocation due to recent market activity.
6. Don't hold back on new investments while waiting for market clarity.

Have a long-term investment philosophy: There are two investment philosophies in the world. You either believe you have a high probability of beating the markets or you don't. I decided a long time ago that the markets are more efficient at pricing securities than I could ever hope to be. I do not have enough skill to consistently add value to a portfolio by picking mispriced stocks, bonds, industry sectors, countries, or entire markets. So I don't try. Market returns are all I need to achieve my long-term financial goal.

Form a prudent asset allocation based on this philosophy: Asset allocation is how a portfolio is diversified among asset classes. A prudent asset allocation should be based on each person's own long-term financial goals. This gives you a personalized beacon to follow through turbulent market conditions. The allocation should be in fixed percentages that you plan to stick with over time, rather than floating or tactical reactions to the ongoing turbulence.

Select low-cost funds to represent asset classes in the allocation: Implement the asset allocation using an appropriate mix of index funds and exchange-traded funds (ETFs). These products provide broad diversification within an asset class for a very low cost. Building a select portfolio of index funds and ETFs that tracks the markets will help you receive your fair share of the markets' returns.

Maintain this portfolio through all market conditions: Markets do not remain at their current levels for long, yet a portfolio should be maintained at roughly the same asset allocation through all market conditions. Rebalancing helps control the portfolio allocation. An annual rebalancing can serve as the method to maintain a portfolio. Cash contributions and withdrawals also provide an occasion to rebalance.

Don't change the asset allocation due to recent market activity: Since a portfolio is based on long-term needs, it should be maintained for the long-term. If you're not willing to hold an asset class or fund for the next 10 years, then you shouldn't own it now. It doesn't matter what's going on in the markets today; build and hold your portfolio for the long haul, giving it the greatest chance to fulfill its intended purpose.

Don't hold back on new investments while waiting for market clarity: It's not easy to invest new money in a portfolio that has recently lost money, but that's what you have to do. If your plan is to invest every month, then invest every month regardless of recent market activity. Discipline in investing is about forming good habits and then doing them consistently.

Some critics of these methods say these rules are too rigid – they don't offer flexibly for what's happening in the markets today. Well, THAT'S what discipline means! It's discipline that makes a plan work. Create a plan and stick to it.

Part of your plan may be to make an asset allocation change at the appropriate time in the future when your own life's circumstances have changed. These circumstances can be related to your health, career, retirement, a lump-sum windfall or a similar life-changing event. The shift may result in a different allocation, but it remains just as important to maintain discipline.

Investment discipline is easy to read about. It's the same as a doctor telling you to exercise regularly, eat right and get plenty of rest. It sounds so easy when someone else says it! Yet, in real life, it's not so easy to do. That's why we have to be reminded to be disciplined. My advice is to re-visit this post whenever you may doubt your discipline.

Remember, a well-balanced portfolio works if you actually do it – in good times and in bad. For more information on this topic, please read All About Asset Allocation, 2nd edition, McGraw-Hill, 2010.

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