PERSONAL FINANCE

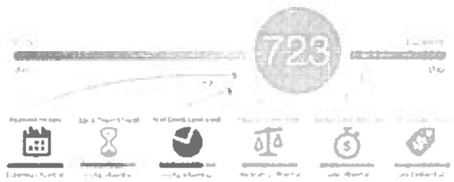
Bills		Average Cost
Stonegate Mortgage Company	$	1 650 00
Student Loan	$	201 00
Source Energy Electricity	$	190 90
AT&T Cell Phone	$	143 90
AT&T U Verse TV	$	121 00
Centerpoint Energy Gas	$	29 00
LA Fitness	$	54 00
Car Payment	$	500 00
Car Insurance	$	142 00
Water/Garbage	$	120 00
Gas	$	150 00
Dry Cleaning	$	25 00
Sub Total of Recurring Bills	$	3 326 00

BENEFITS OF BUDGETING

- Makes you aware of what is going on with your money
- Helps you organize your spending and savings
- Enables you to save for expected and unexpected costs
- Allows you to make the best use of your money

WHEN YOU NEED MONEY

- Loans
  - Good types
    - Mortgages- loans for real estate (houses and property)
    - Student Loans- paying for higher education
  - Bad types
    - Credit cards- use high interest and late fees to penalize you for borrowing money
      - However, to get any of the above you have to show responsibility with a credit card = necessary evil
    - Credit cards can also give you the cash in an emergency situation in which you may not have immediate money to use



2016 Toyota Camry
$23,000 00
66 Month Term

Person A	Person B
Credit Score 730	Credit Score 539
Interest Rate [illegible]%	Interest Rate 14 [illegible]%
Payment $368.22	Payment $513.67
Total Interest Paid $1302.36	Total Interest Paid $10821.44
Total of Payments $24 302 39	Total of Payments $33 821.44

Person B pays

$9,619.05 MORE

than Person A for the exact same vehicle and the exact same price

WHEN YOU HAVE EXTRA MONEY

- Save
  - Savings accounts
  - Money Market Accounts- typically offer higher interest rates, but limited access to your money
  - Certificates of Deposits (CDs)
    - A special kind of savings account that offers high interest rates
    - Issued by banks at a guaranteed rate of interest over a certain period of time
    - However, you can not remove your money until that time period is over (usually a year or two)

WHEN YOU HAVE EXTRA MONEY

- Invest
  - Why Invest?
    - Investing in the stock market allows those companies to expand and grow which can create better projects and job opportunities
    - When looking to invest, think about
      - Amount of risk
      - Rate of Return
      - Liquidity (can you easily get your money back if you need to?)

BONDS

- A bond is a LOAN or an IOU that represents debt that the government or corporation must repay to an investor
  - Issuer- the seller of the bond
  - Holder- the investor who buys the bond
- Three Components to a Bond
  - *Coupon rate*- the interest rate that a bond issuer will pay to the holder
  - *Maturity*- the time at which payment to the holder is due
  - *Par value*- the amount that the investor pays to purchase the bond and that will repaid to the investor at maturity

WHICH BONDS ARE BEST?

- Moody's and Standard & Poor's are two firms that rate bonds

Highest investment grade	=	AAA
High grade	=	AA
Upper medium grade	=	A
Medium grade	=	BBB
Lower medium grade	=	BB
Speculative	=	B
Vulnerable to default	=	CCC
Subordinated to other debt rated CCC	=	CC
Subordinated to CC debt	=	C
Bond in default	=	D

ADVANTAGES OF SELLING BONDS

- The coupon rate for a bond will not go up or down once the bond is sold
- Bond holders do not own a part of the company, unlike stockholders. Therefore, the company does not have to share profits with its bondholders if the company does well

TREASURY BONDS

- Treasury bonds are the safest because they are backed by the U S government
- They are a low risk investment

DID YOU KNOW...

- If you had invested $10,000 in Dunkin Donuts in 1982, you would have made $47,000 over the next four years
- A $10,000 investment in the Gap would have resulted in a $250,000 gain (in 1976 shares were $18)
- If you had invested the price of a Subaru car into Subaru stock in 1977 and sold it in 1987 you would have made a million dollars!
- $1000 invested in Wal-Mart stock in January 1972 would now be worth $1,165,000
- $1000 invested in Microsoft in 1986 would now be worth $289,000
- Coleco, maker of cabbage patch dolls, stock went form $65 a share in 1983 to $1 75 just before filing bankruptcy
- After seeing it hit a low point in 2009, Domino's Pizza saw their stock grow 233 percent within a year after changing their pizza recipe

- Ronald Wayne was the third cofounder of Apple, along with Steve Wozniak and Steve Jobs. In 1976, he sold his 10% share of the company for $800. Today, his 10% would have been worth of $35 billion
- The board of directors of Microsoft tried to give each shareholder a Zune music player instead of a dividend in 2006, causing the share price to fall 99.97% until they changed their mind 18 minutes later. This was known as the 'flash crash'
- In 1954, economist Armen Alchian was able to figure out what the secret fuel was for the newly developed hydrogen bomb just by looking at the share prices of chemical suppliers on the stock market

THERE IS NO SUCH THING AS A SURE THING!!!

STOCKS

- Corporations sell stock to raise money for starting, running, or expanding their businesses
- Two ways that stock holders make a profit:
  - Dividends: the portion of corporate profits paid quarterly to their stock holders
    - Income stocks- pays out regularly
    - Growth stocks- pays few dividends so they reinvest profits into the company
  - Capital Gains: sell stock for more than you bought it. The difference between the higher selling price and the lower purchase price
    - Capital losses: lower selling price, higher purchase price

CLASSIFICATION OF STOCK

- Common Stock: investors receive one vote per share of stock owned
- Preferred stock: investors are non-voting owners of the company
  - These receive dividends before owners of common stock (good if the company is going out of business)

STOCK SPLITS

- A stock split means that each single share of stock splits into more than one share
- A company may seek a stock split when the price of a stock becomes so high that it discourages investors from buying it
- Example: 200 shares worth $100 each (before split)
  - 400 shares worth $50 each (after split)
  - There is not an immediate financial gain, but stock prices tend to rise afterwards
  - McDonald's stock has split nine times"

SECURITIES AND EXCHANGE COMMISSION (SEC)

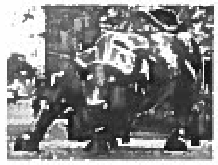
- The SEC is an independent government agency that regulates financial markets and investment companies
- It enforces law prohibiting fraud and other dishonest investment practices

BEST WAY TO "PLAY" THE STOCK MARKET

- Diversification- spread the risk (don't invest in one company)
- Mutual Funds
  - Funds that pool the savings of many individuals and invest this money in a variety of stocks and bonds
- Unless you are a stock broker, slow and steady, look at it as a long term investment"

MEASURING STOCK PERFORMANCE

- Bull Market- stock market rises steadily over a period of time. Investors expect an increase in profits and buy more stock
- Bear Market- stock market steadily drops over a period of time. Investors expect lower profits and sell stock



THE DOW JONES INDUSTRIAL AVERAGE

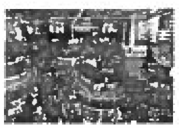
- Stock on the Dow represent 30 large companies in various industries, such as food, entertainment, and technology

Alcoa: AA	Honeywell: HON
American Express: AXP	IBM: IBM
AT&T: T	Intel: INTC
Boeing: BA	International Paper: IP
Caterpillar: CAT	Johnson & Johnson: JNJ
Coca Cola: KO	McDonald's: MCD
Citigroup: C	Merck: MRK
Disney: DIS	Microsoft: MSFT
DuPont: DD	3M: MMM
Eastman Kodak: EK	JP Morgan: JPM
Exxon Mobil: XOM	Philip Morris: MO
General Electric: GE	Procter & Gamble: PG
General Motors: GM	SBC Communications: SBC
Hewlett Packard: HWP	United Tech: UTX
Home Depot: HD	Wal-Mart: WMT

STANDARD & POOR'S 500 (S&P500)

- The S&P500 tracks the price changes of 500 different stocks as a measure of overall performance

STOCK EXCHANGES



- The New York Stock Exchange (NYSE)
  - The country's largest and most powerful stock exchange
- The National Association of Securities Dealers Automated Quotations (NASDAQ)
  - The American market for over-the-counter securities. Does not have a trading floor, but simultaneously broadcasts through computer terminals

SUMMARIZING STOCKS VS BONDS

- Owning stocks = ownership in a company
  - Owners in a company are entitled to a company's profits, called dividends
  - Another way to get money with stocks is to buy low and sell high called capital gains
- Owning a bond- lending money to a company
  - Bondholders earn interest because they have loaned money to a company
  - They will receive an interest payment until the bond matures and then receive the amount loaned