

When small is big

Decoding small-income investment options

LEARNING HOW TO grow your own fortune begins with understanding the your investment options. The following list includes brief descriptions of all types of accounts in which small investors might be interested.

MUTUAL FUND — This pools your money with hundreds of other investors to buy shares of common stock. You can get into one for little as \$1, and the broker manages the investments for you. Your profit comes from the stock's performance.

There are several types of funds in which to invest. A growth fund focuses on stocks that gradually increase in value, whereas an income fund's primary focus is provide current income via stocks that pay high dividends. Some funds charge fees each time you invest; some (no-load funds) charge no fee.

MONEY MARKET FUND — Like

a mutual fund, this pools the money of many investors, but not to buy stock. Instead, the money in type of fund is lent to banks, corporations and others for a short period of time.

The interest rate varies. You can get into some for \$500 or less. Many allow you write checks to get to your cash. They are not insured by the government, but there are different types of funds from which to choose based on how much safety and profit you want from your investment.

Others require minimum deposits, others allow low minimums or check withdrawals. A prospectus from each will tell you all the specifics. It may prove necessary to have an expert — such as broker — explain the prospectus to you.

MONEY MARKET SAVINGS ACCOUNT — This is similar to a money market fund but is offered only through banks, savings and loans and credit unions. The minimum deposit is

\$1,000 but, by law, you won't earn the advertised interest rate unless you have \$2,500 on deposit.

The financial institution may invest your money anywhere it chooses and set any interest rate. You usually may write three checks a month. This type of investment is insured up to \$100,000.

MONEY MARKET CHECKING ACCOUNT — This insured account is available through banks, saving and loans and credit unions. It's different from money market saving in that you can write an unlimited number of checks. But you make a minimum deposit of \$2,500; and if your balance falls that, you will earn only 5 1/4 percent.

SAVINGS BOND — Available in multiples of \$25 at most banks, the interest you earn is tax free. The savings bond is best for investors who can hold on to it until it matures — five years — at which time you get back your money, plus a higher interest rate, say 7.5 percent. The lowest rate is 5.5 percent, payable if you redeem your bond after six months.

TREASURY BILL AND NOTE — Both are government securities. Treasury bills require a minimum \$10,000 investment and mature in one year or

less. Treasury notes can be had for \$1,000 and mature in one to 10 years.

CERTIFICATE OF DEPOSIT — This is an FDIC-insured savings certificate offered by financial institutions and through brokers that require you to tie up your money for a set period of time in order to earn more interest. It's important to compare a CD with other investments in terms of interest earned and easy access to your money.

BONDS — Bonds are one way for governments, corporations, school boards, etc. to raise money. Bonds come in many different forms: tax-exempt, corporate, government-insured and bond funds, which operate much like money market and mutual funds. They are rated to tell you something about the experts think of the safety of investing in them. They usually require a long-term investment on your part, taking as long as 20 years to mature.

STOCKS — The cardinal rule is not to invest any money you can't afford to lose. If you still want to invest, then do so, by buying and selling what you like through a broker. Discount brokers will charge you substantially less commission but will not provide advice and other amenities that are matters of course with a full-service broker.

Attention Investors!!!



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For more information about SCAT and other investment opportunities contact: KERRY P. KENNEDY

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Building wealth

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NO TREND STAYS in effect forever. You must develop a philosophy of selling investments when those around you are euphoric, and buying when the headlines read doom and gloom. Your priority must be based first on capital preservation and then on income or growth objectives.

A financial plan for wealth accumulation is critical, but just as important as the plan is your commitment to it.

A financial plan is not an end in itself but the beginning of a financial management process that relates to a

changing world and shifting personal attitudes and conditions.

It sets the parameters of what you want, establishes your willingness to assume risk and helps crystallize your personal investment philosophy.

If you do not have the time or inclination to do your own planning and financial monitoring, find a qualified financial planner to help you. Your development of independent thought, use of investment compounding, asset diversification and the support of seasoned advisers will improve greatly your chance for the successful accumulation of wealth.

Credits

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