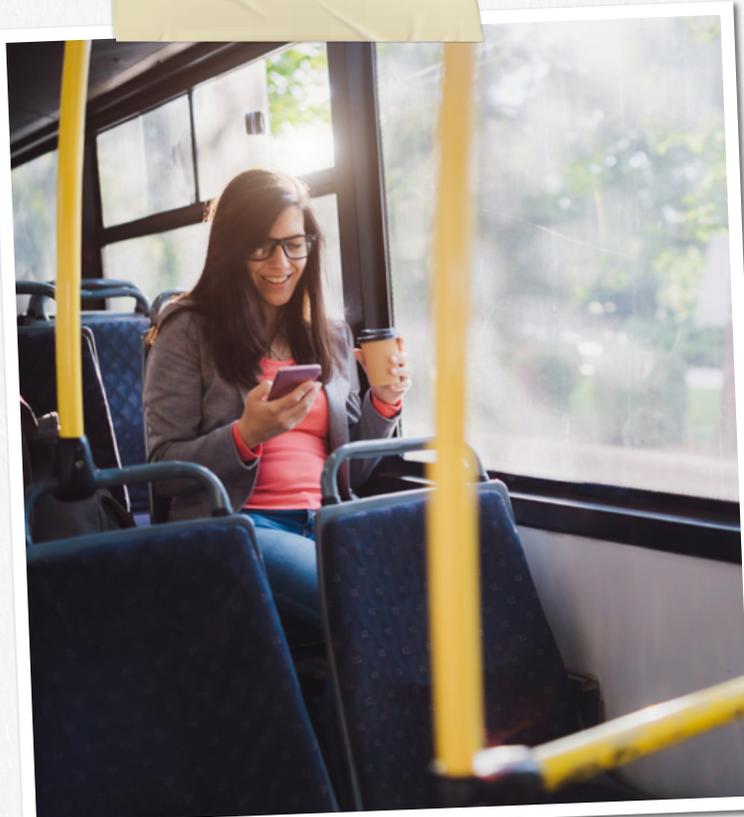


Activity 2

ACHIEVING YOUR INVESTMENT GOALS

In this book, you learned about the three most common types of investments – stocks, bonds, and mutual funds – and about the importance of diversification. Now you're ready to put what you've learned to work.

Choose one of the investment goals listed below, and design a well-diversified portfolio that would help you achieve it. You might start by examining the portfolios developed by *Kiplinger's*, a personal finance publication, which cover a range of timelines and risk tolerances – visit www.kiplinger.com/tool/investing/T052-S001-investment-portfolio-finder/index.php. You can use one of the *Kiplinger's* portfolios or create your own with a combination of stocks, bonds, and/or mutual funds. Keep in mind that a higher ratio of stocks to bonds in your portfolio typically indicates a higher level of risk but also a higher level of returns – and vice versa.



INVESTMENT GOALS (CHOOSE ONE)

1. You'd like to buy a house in five to seven years and need a down payment.
2. You want to buy a vacation home or boat in 8-10 years.
3. Your kids will be going to college in 10-12 years.
4. In 15-18 years, you'd like to start working part-time and use your investments as supplemental income.
5. You are saving for retirement in 25 years. You want to have money to travel and take up new hobbies.
6. You are saving for retirement in 30 years. You want to have a small home near your grandkids and enough money to go out to eat occasionally.

Create a presentation for your class that demonstrates why you chose each of the assets in your portfolio, a timeline of how much money you will need to invest and when, and a projection of your earnings over the time period designated. For example, if you choose Goal 1, you will need to show how much money you will have to invest, and how much you expect to earn, over the 5-year period. Also indicate the strategy you will use for evaluating your portfolio and then buying promising assets and selling assets that aren't performing well.

