

# Investments 101

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Chief Investment Officer  
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**Bangor**  
Savings Bank

Independence · Capacity · Action

## Saving & Investing



## Pay Yourself First (a Little Can Add Up)



<u>Save this each week</u>	<u>At % Interest</u>	<u>In 10 Years You'll Have</u>
\$7.00	5%	\$4,720.00
\$14.00	5%	\$9,440.00
\$21.00	5%	\$14,160.00
\$28.00	5%	\$18,880.00
\$35.00	5%	\$23,600.00

## Pay Yourself First (a Little Can Add Up)



*If you invest \$1,000 each year (\$19.20 per week) . . .*

<b>Interest Rate</b>	<b>5 Yrs.</b>	<b>10 Yrs.</b>	<b>15 Yrs.</b>	<b>20 Yrs.</b>
<b>5%</b>	\$5,525.00	\$12,578.00	\$21,578.00	\$33,065.00
<b>6%</b>	\$5,637.00	\$13,181.00	\$23,276.00	\$36,786.00
<b>7%</b>	\$5,751.00	\$13,816.00	\$25,129.00	\$40,995.00
<b>8%</b>	\$5,867.00	\$14,487.00	\$27,152.00	\$45,762.00
<b>9%</b>	\$5,985.00	\$15,193.00	\$29,361.00	\$51,160.00

## The Rule of 72

$$\frac{72 \text{ divided by}}{\text{Interest rate}} = \text{Years to double investment}$$

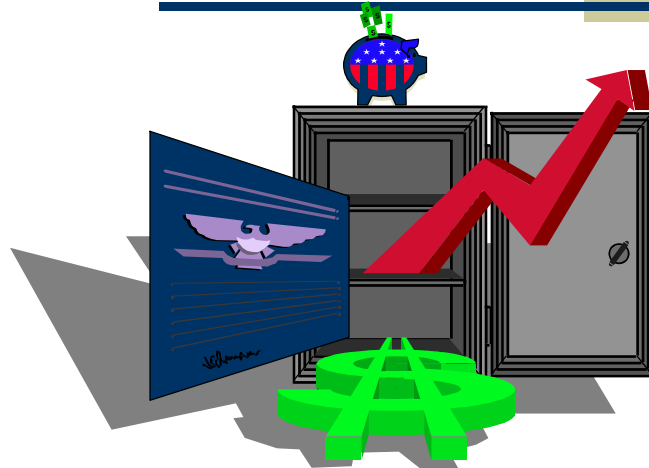
$$\frac{72 \text{ divided by}}{\text{Years to double investment}} = \text{Interest rate required}$$

## The Rule of 115

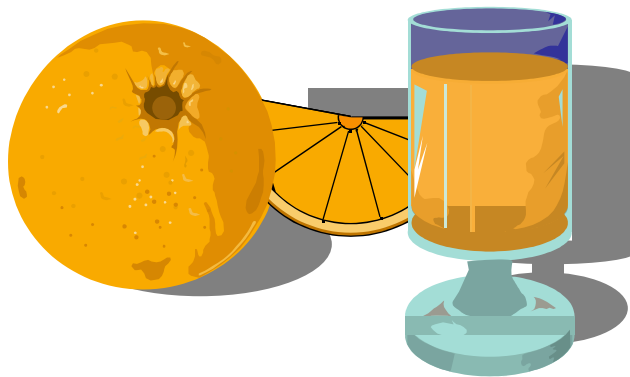
$$\frac{115 \text{ divided by}}{\text{Interest rate}} = \text{Years to triple investment}$$

$$\frac{115 \text{ divided by}}{\text{Years to triple investment}} = \text{Interest rate required}$$

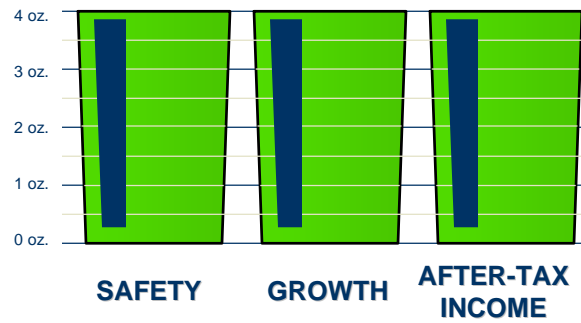
## The Perfect Investment



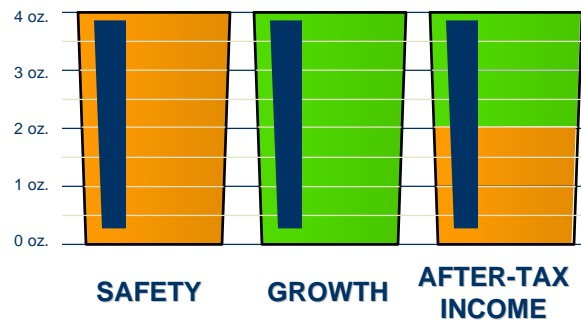
## The Orange Juice Analogy



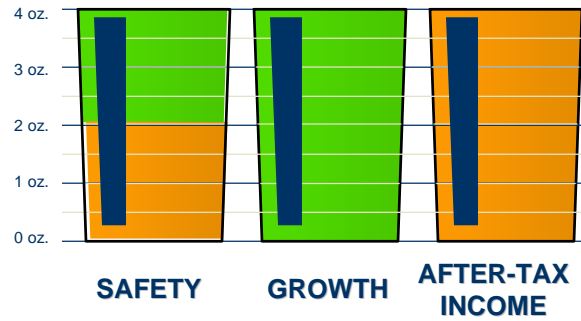
## Using the Orange Juice Analogy



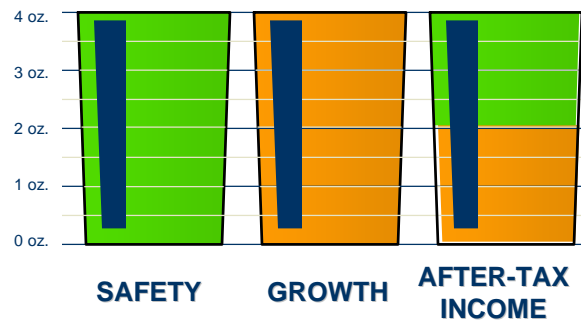
## Bank Certificate of Deposit



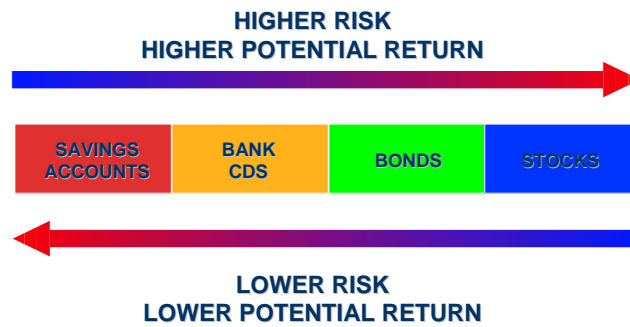
## Bond or Bond Mutual Fund



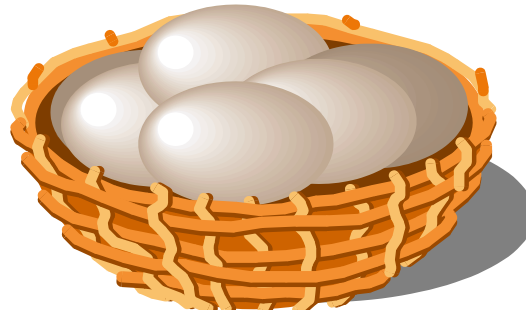
## Stock or Stock Mutual Fund



# Investment Spectrum



# Asset Allocation



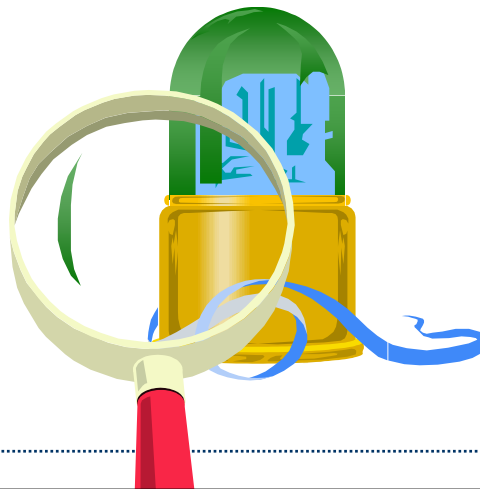
## Diversification

### VALUE AFTER 20 YEARS

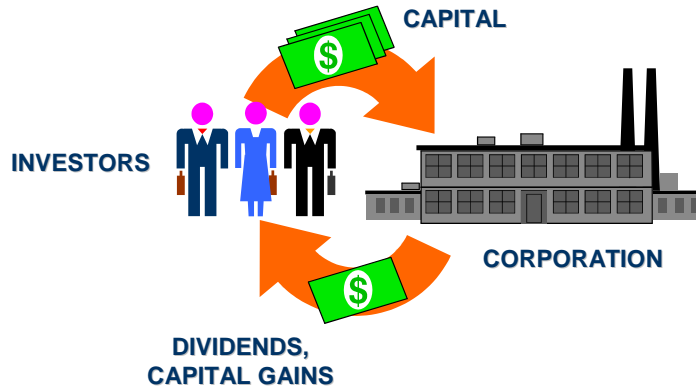
	Investor Y			
\$ 100,000	Investment A	@ 8%		\$466,096
	Investor X			
\$ 20,000	Investment B		(TOTAL LOSS)	
\$ 20,000	Investment C	@ 5%		\$ 53,066
\$ 20,000	Investment D	@ 9%		\$112,088
\$ 20,000	Investment E	@ 10%		\$134,550
\$ 20,000	Investment F	@ 12%		<u>\$192,926</u>
\$ 100,000	TOTAL			\$492,630

$$\$492,630 - \$466,096 = \$26,534$$

## Investment Options



# What Are Stocks?



# Stock Market Indicators



## Current Stocks in the Dow Jones Industrial Average

- Alcoa
- Altria Group
- American Express
- American Int'l. Group
- A T & T
- Boeing
- Caterpillar
- Citigroup
- Coca-Cola
- Du Pont
- Exxon Mobil
- General Electric
- General Motors
- Hewlett-Packard
- Home Depot
- Honeywell
- I B M
- Intel
- Johnson & Johnson
- J. P. Morgan Chase
- McDonald's
- Merck
- Microsoft
- Pfizer
- Procter & Gamble
- 3M
- United Technologies
- Verizon
- Wal-Mart
- Walt Disney



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## Other Stock Indices

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- ◆ Standard & Poor's 500
- ◆ Standard & Poor's Midcap 400
- ◆ Russell 2000
- ◆ Wilshire 5000
- ◆ Morgan Stanley EAFE



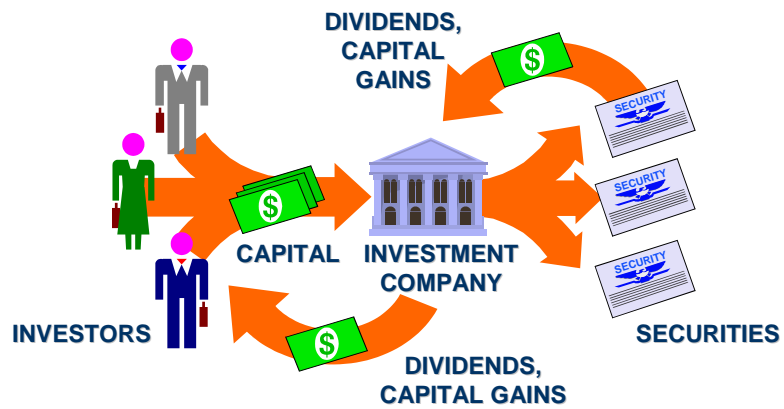
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## Investment Sectors

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- ◆ Consumer Discretionary
- ◆ Consumer Staples
- ◆ Energy
- ◆ Financial
- ◆ Health Care
- ◆ Industrial
- ◆ Industrial Materials
- ◆ Information Technology
- ◆ Telecommunications
- ◆ Utilities

## What Are Mutual Funds?



## Advantages of Mutual Funds

1. Professional management
2. Diversification
3. Low initial investment
4. Flexibility

## Types of Mutual Funds

- Money Market Funds
- Tax-Free Money Market Funds
- Municipal Bond Funds
- Income Funds
- Balanced Funds
- Growth and Income Funds
- Growth Funds
- International and Global Funds
- Sector Funds
- Aggressive Growth Funds
- Specialized Funds