What to do with my money

20 ways to invest your money

20 THINGS YOU CAN INVEST YOUR MONEY IN

Below is a list of categorized investing opportunities with short explanations. Each area has its own risk and reward factors, and variety of ways to invest. We recommend researching different areas before you invest your money, and to establish a diversified financial portfolio. This will provide protection, and may increase your chances to be successful in the long run. *For more info check out our additional "What to do with my Money Tools"*

ANNUITIES

An investment that is fairly safe, although the various annuities can be fairly confusing. Basically an annuity is offered by insurance companies, banks and other investment brokers, and requires a larger amount of money put into an account. Every year you can pull out of the account (without penalty) a certain percentage of the money at a fixed interest rate. This allows the initial investment to incur interest over the years, until a set date when the rest of the money can be withdrawn.

BOND

A bond is basically you loaning money to a government or company, with them agreeing to pay you a set interest rate. It's kind of like you becoming a bank. A bond pays interest for the term that it's active, meaning that the longer you have your bond, the more interest you're going to collect. Once bonds reach their maturity date, the bond expires and you get the initial money back plus interest. Some bonds pay you a set amount each year, and some bonds fluctuate payments over time. Generally bonds are safe, especially from top rated companies, governments and countries. However some are rated as Junk Bonds, because they have the likelihood of you not getting your money back. When it comes to an entity filing for bankruptcy, the bondholders, and other creditors are usually the ones to be paid first. This makes them a more safe investment than stocks (since stock owners usually don't see a thing after a company goes bankrupt).

CERTIFICATE OF DEPOSIT (CD)

A type of investment that requires you to invest money for a certain length of time and guarantees the same rate of return (interest) for that entire time. They are usually found at your local bank, require a minimum deposit and are government guaranteed.

COLLECTIBLES

Objects such as art, jewelry, baseball cards, and antiques that people buy in the hope that the objects' value will increase. This type of investing is often dependant on fads, not very liquid, and finding people willing to buy your collectable. This makes them a more risky way to invest, but can be very lucrative.

COMMODITY

A raw material or tradable item that can generally be further processed and sold; i.e. metals, wheat, coal, sugar, coffee, lumber, agricultural products, etc. These can be bought various ways, but are typically only done by professionals, or people in the industry.

CONVERTIBLE

Any investment that can be changed or replaced with a different type of investment. Typically a bond, debenture or preferred share that may be exchanged by the owner for something else, like common stock or another security, usually of the same company, in accordance with the terms of the issue. These are not standard investment vehicles, and are often given as a choice for people investing in start up or expanding companies.

DERIVATIVES
Probably one of the most confusing of all investments, but basically it's anything that is valued based upon some other asset. In other words, it derives its value from something else. They can include futures contracts, forward contracts, options, swaps and even derivatives based on weather data, such as the amount of rain or sunny days in an area. For example - Farmers can sell contracts that allow them to sell crops (say coffee) they haven't yet grown at a predetermined price. The value of these contracts (what the farmer gets paid) depends on what the underlying commodity does (the going price of coffee). This means the farmer makes, or loses money depending entirely on what the going price is for that crop. This basically means the future crop derives its value from the price that coffee beans are selling on the open market in the future (or whatever date set beforehand). This can be extremely risky, because it's dependent on someone guessing the future properly, and at the right time.
EQUITIES
The term Equity in finances typically refers to three things: 1. Another term used for stocks. 2. Ownership interest in a private company. 3. The difference in the price you paid for something, and the current value. When you invest into a private business venture, they will usually give you a certain percentage of ownership into the company, or product, you have invested in. This is called offering you "equity" in the company. You can also build up equity in certain investments like Real Estate. For example, let's say you pay 100 million for a house, and after 5 years it's worth 200 million (This means you have 100 million dollars worth of equity in the house (200m – 100m = 100 million). Now obviously you don't have cash in hand, and the equity can change since the price of everything goes up and down over time. However some banks will give you a loan on the amount of equity you have in your home (typically 70 – 80%).
FOREIGN CURRENCY
If you have ever traveled to another country you probably had to change your countries money over to the currency the place you are visiting. The rate you buy or sell your money changes regularly, and vary country to country. This is because money is bought and sold between countries all the time. As an investor you can trade money pretty much just like you trade stocks in your broker account, or through a financial manager. You can also buy various currencies themselves from banks, and even from the country you visit. Generally you can bring up to 10,000 US Dollars cash (or similar value, depending on the countries laws) between countries with you when you travel, without disclosing it to the authorities. Trading currencies hold moderate to high risk, depending on your time frame and which countries money you own.
FUTURES
Investments where an individual pledges to purchase or sell certain commodities at a future date for a certain price. This is often used to get a lower price on commodities that will be resold later for a higher price. For example, let's say you think oil is going higher in six months, so you promise to buy 100 barrels in six months, but you pay the price it's selling for today. Basically it's trying to guess what the price will be in the future, and hoping to sell it then at a higher price. This is also risky and similar to a derivative.
INDEX
An index is a grouping of different investments that cover the same items. Common indexes are precious metals, diamonds, and industrials. These items are often lumped together and sold as a group, called an index fund. Indexes can often be sold just like stocks. Index funds include parts of the market like Nasdaq, or Dow, or in technology like microchips, and even a group of stocks from a certain country. These have a tendency to go up and down along with the overall economy (or how similar things in the group are doing). Most index funds are fairly safe and more stable than just buying one company in the industry.
IRA
Individual retirement accounts are basically investments that are not taxed like regular income tax or capital gains tax. The government allows you typically to buy these through intermediaries like mutual funds, insurance companies and banks, or directly in stocks and bonds through stockbrokers. The reason people buy these is so they can keep the investment, and not pay taxes on them until they retire.

MONEY MARKET
These are very safe, and are almost always guaranteed by the government (meaning your money is safe, and if something goes wrong the government, or insurance, will give you your money back). A money market is basically the interest you get on money in savings or brokerage accounts. It is a type of mutual fund that invests in different loans and financial services while attempting to keep the initial investment low. Interest is usually very low, and is paid to you over time at a set percentage rate. They are easy to remove the money from, and are a good place to store money until you decide to invest it.
MUTUAL FUND
An investment that allows individuals to invest their money into a previously created diverse portfolio that usually contains a variety of stocks, bonds, indexes, and other investment opportunities. These are run by managers, from various companies, who are usually paid a percentage of the income generated. Typically around ½ - 1 percent, although it can run higher on more actively managed funds. Investors in mutual funds are usually considered to own shares in all stocks included in the fund. Today there are thousands of these, and are considered moderate in risk.
OPTION
An agreement that conveys the right, but not the obligation, to the option holder to buy or sell a particular security at a stipulated price within a stated period of time. They are kind of like futures (but more complicated), where people agree to buy or sell something (typically a stock) at a later date at a certain price.
PRECIOUS METALS
Precious Metals are also known as commodities, but Gold and Silver are the most commonly traded vehicles, and are often put into their own category. You can buy Gold and Silver physically in bar or coin, pretty much anywhere around the world, typically at going rates or a little above. You can also trade it on open markets around the world in various forms of specialized trading vehicles.
REIT
A Real Estate Investment Trust is an organization, similar to an investment company in some respects, but concentrating its holdings in real estate investments. The amount of interest (yield) paid to investors is generally higher than other investments, since REITs are required to distribute as much as 90% of their income. It's basically a mutual fund where people manage a bunch of properties, and all the profit that is made from rent is paid back to the investors. Some are extremely risky, while others are more stable. They are very popular, because they can pay a large percentage back through dividends with moderate risk.
REAL ESTATE
Buying property in the form of land or buildings. Real Estate is a very sound investment, but not as liquid (meaning easy to sell) as other investments. This means it can take a long time to sell a piece of property. Owning a piece of property, house, or commercial building also requires more people involved in the buying, managing, and selling process. It also requires more money to maintain, pay property taxes, insurance etc. However with higher risk, comes higher reward, and if all else fails you can always live in it, or use it for your new business.
STOCK
A stock is a type of investment that signifies a partial ownership of a publicly- traded company. Each share of stock purchased is an equal portion of ownership in a company. When a company goes from being private to public, it basically breaks the company up into millions of parts (called shares), and puts a set price on each share, say 10 dollars. A portion is kept by the founders, board members, employees, beginning investors, banks etc., and a set amount, say 30% is put out for the general public to buy on the "stock market". As soon as the market opens, people begin to buy and sell the available shares. The price instantly goes up and down depending on what people are willing to pay or sell their shares for. Then every day the stock market is open, people can buy shares (if people are selling), or sell their shares (if there are buyers). The owners of most stocks also have voting rights

in the company. However when a company goes bankrupt, the bond holders and preferred share holders get paid first, which makes owning stocks a little more risky. Stocks and Bonds are the two most popular ways to invest money, and often considered the safest place to put money (outside of gold and your own house).
YIELD
Yield is the amount of money a stock or bond pays you on a regular basis. We call these dividends for stocks, and certain stocks pay them usually per share you own in a company. A dividend is a set amount various companies pay to share holders, and is typically done 2 – 4 times a year. Typically it's the larger and more mature companies that pay dividends (as well as REIT, ETF and other entities). Newer and fast growing companies usually do not pay a dividend, and a company can stop paying them at any time, or even change the amount. For bonds the effective interest rate is known as yield.