

Cash

No current income

Inflation risk - cash is losing value due to inflation

Current cash flow, short term needs & emergencies

Income Producing Real Estate

Location, location, location

Positive cash flow

Prices are driven by:

Changes in operating income (cash flow before debt service)

Desirability and use of property

Tax benefits

Not liquid - can take time to convert to cash

Collectibles & Tangibles

Raw Land, Artwork, Gold

No current income

Carrying costs

Not liquid - can take time to convert to cash

Thinly traded (few buyers & sellers)

Value is based on appreciation potential

Equities

Stocks, ETF's, Mutual Funds, Index Funds

Bought & sold on stock exchanges by individual investors, money managers & institutional investors

"Mr. Market"

Voting Machine Vs Weighing Machine

Short term vs long term determination of value

Ownership interest in companies

Market risk - prices rise & fall based on:

Company issues

Industry issues

Economy issues

Interest rate issues

Political issues

Investor psychology

Long term investing vs short term trading (speculating)

Debt Type Investments

Loaning money to others

Fixed maturity date by the bond indenture

Interest rate sensitive

Yield curve - the longer the maturity the higher the risk & generally a higher return (yield)

Regular interest income payments

Buy & hold to maturity

Investment grade vs speculative

Lower risk than equities

Compare tax free return to taxable return after deducting taxes

Bonds & CD's

Limited upside potential

Liquid

Priced with "100" being par & usually quoted on the basis of "yield"

Return is fixed based on purchase price & yield

Interest rate risk

Default risk

Inflation risk

Corporate, Government & Agency Bonds

Loaning money to corporations, the US government & its agencies

Taxable

Government bonds have highest safety rating

Junk bonds - higher risk bonds on corporations

Bonds can be callable by corporation

Zero coupon bonds - no interest payments & sold at deep discount

Tax Free Municipal Bonds

Income exempt from federal & state income tax - states tax bonds issued in other states

Bonds can be "callable" by the issuer prior to maturity

Sold in increments of \$5000

Interest is paid semi-annually

General obligation Vs Revenue bonds

Not appropriate for tax deferred & tax free retirement accounts

Insured bonds

Income is tax free but may be capital gain or loss on sale (difference between purchase price and sale price)

For premium bonds priced over 100, need to know "yield to worst call"