5 Simple Questions to Ask Before Investing

Whether you're opening an account to invest for the long-term or save for the short-term, it's important to make sure the opportunity is right for you. Fill in the blanks.

1. What is my_____?
All investments have risk. It's important you understand your **tolerance for risk** before you invest. If you have a low tolerance for risk, you may want to choose a conservative strategy that relies mostly on fixed investments, such as bonds and bond funds. If you have a higher risk tolerance, you may want to consider more aggressive investments, such as stocks and stock funds. Keep in mind that even bonds and other conservative investments can lose value. Before you invest, know your risk profile—your colleague's investment strategy may not be the best one for you.

2. What is my_____?
When it comes to investing, we all have a **timeline**. Your timeline is made up of the years that represent your financial life. Most of your timeline will be spent saving and growing money. The last part of your timeline will be spent withdrawing and living off that money. Regardless of where you are on your timeline, it's important to know when you will move from accumulation to withdrawal—and if your goals are on track.

3. Do I_____it?
If you don't **understand** how an investment works, you probably should not invest in it. Without understanding an investment, you can't properly assess whether it matches your overall financial goals, risk tolerance and timeline. Investing does not have to be complicated. Take the time to find the investment that best meets your needs.

4. What are the_____, _____and _____?
All fees and expenses should be transparent. If they are not, be wary of what's being offered and who is offering it. Returns are never guaranteed, but **fees**, **expenses** and **commissions** are. Investments should come with a prospectus or some other document that breaks down the costs of the products being offered. If you're working with a financial adviser, know how your adviser is being paid:

- a commission on the investments you buy from him or her, or earning a percentage of the value of the assets your adviser manages for you.

- an hourly fee.

- a fixed fee.

- or all of the above.

Be sure to ask your financial professional ahead of time how he or she gets paid. You can compare fees and costs associated with 403(b) plans in California online at 403bCompare.com. Financial professionals who offer or sell investments in California are required to register with the California Department of Corporations, and may be required to register with the Securities and Exchange Commission, or FINRA, the Financial Industry Regulatory Authority.

5. How easily can I_____?
Be sure you know your options if you change your mind and decide to **pull your money out of an investment**, or if you need your money for an emergency. Some investments require you to remain invested over a set period of time and charge hefty penalties if you pull your money out early. For example, some 403(b) annuity investments attach a surrender charge.

Penalties that make it difficult to get out of an investment should make you think twice before getting in.