Subtract your liabilities from your assets. If your assets are larger than your liabilities, you have a “positive” net worth. If your liabilities are greater than your assets, you have a “negative” net worth.

You’ll want to update your “net worth statement” every year to keep track of how you are doing. Don’t be discouraged if you have a negative net worth. If you follow a plan to get into a positive position, you’re doing the right thing.

**KNOW YOUR INCOME AND EXPENSES**

The next step is to keep track of your income and your expenses for every month. Write down what you and others in your family earn, and then your monthly expenses.

**PAY YOURSELF OR YOUR FAMILY FIRST**

Include a category for savings and investing. What are you paying yourself every month? Many people get into the habit of saving and investing by following this advice: always pay yourself or your family first. Many people find it easier to pay themselves first if they allow their bank to automatically remove money from their paycheck and deposit it into a savings or investment account.

Likely even better, for tax purposes, is to participate in an employer-sponsored retirement plan such as a 401(k), 403(b), or 457(b). These plans will typically not only automatically deduct money from your paycheck, but will immediately reduce the taxes you are paying. Additionally, in many plans the employer matches some or all of your contribution. When your employer does that, it’s offering “free money.”

Any time you have automatic deductions made from your paycheck or bank account, you’ll increase the chances of being able to stick to your plan and to realize your goals.
What are mutual funds and ETFs?

A mutual fund or ETF is a pool of money run by a professional or group of professionals called the “investment adviser.” In a managed fund, after investigating the prospects of many companies, the fund’s investment adviser will pick the stocks or bonds of companies and put them into a fund.

Investors can buy shares of the fund, and their shares rise or fall in value as the values of the stocks and bonds in the fund rise and fall. Investors may typically pay a fee when they buy or sell their shares in the fund, and those fees in part pay the salaries and expenses of the professionals who manage the fund.

Even small fees can and do add up and eat into a significant chunk of the returns a fund is likely to produce, so you need to look carefully at how much a fund costs and think about how much it will cost you over the amount of time you plan to own its shares. If two funds are similar in every way except that one charges a higher fee than the other, you’ll make more money by choosing the fund with the lower annual costs.

For more information about mutual fund and ETF fees and expenses, be sure to read our brochure entitled “Mutual Funds and ETFs—A Guide for Investors”—which you can read online at Investor.gov.

MUTUAL FUNDS AND ETFs WITHOUT ACTIVE MANAGEMENT

One way that investors can obtain for themselves nearly the full returns of the market is to invest in an “index fund.” This is a fund that does not attempt to pick and choose stocks of individual companies based upon the research of the fund managers or to try to time the market’s movements. An index fund seeks to equal the returns of a major stock index, such as the Standard & Poor’s 500, the Wilshire 5000, or the Russell 3000. Through computer programmed buying and selling, an index fund tracks
How Can I Protect Myself?

ASK QUESTIONS!

You can never ask a dumb question about your investments and the people who help you choose them, especially when it comes to how much you will be paying for any investment, both in upfront costs and ongoing management fees.

Here are some questions you should ask when choosing an investment professional or someone to help you:

• What training and experience do you have? How long have you been in business?

• What is your investment philosophy? Do you take a lot of risks or are you more concerned about the safety of my money?

• Describe your typical client. Can you provide me with references, the names of people who have invested with you for a long time?

• How do you get paid? By commission? Based on a percentage of assets you manage? Another method? Do you get paid more for selling your own firm’s products?

• How much will it cost me in total to do business with you?

Your investment professional should understand your investment goals, whether you’re saving to buy a home, paying for your children’s education, or enjoying a comfortable retirement.

Your investment professional should also understand your tolerance for risk. That is, how much money can you afford to lose if the value of one of your investments declines? An investment professional has a duty to make sure that he or she only recommends investments that are suitable for you. That is, that the investment makes sense for you based on your
completed according to your instructions. Make sure the buying or selling price was what your broker quoted. And make sure the commissions or fees are what your broker said they would be.

Watch out for unauthorized trades in your account. If you get a confirmation slip for a transaction that you didn’t approve beforehand, call your broker. It may have been a mistake. If your broker refuses to correct it, put your complaint in writing and send it to the firm’s compliance officer. Serious complaints should always be made in writing.

Remember, too, that if you rely on your investment professional for advice, he or she has an obligation to recommend investments that match your investment goals and tolerance for risk. Your investment professional should not be recommending trades simply to generate commissions. That’s called “churning,” and it’s illegal.

How Can I Avoid Problems?

Choosing someone to help you with your investments is one of the most important investment decisions you will ever make. While most investment professionals are honest and hardworking, you must watch out for those few unscrupulous individuals. They can make your life’s savings disappear in an instant.

Securities regulators and law enforcement officials can and do catch these criminals. But putting them in jail doesn’t always get your money back. Too often, the money is gone. The good news is you can avoid potential problems by protecting yourself.