WISERWoman

A Quarterly Newsletter from the Women's Institute for a Secure Retirement

Specially Prepared for the Center for American Nurses

# Investing Errors: Three Common Mistakes That Will Cost You Money

*When Susan B. turned 40 nearly 10 years ago, she decided it was time to get serious about saving for the future. After reading an article about living below your means, she decided to open an investment account with a popular mutual fund company. She signed up to have regular monthly deposits deducted directly from her checking account. She doesn't really miss the $100 that is now deducted each month.*

Success story? Not quite. Susan is off to a good start, by setting up the account and making contributions by automatic deduction. Most people will save more over a lifetime with automatic deductions than if they write a check only periodically. They will also earn more on their contributions if they are made regularly all year, instead of once a year.

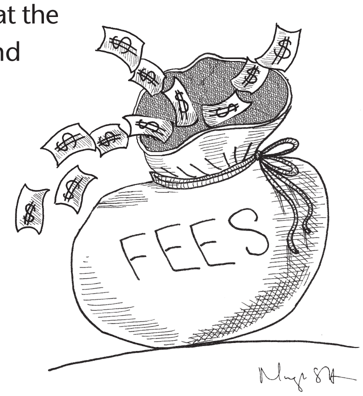
**Investment accounts need to be reviewed regularly for fund performance and asset allocation.** Your tolerance for risk will change as you get older. Also, the amount you are saving for retirement needs to be reviewed at least twice a year. As your income goes up, so should the amount you are saving for retirement each year. Also, the fees that are charged by the fund should be reviewed. High fees will eat away at returns over time.

**Susan is making the three common mistakes that many investors make. These mistakes keep investors from fully realizing their long-term goals.**

**First, many investors do not review how their money is allocated and they do not make changes over time.** (Many people don't even open and read their statements!) While it's never a good idea to change your allocations based on the daily ups and downs of Wall Street, it is important to have a strategy that fits where you are in life.

In general, you should be investing aggressively when you are younger, with the goal of generating assets. You should also have a mix of investments that will protect you from large losses. As you move toward retirement, your allocations should gradually become more conservative, with a goal of preserving assets you have accumulated over your lifetime. You can find investing advice on the website of the Securities and Exchange Commission at: http://sec.gov/investor/pubs_subject.shtml#mutualfunds and at www.finra.org.

**Not paying attention to fees can be a costly mistake.** Like many investors, Susan has no idea what her fund is charging her in fees. Fees vary from fund to fund. Low-fee funds are the best way for average-income investors to build assets. You can easily find out what fees you are paying by looking at the fee chart at the beginning of the fund prospectus. Yes, you will have to read the prospectus! Compare the fees to other mutual funds and decide if you are paying too much.



Fees are generally divided into two categories: "shareholder fees" and "annual fund operating expenses." Some funds charge a commission to be paid to a broker when you buy or sell shares. We recommend you look for "no-load" funds as a way of minimizing your costs. A load is considered a shareholder fee, because it is paid by an individual based on the amount of the investment. No-load funds do not charge a commission, although they may have a distribution or service fee.

Annual Operating Expenses: All funds, no-load funds included, charge participants for the administrative costs of operating the fund. These operating expenses are shown as a percentage of the fund's average net assets. You can compare the expense ratio of your fund to other mutual funds. The fee table in the prospectus will show you the costs associated with a hypothetical $10,000 investment. This is another good way to compare fees across different funds.

**Finally, not adjusting the amount you save to reflect changes in your income and personal circumstances will not maximize your savings potential.** Although Susan's income has increased steadily over the 10-year period she has owned a mutual fund account, she has not changed the amount she saves each month.

**As a *very* general rule, you can subtract your age from 100 and put that percentage into an aggressive investment account. The balance should be invested more conservatively.**

**In Susan's case, her age, 50, subtracted from 100 means she should consider investing 50% of her retirement savings in stocks.**