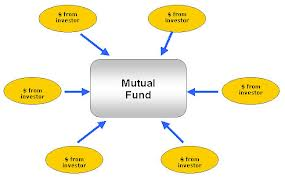
**Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Period: \_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Mutual Fund Basics**

1. What is a mutual fund?
   1. Investors \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ their money
   2. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ buys a variety of stocks and other securities
   3. Each investor owns \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the fund.
   4. When the fund increases in value, the investor \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
2. What is the price of a mutual fund called?

1. How often are mutual fund prices updated?

1. An open-ended fund may issue\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. \_\_\_\_\_\_\_\_\_\_ % of mutual funds are open-ended.
3. A closed-end fund can issue
4. Once those shares are sold, investors \_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ shares among themselves.
5. **Advantages of mutual funds:**

|  |  |
| --- | --- |
| Diversification | * You purchase a small amount of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ stocks without having to physically \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ each stock. |
| Professional Management | * Fund managers are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ with access to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ than the average investor. |
| Minimal Transaction Costs | * Individual investors save on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ compared to individual stock purchases. In a retirement account there is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Liquidity | * Mutual funds are easy to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Flexibility | * There are over \_\_\_\_\_\_\_\_\_\_\_\_\_ funds to choose from, allowing you to invest in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |

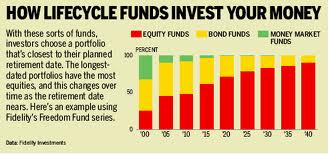
1. **Disadvantages of mutual funds**

|  |  |
| --- | --- |
| Lower than market performance | * On average, mutual funds \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the market |
| Costs | * Mutual funds always charge \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ fee * There may also be a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ fee * These fees will \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Risk | * Depending on the segment of the market, your fund may \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Systemic Risk | * A market crash will have a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ effect on your fund |
| Fees | * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ funds charge a commission to buy or sell the fund. * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ means you pay a commission when you buy * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ means you pay a commission when you sell |
| Annual Expenses | * Owners of mutual funds pay \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. * This is called the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. * Typically it is \_\_\_\_\_\_\_% to \_\_\_\_\_\_\_\_% of the investment value |
| Taxes | * Typically you have to pay \_\_\_\_\_\_\_\_\_\_\_\_\_ on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ every year, except in a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ account. |
| 12b-1 Fees | * These are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ expenses passed on to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ * They \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ benefit the investor at all. * Try to find funds that have \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_ 12b-1 fees |



1. **Types of Mutual Funds – Stock Funds**

|  |  |
| --- | --- |
| Stock Funds | * Most \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ types of funds * These funds invest mostly in stocks, but may also invest in \_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |
| Aggressive Growth Funds | * This type of fund buys stocks that will \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ dramatically in price * They are very \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |
| Small Company Growth Funds | * Investments are limited to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. * They are very \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |
| Income Funds | * These funds concentrate on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ companies paying \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (The dividends are the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in “Income” funds. * They are less \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ than aggressive growth funds |
| Growth and Income Funds | * These funds concentrate on stocks providing \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ plus the potential for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. * Less \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Sector Funds | * These funds specialize in stocks from a specific \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ such as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| International | * These funds invest mostly in stocks \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Balanced funds | * These funds hold both \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |
| Asset Allocation | * These funds are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ funds with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |
| Life Cycle Funds | * These funds attempt to tailor holdings to the investor’s \_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. * The fund is managed based on how \_\_\_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ you are. |



1. **Types of Mutual Funds – Bond Funds**
2. **Types of Mutual Funds: Index Funds, or Exchange Traded Funds (ETF’s)**

There are also \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ETFs which will make you money when \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. However, you will lose money when the market \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

1. **Buying a Mutual Fund**

You can buy mutual funds at the following places:

* Purchase through your \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Purchase directly through \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Purchase through your \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Purchase through your \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Many funds will let you invest with as little as $\_\_\_\_\_\_\_\_\_ in a retirement account.