**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.