Investment Basics:
Getting Started

Prudential Retirement

Did you know...

Despite market volatility, the average annual return for stocks over the past **40** years is **10.1%**.

Source: 1970-2009, S&P 500 Index, Morningstar, 2010

The S&P 500® Index: (registered trademark of The McGraw-Hill Companies, Inc.) An unmanaged index of 500 common stocks weighted by market capitalization, representing approximately 75% of the NYSE (New York Stock Exchange) capitalization, with a minimum capitalization of $4 billion. (Index performance includes the reinvestment of dividends and capital gains). It is not possible to invest directly in an index

Whether you're starting from scratch or have a few thousand dollars saved already, this article can help you get going on what hopefully will be a life-long savings journey.

The majority of investments stem from three asset types:

Cash: Certificates of deposit (CD), money market mutual funds and Treasury bills are some of the most common cash investments. The funds are highly liquid (accessible), and often include the potential to earn interest.

Bonds: Think of bonds as a loan, generally from you to a company or government. The expectation is that you'll earn more interest on this loan than you might realize with a cash equivalent, and that the principal will be repaid in full when the bond matures.

Stocks: Shares of stock represent an ownership stake in a corporation. Generally, if the company prospers you will also in that the value of your stock will increase. However, if the company falters, the value of your stock will decline, possibly steeply. Stocks, or equities, are an especially important asset class in that historically they've performed better than either cash or bonds. *(See box at left.)* Moreover, equities are an important element in nearly any portfolio in an effort to keep pace with inflation.

Which should you invest in? That's where things get interesting. The question you probably should ask first is: **"How many years do I have before I'll need my money?"**

If you're saving for a new computer next year, you probably should think about investing in cash as there is little time to recoup if your investment should lose value.

If you're investing for a retirement that is 25 years off, you should likely consider stocks as they represent the greatest return potential of these three asset types.

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You can also visit **www.prudential.com/online/retirement** or call a Prudential Retirement® representative toll-free at **1-877-PRU-2100** for more information.

For long-term investing, think about investing in all three asset types. Financial analysts call this asset allocation, something you might know better as "not putting all your eggs in one basket." Studies show that asset allocation is an important factor in managing risk in an investment portfolio. Simply put, one asset class that is outperforming can help out if another asset class happens to be under performing. (For more about investing, including our online Asset Allocation tutorial, visit **www.prudential.com/prep**).

> Deciding how to invest is a critical component of investing. Ironically, though, the answer may be, **"Invest in a little of everything."**

How much to put in each asset class will vary based on a number of factors, including your investment time frame, how much you have to invest, and how comfortable you are with the ups and downs that are common to equity markets.

That's why you may want to consider consulting with a financial professional before investing. A financial advisor can help determine how much to invest in each of these asset classes based on your specific situation and goals. Although there are no guarantees, having someone who is trained in the markets can give you confidence that the strategy you've selected is appropriate for your goals.

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