Open Forum 1
Web Site Transcript
Chapter 6

A = Financial Advisor
B = Stacey Lloyd

A: Good afternoon! How can I help you?

B: Hi. My name is Stacey Lloyd, I've been a member of this bank for about five years. I'm interested in opening an investment account here, but I don't know much about investing.

A: Okay, well I'm the right person to come to. I'm a financial advisor and I help people start investing in stocks, bonds, CDs, mutual funds…

B: I don't even know what half those things are!

A: That's okay. That's what I'm here for. Tell me a little bit about your goals. Then I can tell you about some of the options.

B: Well, I just got a raise and I want to start saving some money. I want a better place to keep my money than my savings account.

A: OK. So you already know that your money in your savings account doesn't earn you very much interest. It's very safe, but it's not a good place to grow your money. What are you saving your money for?

B: Well, I know it's a long way off, but I'd like to buy a house one day—maybe in five or ten years.

A: Okay! Now's actually a very good time to begin saving for a big expense like a house. Before we talk about that, do you have any debt—credit cards or loans? Money that you owe?

B: Yeah, I used to spend a lot of money with my credit card. I'm still working on paying it off.

A: That might be the best place to start, then. Almost always, people with credit card debt should pay it off before investing their money in other ways. The interest, that's the amount of money you pay your credit card company for the use of their money, is very high—often 10 or even 20 percent. You really can't invest your money in stocks or bonds and expect to do better than just paying off your credit card.

B: Really? I never thought about it like that. But that makes sense.

A: After you pay off your credit card debt, look for accounts that will keep your money safe while it grows. If you are planning to use the money in less than 5 years, I recommend a Certificate of Deposit—a CD. You can get a CD at any bank. Right now you'll earn about 4 percent. It's always changing though. I've seen it as low as 1 percent and as high as 8 percent. CDs are not very exciting, but they're a good, safe place to keep your money. You invest in CDs for a certain amount of time—6 months, a year, two years. The problem is that you can't take your money out until the time is done.

B: So I can't write checks from it. What if I need the money sooner?

A: No, if you want an account where you can easily get to your money and use it, I'd suggest a money market checking account. That's an investment account that you can use like a checking account. The problem is that the rate isn't usually as high. Right now, it's around 1 or 2 percent.

B: OK. What else is there that is safe, but earns well?

A: Good question. You could also consider a U.S. Treasury bill, or note. Those are investments you make in the U.S. Treasury. Some can have pretty good interest rates. And again, you need to be able to leave your money there for a length of time, just like a CD.

B: What about stocks? I heard you can earn a lot of money fast with stocks.

A: Well, it's possible, but you can also lose a lot of money fast. Stocks are a great choice when you want to invest for a longer time. But if you hope to buy a house in a few years, you really need something safer. The stock market can be a big risk—you could win or you could lose very quickly. However, you could definitely consider investing in some stocks or mutual funds as part of a retirement account.

B: Retirement! I'm only 25 years old. I'm too young to think about that.

A: Well, you're not actually. If you want to retire with a good income, now is the perfect time to get a retirement account started. Some people like to have a part of their paycheck directly put into their retirement account so they don't have to worry about it.

B: Okay. That's good to know. So, you recommend I pay off my credit card debt first, and then invest in a CD, and maybe get a retirement account started?

A: Right. I know there's a lot to think about, but you don't need to make a decision today. I'm here every day if you have any other questions or if you want to get started on any of the investments I've suggested.

B: Excellent. I'll do that. Thank you so much!

A: No problem. It was pleasure talking to you.