Mutual funds help multiply your savings for goals such as retirement or buying a home.

To reach your financial goals, there's no better choice than mutual funds, the top investment for most Americans. Mutual funds give us cheap and easy access to stocks and bonds (and other types of assets, such as gold) to increase our wealth. Over time, mutual funds can help us multiply our savings for such goals as retirement, buying a house or paying for college tuition much faster than if we kept our money in a bank account.

One way to start investing in mutual funds is with the booklet Mutual Funds and ETFs: Maybe All You’ll Ever Need. Here’s a sample of the information in the booklet:

Mutual funds combine the money of many investors. Most funds have many thousands of investors, and this adds up to hundreds of millions, or even billions, of dollars to invest.

Owning many securities reduces the risk of just owning a few securities. A fund can invest in dozens or even hundreds of securities. Most investors wouldn’t be able to afford the cost of buying so many securities on their own.

Low Cost to Start. Some funds accept as little as $250 to open an account.

When you buy mutual funds, you’re also buying the skills of the people who manage those funds. Choosing among the thousands of stocks and bonds available is a task that most people don’t have the time, the interest or, frankly, the skill to do.

The Different Types of Funds
Before we discuss all the different things funds invest in, let’s look at the three main forms mutual funds come in.

Index Funds. These are relatively simple funds that aim to track indexes, or broad baskets, of different securities. They are not actively managed by experts trying to beat the market; instead, their goal is to match the market.

Actively Managed Funds. These funds employ professionals who choose from among thousands of securities in an attempt to deliver the best possible results.

Exchange-Traded Funds. Exchange-traded funds are a cross between index funds and stocks. Like index funds, ETFs hold baskets of securities that follow indexes. ETFs trade just like stocks, throughout the trading day. Because you can buy as little as a single share of an ETF, the minimum investment for owning an ETF is typically far less than for owning a mutual fund.

Now let’s look at funds by what types of securities they invest in:

- Money-Market Funds. Money-market funds have very low risk and are commonly used by investors to keep cash on hand and earn some interest.
- Stock Funds. This is the most popular type of mutual fund, measured by the number of funds and the amount of money invested in them. Stock funds usually invest in one type of stock, such as large-company U.S. stocks, small-company U.S. stocks or foreign-company stocks.
- Bond Funds. The main securities that bond funds invest in are U.S. government bonds,

WHERE THE MONEY IS IN FUNDS

This chart shows four fund categories and each category's share of total mutual fund assets in mid-2011.

<table>
<thead>
<tr>
<th>Category</th>
<th>Share of Total Fund Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>49%</td>
</tr>
<tr>
<td>Money market</td>
<td>23%</td>
</tr>
<tr>
<td>Hybrid</td>
<td>6%</td>
</tr>
<tr>
<td>Bond</td>
<td>22%</td>
</tr>
</tbody>
</table>

By the Editors of Kiplinger's Personal Finance
Emerging-markets companies go, check to see how long the manager of a fund manager who compiled it. Since managers come and cause a fund’s record is only as good as the manager, when it comes to actively managed funds, be of at least five years, though a record of at least ten years is best.

You should also check fund management, when it comes to actively managed funds, because a fund’s record is only as good as the manager who compiled it. Since managers come and go, check to see how long the manager of a fund you’re considering has been at the helm.

Assembling a Portfolio
The most important decision you’ll make as an investor isn’t which fund to buy. More important is how you split money among different types of assets—mainly between stock funds and bond funds. This asset allocation will have the most effect on the two things you want to control most in your portfolio: the potential return and the level of volatility. A smart, well-diversified portfolio gets you both a good return and low volatility. It’s the financial equivalent of having your cake and eating it, too.

So how do you assemble a portfolio that will reduce risk and meet your goals? Well, you can do it yourself, or you can choose a fund that is pre-assembled with many different types of funds.

The most common of these diversified funds are target-date retirement funds.

Sources of Fund Information
As a practical matter, how do you start your search for funds? Many personal finance and business magazines and newspapers publish mutual fund data on an annual basis, and most have fund-screening tools at their Web sites that let you select funds based on performance, costs, style, assets, size and many other factors. Among the popular periodicals covering funds on a regular basis are Bloomberg/BusinessWeek, Forbes, Kiplinger’s Personal Finance, Money, SmartMoney and the Wall Street Journal.

So that’s the long and short of mutual funds. These first steps can lead to a lifetime of building wealth using mutual funds to reach your financial goals.

More Information. To read the full-length Mutual Fund and ETFs: Maybe All You’ll Ever Need booklet, visit www.investorprotection.org or contact your State Securities Regulator’s office.