

# Understanding Types of Investments

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## The Basics

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FINRA Investor Education Foundation

# Series Roadmap



Tuesday January  
27, 2026  
11 am – 12 pm EST

***There is More to  
Money Than  
Spending: Money  
Management  
Basics***



Thursday  
January 29, 2026  
11 am – 12 pm EST

***There is More to  
Money Than  
Spending: Money  
Management  
Basics Part II***



Wednesday  
February 4, 2026  
10 – 11 am EST

***Understanding  
the Types of  
Investments***



Thursday  
February 5, 2026  
10 – 11 am EST

***The Power of  
Investing Over  
Time***

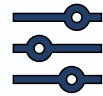
# Agenda



Think About Goals



Account Considerations



Investment Professionals



Types of Investments



Key Bond Concepts



Stocks



Mutual Funds



Resources

Your **understanding and confidence** in these topics will allow you to **navigate** the many financial education resources available to create and offer the most **appropriate programming and guidance** for your patrons.

## FINRA

- Self-regulatory organization for U.S. broker-dealers
- *Mission:* Investor Protection & Market Integrity
- *What we do:* write rules, surveil the markets, discipline rule breakers, educate investors



## FINRA Foundation

- *Mission:* Empowers Americans with the knowledge, skills, and tools to make sound financial decisions throughout life
- *What we do:* protect consumers from fraud, conduct and support research, foster financial capability in communities



**What are you saving for?**

Retirement

Education Expenses

Purchasing a Home



**What are key decision points?**

Types of professionals

Types of platforms/channels

Risk tolerance as informed by age

**All investment professionals must be registered with the SEC, FINRA, and/or a state securities regulator.**

	<b>Brokers/Registered Representatives</b>	<b>Investment Advisors</b>
Registered With	<ul style="list-style-type: none"> <li>• Firms: SEC, FINRA</li> <li>• Individuals: FINRA</li> </ul>	<ul style="list-style-type: none"> <li>• SEC</li> <li>• State Securities Regulators</li> </ul>
Services	<ul style="list-style-type: none"> <li>• Buy and sell securities on behalf of customers, for its own account, or both</li> <li>• Full Service or Self-Directed</li> </ul>	<ul style="list-style-type: none"> <li>• Provide advice about securities to clients</li> <li>• May or may not execute transactions</li> </ul>
Fees/Payment	<ul style="list-style-type: none"> <li>• Commissions (typically)</li> <li>• Payment for order flow</li> </ul>	<ul style="list-style-type: none"> <li>• Assets under management</li> <li>• Fee for service</li> </ul>

Questions to Ask

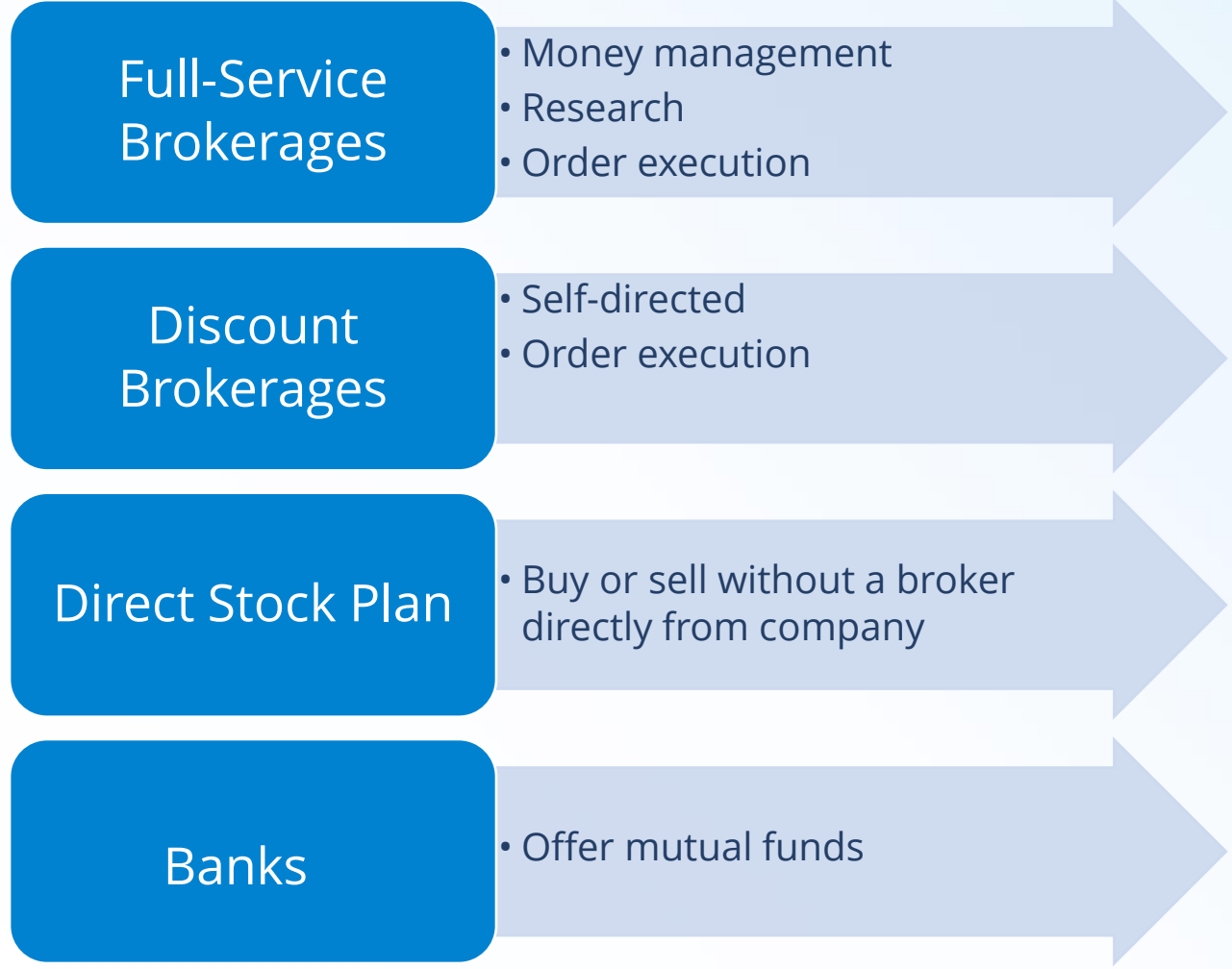
BrokerCheck

Licenses and registration?  
Services and fees?  
Investment philosophy?  
Types of products?  
Conflicts of interest?

The screenshot shows the FINRA BrokerCheck search interface. At the top, there are tabs for 'INDIVIDUAL' and 'FIRM'. A search bar contains 'John Q Broker' and 'at Firm Name or CRD# (optional) in City, State or Zip (optional)'. Below the search bar, it says 'We found 119 results' and '1 of 10 pages'. There are four result cards displayed:

Broker Name	CRD#	Registration Status	Years of Experience
John Q. Broker	123456789	Regulated by FINRA (B), Investment Adviser (IA)	49
Jane Q. Broker	QQQQQQ	Currently Not Registered	34
Joseph Q. Broker	JQ1234	Barred (B), Previously Registered Broker (PR)	14
John F. X. Broker	XXXXXXXX	Regulated by FINRA (B)	41

# Account Considerations

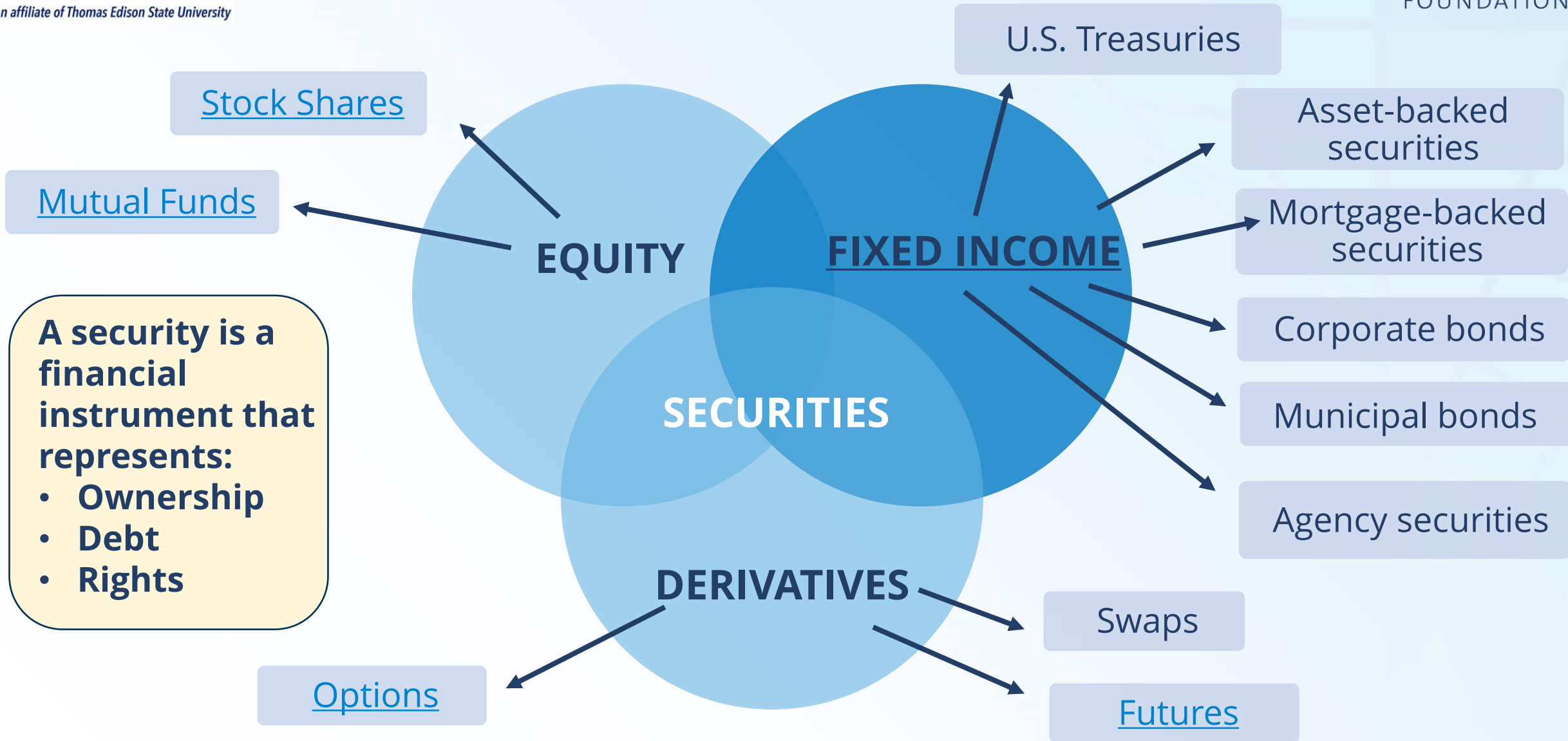


**Various Channels:**  
What are your customer service needs?  
Key consideration: Advice vs. transactional





# Types of Investments



**A security is a financial instrument that represents:**

- Ownership
- Debt
- Rights



# Types of Investments

Stocks



Share of ownership

Bonds



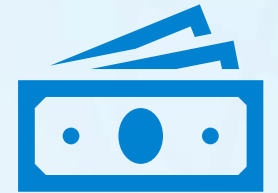
Loans to government or corporation

Mutal Funds



Professionally managed pool of money used to purchase securities

Cash



Physical or digital asset readily available and liquid

Bonds are a **loan** an investor makes to a corporation or municipality **in exchange for interest payments** over a specified term plus repayment of principal at the bond's maturity date.

### Par Value

- The vast majority of bonds have **set maturity date**—a specific date when the bond must be paid back at its face value.

### Coupon


- Many bonds pay you interest based on a regular, predetermined interest rate—also called a coupon rate—that is set when the bond is issued.

### Maturity


- Maturity is the date on which the principal amount is repaid to the bondholder. The majority of bond maturities range from one to 30 years.

### Yield

- The return an investor receives on a bond, calculated as the annual interest payment divided by the bond's market price.



When interest rates rise, bond prices generally fall



When interest rates fall, bond prices generally rise

## Bond Risks

### Interest Rate

- Interest rates fall, bond prices rise

### Reinvestment

- Having to reinvest proceeds at a lower rate than what the funds were previously earning

### Inflation

- Inflation increases dramatically, bonds can have a negative rate of return

### Default

Issuer's inability to repay the debt

### Credit

- Lower credit rating may cause higher interest rates on future debt

### Liquidity

- Unable to sell quickly due to few buyers and sellers for the bond

Stocks are **equity or ownership interest** in a company.

### Dividends

- When publicly owned companies are profitable, they can choose to distribute some of those earnings to shareholders by paying a dividend.

### Capital Gains

- When a stock price goes higher than what you paid to buy it, you can sell your shares at a profit. These profits are known as capital gains

### Market Conditions

- External factors that influence supply and demand in a market, affecting a business's operations, profitability, and ability to enter or grow.

### Sector/Company Specific Risks

- The potential for financial or operational losses that are specific to a particular industry or group of companies within that sector.

Types of Stocks	
Common	<ul style="list-style-type: none"> <li>• Issued by all publicly traded companies</li> <li>• Dividends not guaranteed</li> </ul>
Preferred	<ul style="list-style-type: none"> <li>• Not all companies issue preferred shares</li> <li>• Dividends generally guaranteed</li> <li>• Prices may fluctuate less</li> </ul>
Classes (A, B, etc.)	

Subclasses or Categories	
Market Capitalization	<ul style="list-style-type: none"> <li>• Large-cap (&gt;\$10B+)</li> <li>• Mid-cap (\$2B-\$10B)</li> <li>• Small-cap (&lt;\$2B)</li> <li>• Micro-cap (smaller)</li> </ul>
Sector/Industry	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Utilities</li> <li>• Financials</li> <li>• Consumer staples</li> <li>• Consumer discretionary</li> <li>• Information Technology</li> <li>• Materials</li> <li>• Industries</li> <li>• Healthcare</li> <li>• Communication</li> <li>• Real Estate</li> </ul>
Defensive or cyclical	How price responds to market change
Growth or value or both	<ul style="list-style-type: none"> <li>• Company expanding?</li> <li>• Price low vs. potential?</li> </ul>

An investment company that **pools money** from many investors and **invests the money** in various investments, known as the **fund's portfolio**.

### Stock

- Stock funds invest in stocks.

### Bond

- Bond funds invest in bonds.

### Balanced

- Balanced funds invest in a combination of stocks and bonds.

### Money Market

- Money market funds invest in very short-term investments and are sometimes described as cash equivalents.

# Diversification Helps Manage Risks

Owning different investments that tend to perform well at different times reduces the effects of volatility in a portfolio and can increase the potential for increasing returns.

Across Asset Classes	Within Asset Classes
Stocks	<ul style="list-style-type: none"> <li>Different sectors</li> <li>Company size</li> </ul>
Bonds	<ul style="list-style-type: none"> <li>Types of issuer</li> <li>Different maturities</li> </ul>
Cash	<ul style="list-style-type: none"> <li>Money market funds</li> <li>Deposit accounts</li> </ul>

	Short Term	Medium Term	Long Term
<b>Asset Class</b>	Cash	Bonds (Fixed Income)	Stocks (Equity)
<b>Investment Types</b>	Savings accounts, CDs and money market funds	Government, municipal and corporate bonds and bond funds	Stocks and stock funds
<b>Return</b>	1.5%	5.5%	9.9%
<b>Chief Risks</b>	Inflation, interest rate changes	Interest rate changes, default	Volatility, falling prices
	Low Risk		High Risk

## Public Corporate Information

- U.S. Security and Exchange Commission's [EDGAR Database](#):
  - Free public access to corporate information, allowing you to research a public company's financial information and operations by reviewing the filings the company makes with the SEC.
- FINRA's [Market Data Center](#):
  - A free tool to assist investors with market and investment research, with a full profile for all exchange-listed companies.

## Retail Investor Information

- The [New Jersey Bureau of Securities](#) features resources and important news for New Jerseyites.
- FINRA's "[For Investors](#)" has guides on the basics of personal finance and investing as well as tools and calculators.
- Visit FINRA's [BrokerCheck](#) to review the background and experience of financial advisers and firms.
- [Avoid fraud](#) and [watch for red flags](#) to keep you and your family safe.

# Thank you!

