

# FROMM INSTITUTE FOR LIFELONG LEARNING

## “A Survey of Investment Alternatives”

Spring Semester 2017

Outline of Course

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- I. **Introduction to Investments**
  - A. Personal assessment in the investment process
  - B. Ascertaining your risk tolerance
  - C. Your need for current income
  - D. “Conservative” investing
  
- II. **Comparison of Investment Alternatives: Their Advantages and Disadvantages**
  - A. Cash
  - B. Cash-equivalents
  - C. Fixed-income & yield
    - (1) Bonds: Treasuries, agencies, corporate and municipals
    - (2) Debentures
    - (3) Preferred stock
    - (4) Mortgages and deeds of trust
    - (5) Convertibles
    - (6) Annuities
    - (7) Tax considerations
  - D. Stocks and other intangible equities
    - (1) Start-ups and closely-held businesses
    - (2) Venture capital funds
    - (3) Public securities
    - (4) Stock selection process and research
    - (5) Tax considerations
    - (6) Selling short
    - (7) Following (and predicting?) the market
  - E. Tangible assets
  - F. Life insurance and annuities
  - G. Real estate
    - (1) Financial advantages
      - (a) Inflation hedge
      - (b) Favorable income tax treatment
    - (2) Risks and disadvantages
      - (a) Personal liability
    - (3) Leverage
    - (4) “Location”: where is the property?
    - (5) Sales and exchanges
    - (6) Shared real estate investments
  - H. Asset allocation

### **III. Persons Involved in the Investment Process**

- A. Stock / bond broker
- B. Real estate broker
- C. Registered investment advisor
- D. Attorney
- E. Certified public accountant
- F. Certified licensed underwriter
- G. Certified financial planner
- H. Mutual funds management

### **IV. Tax Considerations**

- A. "Tax shelters"
- B. The unique tax advantage of real estate
  - (1) Depreciation
  - (2) Exchanges and "trading up"
  - (3) Financing and refinancing
  - (4) Mortgages in excess of basis
- C. Stepped-up basis
- D. Gift tax considerations
- E. The importance of the estate tax and estate plan

### **V. Life Insurance and Annuities**

- A. Life insurance
  - (1) Types of insurance
  - (2) Ratings
  - (3) The basic purpose of insurance
  - (4) Insurance as an investment
  - (5) Risks
  - (6) Tax advantages of life insurance policies
- B. Annuities
- C. Disability insurance
- D. LT care insurance

### **VI. Investing In Stocks**

- A. Investment objectives
- B. Tax considerations
- C. Entering the market
- D. Doing your own research
- E. Following the market
- F. Market timing
- G. What makes stocks go up (or down)?
  - (1) Sales and earnings
  - (2) The company's determination
  - (3) The importance of interest rates
  - (4) The importance of the Federal Reserve Board
  - (5) Interest rates
  - (6) What influences U.S. Treasury Department and Federal Reserve policy?

- (7) How does the FRB regulate the economy?
- (8) Indices
- (9) "What is the market doing?"
- (10) A "Bull" market
- (11) A "Bear" market
- (12) The importance of price-earnings ratio
- (13) Book Value
- (14) Fads and fashions: glamour stocks
- (15) Contrarian investment
- (16) Growth: the key to achieving capital gains
- (17) "Tips" on stocks and the market
- (18) Insider trading
- (19) Other considerations affecting your decision to buy or sell
- (20) The company approach ("bottom up") to research
- (21) Timing stock purchases and sales: tools to use

- (1) Yield
  - Appreciation is more important in "total return"
- (2) Price-earnings ratio
- (3) Book value
- (4) Fads and fashion: glamour stocks
- (5) Growth
- (6) Tax considerations in stock investing
- (7) Capital losses
- (8) Wash sales
- (9) The way to lose a lot of money
- (10) Identification of securities and holding periods
- (11) Gifts to charities

H. The eight biggest mistakes investors make

I. Stock variations

- (1) Options
  - (a) Puts
  - (b) Calls
  - (c) Factors determining the fair market value of the put or call
  - (d) Advantages of options
  - (e) Disadvantages of options
    - (1) Expiration date

J. Options on stock index futures

K. Caveats on options

L. Convertible bonds, debentures and preferred stock

M. Stock rights and warrants

N. Selling short

O. Protection Orders

P. Where to buy stocks: available markets

Q. Arbitrage: when companies marry

R. Paths to big profits in the stock market

S. Stock market theories which don't work

T. Sixteen stock commandments

U. Mutual Funds

- (1) The investment vehicle for the smaller investor
- (2) Advantages
- (3) Not risk free

V. Dividends

- (1) Taxable
- (2) Stock dividends

VII. Real Estate

A. Alternative methods of investing in real estate

B. Advantages of real estate investment

- (1) Price stability
- (2) Good inflation hedge
- (3) Relatively high income
- (4) Tax advantages
  - (1) Depreciation

C. Disadvantages

- (1) California: choice of remedies
- (2) Legal, brokers, recordation, property, taxes, insurance, toxic waste, transfer fees
- (3) ADA
- (4) The role of insurance
- (5) Non resident aliens

D. Evaluation of real properties the principal factors

- (1) Capitalization rate
- (2) Location
- (3) Chronology of a real estate deal
  - (1) Mortgages