



Getting Started with Investing

A simple five-step approach

When you're first starting out, investing can seem mysterious—and a little bit daunting. But keep in mind, when it comes to your finances, the biggest risk of all is doing nothing.

Investing doesn't have to be difficult. Understand these five principles, and you'll be on your way.

1. Know yourself and set your goals.

No two investors are the same. As you decide how you want to invest, you need to look at your own financial objectives (a house, kids' education, early retirement), your age and how much risk you're willing to take. This is the first step in [creating an investment plan](#).

2. Spread your money out between stocks, bonds and cash.

How you divide your money between stocks, bonds and cash represents your [asset allocation](#). The right asset allocation plan for you depends on three things: your goals, the time you have to invest and your feelings about risk.

3. Put your eggs in more than one basket.

Don't put all your money in a single stock or even a single sector or industry. Holding a mix of investments—called [diversification](#)—will help you avoid excessive risk and help your portfolio grow.

4. Be tax-smart.

Taxes can represent a significant drag on your overall investment returns. But with some basic understanding about tax rates and the difference between taxable and tax-advantaged accounts, you can [take steps to minimize the tax bite](#) on your investments.

5. Stay involved.

You can't just invest and then go away. To be successful, you need to periodically check your progress to make sure you're on track. You do that by comparing your results with reliable industry benchmarks. Once you've done your comparisons, you may need to [rebalance](#) your investments to maintain the asset allocation that's right for you.

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