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Camden, AL

Investment Strategies

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Sharing information
today for your future use!

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TODAY'S PRESENTATION

- Practical example/sample process
- Investment Strategies identified
- Questions





Investment Strategies

- Practical example/sample process
- Basic understandings
 - 3 Keys
 - Define your investment goals
 - Invest in the right level of risk
 - Manage your investment plan

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Investment Strategies: Three Keys

- **Define your investment goals**
 - What are you saving for?
 - How much will you need to reach your goal?
 - How much time is necessary to achieve your goal?
- **Invest in the right level of risk**
 - Determine your comfort level of risk
- **Manage your investment plan**
 - You manage your plan yourself
 - Select someone to assist the management of your plan



What is an Investment Strategy?

- An investment strategy is a **specific plan** to earn income through alternative sources and is typically determined by assessing one's **future goals, risk tolerance, needs, and financial health**. Investments require different levels of involvement and capital to maintain.
- The right investment strategy can be one of the best **pathways to financial freedom**. Whether it serves as a supplement to your regular income, additional savings for retirement, or a way to pay off debt — the best investment strategies can impact your financial health for the better.

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What is an Investment Strategy?

- There are so many **types of investment strategies** that it can seem overwhelming at first. From stocks and bonds to real estate, there are numerous options available.
- The reason for investing varies from person to person. **Investments are popularly thought of as a way to bolster one's finances.**
- The best investment strategies will **build off your available capital and hopefully provide a form of financial security.** There are varying levels of risk, time periods, and even involvement associated with the different types of investment strategies.

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Six Types of Investment Strategies

1. **Short Term** Investment Strategies
2. **Long Term** Investment Strategies
3. **Active** Investment Strategies
4. **Passive** Investment Strategies
5. **High-Risk** Investment Strategies
6. **Low-Risk** Investment Strategies



Understanding the Different Types of Investment Strategies

- **Short Term** – A short-term investment strategy is generally one that provides **results before the three-year mark**. A few examples of this type of investment strategy are high-interest savings accounts, short-term bonds, and cash management accounts. Investors typically gravitate towards short-term projects if they are saving for an upcoming event (such as a wedding) or if they are interested in earning capital fast to invest in something else. The biggest factor to consider when looking at short-term options is **profitability**. With a three-year turnaround, many investments simply don't have the time to generate the same results as longer investments.

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Understanding the Different Types of Investment Strategies (cont.)

- **Long Term** – Long-term investment strategies are usually what comes to mind when thinking about investing. These include rental real estate, stocks, mutual funds, and gold or collectibles. Long-term investments can generate returns over several years, or in some cases as long as an investor chooses to stay involved in the market. Long-term investment strategies can be a great option as **they often involve lower risk and higher returns** when compared to other investments. That being said, investors will have to get used to their capital being locked up for long periods of time with this type of investment strategy.

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Understanding the Different Types of Investment Strategies (cont.)

- **Active** – An active investment strategy is exactly what it sounds like: **one where the investor is regularly involved**. Arguably, the well-known active investment strategy is flipping houses (thanks to popular TV shows on HGTV). Another form of active investing is when **investors control their own stock portfolios**, rather than working with a financial institution or advisor. Active investment strategies can be **great for anyone who wants to be hands-on with their finances**, whether that be through portfolio management or getting involved directly in real estate.

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Understanding the Different Types of Investment Strategies (cont.)

- **Passive** – Passive investment strategies **allow investors to sit back while their assets generate profits.** These options include REITs, rental properties (typically with a property management company), or index funds. While passive investment strategies do require the same amount of research to establish, **they don't require day-to-day involvement compared to other investments.** For this reason, many choose this type of investment strategy **as a way to supplement their regular income or save for retirement.**



Understanding the Different Types of Investment Strategies (cont.)

- **High-Risk** – Risk is quite the buzzword when evaluating different investment strategies, and it **refers to the volatility of a given investment. Most people associate high risk with high reward or profits.** In many cases, this can be true, but high-risk investment strategies are **not for everyone.** More often than not young investors, who would have time to financially recover if anything were to go wrong, will gravitate towards these strategies. A few examples of high-risk investment strategies include investing in startup companies or “playing” the stock market so to speak.



Understanding the Different Types of Investment Strategies (cont.)

- **Low-Risk** – Low-risk investment strategies can **make great first investments for people of all ages**. The reason for this is more often than not, **investors will see some sort of return without jeopardizing their initial investment or risking large financial losses**. Low-risk investments include purchasing bonds, CDs, and savings accounts. **Diversification** is another aspect of low-risk investing – this means spreading out your capital across several investment types. Diversifying your portfolio in this way can help safeguard against losing all of your funds in the event one investment does not perform well.



What are the 3 main types of Investments?

- A few types of investment strategies have performed well historically, making them great **gateways** into the world of investing. These basic forms of investments are associated with **varying levels of involvement risk**, depending on how they are managed.
- **Stocks:** are essentially shares in a company that investors can buy, hold, and sell to earn profits. By purchasing stocks, **investors are putting capital in a company they believe will perform well in time** – thus growing their initial investment. Stocks can rise and fall in value, adding **some level of risk** to this strategy. Although this risk is often counteracted by long investing timelines, and some form of professional portfolio management.

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What are the 3 main types of Investments?

- **Bonds:** Purchasing bonds can be a **good low-risk, long-term investment strategy** for anyone interested in growing their capital. Bonds are typically secured by a company or the government depending on the type; and provide **returns in the form of interest payments**. While bonds are **not** known for high returns, they can be a great way to diversify your portfolio.
- **Mutual Funds:** are accounts that **put your capital into multiple investments**, such as stocks and bonds. These funds are **managed professionally** and have a **designated investment strategy** within themselves. They can have higher minimum investments when compared to other options, however, they are **thought to perform well**.

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Summary

As you can see, there are several *types of investment strategies* that cater to almost every **level of risk, involvement, and timing**. Finding the best strategy for you will come down to **understanding your personal preferences and financial situation**. The best thing I can recommend is to do your **research** — what works great for a friend may not work for you. There is a lot at play when it comes to investing, but you can **find a strategy that bolsters your financial health and helps you achieve your goals with the right determination**.

Questions?





Suggested Sources of Information

- <https://www.fortunebuilders.com/investment-strategies-to-get-started/>
- <https://www.nerdwallet.com/article/investing/how-to-start-investing>
- <https://www.nerdwallet.com/article/investing/investment-strategies>
- <https://www.investopedia.com/investing/investing-strategies/>
- <https://www.investopedia.com/terms/i/investmentstrategy.asp>
- <https://hbr.org/2021/08/how-to-make-smart-investments-a-beginners-guide>
- <https://www.bankrate.com/investing/investment-strategies-for-beginners/>
- <https://www.wallstreetmojo.com/investment-strategies/>
- <https://www.thrivent.com/investments>
- <https://www.firstcommand.com/investing-saving/>
- <https://www.fidelity.com/viewpoints/investing-ideas/3-keys-the-foundation-of-investing>