

Recap: Short List



Money 201

- The price of an asset is determined when supply = demand.
- Earnings = Sales – Expenses.
- The value of a business or stock is a multiple (e.g., 10x) of its annual earnings.
- A stock market index, like the Dow Jones, is a basket of stocks.
- There are many types of investment funds, including mutual funds and exchange traded funds (ETFs).
- Active funds try to outperform the market, while passive funds try to track the market.
- Retirement plans, such as Individual Retirement Accounts (IRAs) and 401ks, are good vehicles for building long-term wealth.
- There is no reliable path for getting rich quickly.
- Higher return investments usually have higher risk.
- Diversification means spreading your money across different investments. It is one way of reducing risk.