The $12 Portfolio

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www.7TwelvePortfolio.com

<u>HOW does a person start investing?</u>
Most people invest by using mutual funds. A mutual fund is a portfolio (or collection) of stocks, bonds, real estate, etc. There are a lot of mutual funds to choose from. An investor needs several different mutual funds to be "diversified". Diversification helps reduce the risk of loss.

<u>BUILDING a portfolio using Homestead mutual funds</u>
Homestead is a mutual fund company in Virginia. Their website is http://homesteadfunds.com.
Their phone number is 1-800-258-3030. They have several different mutual funds. Below are four of their funds that can be utilized to build the starting foundation of a "diversified" investment portfolio.

Name of Homestead Mutual Fund	This mutual fund invests in…
Homestead Value	**Large US Stocks**
Homestead Small Company Stock	**Small US Stocks**
Homestead Short-Term Bond	**Bonds**
Homestead International Value	**Non-US Stocks**

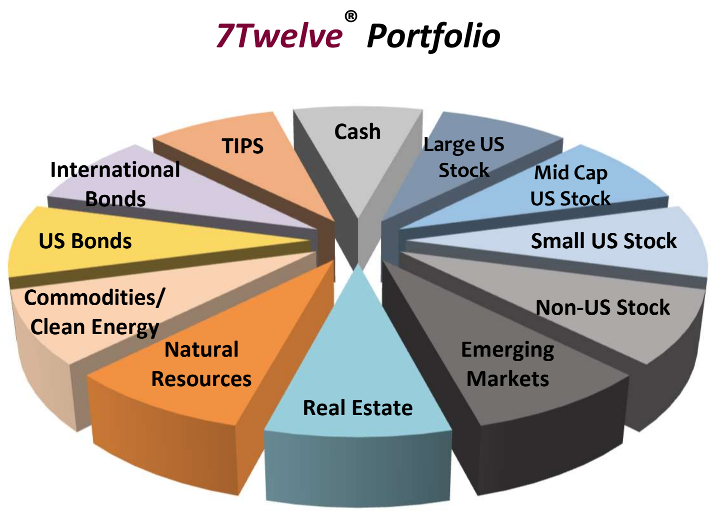
With their automatic investing plan, Homestead waives the normal initial investment of $500. You can literally build the four-fund portfolio shown above for **$12 per month** ($3 each month into each fund) if you **automate** the monthly investment. An automatic monthly investment is where you authorize Homestead to electronically withdraw your monthly investment from your checking or savings account. There is no fee for that service. Of course, you can also invest more than $3 each month into each fund!

<u>WHAT type of account should I set up?</u>
There are two basic types of investment accounts: *regular investment account* and *individual retirement account* (IRA). Regular investment accounts have fewer rules than IRA accounts, but IRA accounts offer tax protection. Remember, you are investing money in mutual funds—but you still have to choose how to establish the account (regular account or IRA account). The most common types of IRA accounts are the traditional IRA and the Roth IRA. **For most people with modest incomes, the Roth IRA is generally the most useful. If married, it's best to set up separate IRA accounts to maximize the amount you can invest.** There is a $15 per year account maintenance fee if setting up an **IRA** account, so if you plan to invest a small amount of money you may want to only invest in one Homestead mutual fund rather than four. **Regular** (non-IRA) investment accounts don't charge the $15 per year account maintenance fee.

<u>Start NOW</u>
The most important aspect of investing is simply starting! Don't wait until you have a lot of money, **start small now.** And don't attempt to find the perfect mutual fund, simply build a sensible portfolio using several different mutual funds. As your income grows, you will be able to invest more. What starts out, for example, as a $12 per month investment will grow over time as your income grows. Be patient. Have reasonable expectations. Don't panic if your accounts temporarily lose money. Mutual funds that invest in stocks tend to have positive yearly returns about 70% of the time.

More Diversification

For those wanting to build a more diversified portfolio you might consider the ***7Twelve***® Portfolio—an investment model designed by Craig Israelsen, Ph.D. in the spring of 2008. The ***7Twelve***® Portfolio equally weights **12 mutual funds** (or exchange traded funds) at 8.33% each.



The 7Twelve Portfolio represents an investment "recipe". Just like salsa, there are several versions of the recipe. There is an Active 7Twelve version that utilizes 12 actively managed funds, a Passive version that uses exchange traded funds (ETFs), two Vanguard versions, a Fidelity version, and a Schwab version.

Each 7Twelve model (or version) uses 12 ingredients, either mutual funds and/or ETFs covering the same 7 core asset classes (US stock, non-US stock, real estate, natural resources, US bonds, non-US bonds, and cash). The difference between each "version" is where you are buying the ingredients (Vanguard, Fidelity, etc.).

Over the past 20 years from 2002-2021 the Active 7Twelve model produced an average annualized return of 7.76%. A $10,000 investment on January 1, 2002 was worth over $44,564 by December 31, 2021. The key is to save and invest on a regular basis, be patient through ups and downs, and maintain a balanced focus on the goals and purposes of why you are investing.

To purchase 7Twelve research reports that provide guidance in building one of the 7Twelve models shown in the table below click on this link: http://www.7twelveportfolio.com/Downloads/Web7TwelveReport.pdf

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