SEC

Office *of* Investor Education *and* Advocacy

Before You Invest, **Investor.gov**

A GUIDE FOR TEACHERS

Saving and Investing for K–12 Educators

Dear Teacher,

While money doesn't grow on trees, it can grow when you save and invest wisely.

Knowing how to secure your financial well-being is one of the most important things you'll ever need in life. You just need to know a few basics, form a plan, and be ready to stick to it. No matter how much or little money you have, the important thing is to educate yourself about your opportunities. In this brochure, we'll cover the basics on managing debt and credit, saving and investing, and planning for retirement.

At the SEC, we enforce the federal laws that determine how investments in securities are offered and sold to, and purchased by, you. These laws help protect investors. Part of this brochure also discusses how you can also help protect yourself from fraud.

No one can guarantee that you'll make money from the investments you make. But if you get the facts about saving and investing and follow through with an intelligent plan, you should be able to gain financial security over the years and enjoy the benefits of smart money management.

Please feel free to contact us with any of your questions or concerns about investing. It always pays to learn before you invest. And congratulations on taking your first step on the road to financial security!

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Getting Started

Don't Wait! It's Easier Than You Think.

No one is born knowing how to save or invest. Every successful investor starts with the basics—the information in this brochure.

For most people, the best way to attain financial security is to save and invest over a long period of time. Time after time, people of even modest means who begin the journey can reach financial security: buying a home, paying for educational opportunities for their children, and enjoying a comfortable retirement. If they can do it, so can you!

KEYS TO FINANCIAL SUCCESS
1. Make a financial plan.
2. Pay off any high interest debts.
3. Start saving and investing as soon as you've paid off your debts.

Making a Financial Plan.

What are the things you want to save and invest for?

- Emergencies
- A home
- A car
- Your family
- Educational opportunities
- A comfortable retirement
- A comfortable social life
- Other goals

Make your own list and then think about which goals are the most important to you. List your most important goals first.

Decide how many years you have to meet each specific goal because when you save or invest you'll need to find a savings or investment option that fits your timeframe for meeting each goal. Many tools exist to help you put your financial plan together. You'll find a wealth of information, including calculators and links to other resources at, **Investor.gov**.

Know Your Current Financial Situation

Sit down and take an honest look at your entire financial situation. You'll need to figure out on paper what you own and what you owe. You'll be creating a *net worth statement*. On one side of the page, list what you own. These are your assets. And on the other side list what you owe other people, your *liabilities* or debts.

Subtract your liabilities from your assets. If your assets are larger than your liabilities, you have a positive net worth. If your liabilities are greater than your assets, you have a negative net worth.

You'll want to update your net worth statement every year to keep track of how you are doing. Don't be discouraged if you have a negative net worth. If you follow a plan to get into a positive position, you're doing the right thing.

Know Your Income and Expenses

The next step is to keep track of your monthly income and your expenses. Write down what you and others in your family earn, and then your expenses.

YOUR NET WORTH STATEMENT			
Assets	**Current Value**	**Liabilities**	**Amount**
Cash		Mortgage balance	
Checking accounts		Credit cards	
Savings		Bank loans	
Cash value of life insurance		Car loans	
Retirement accounts		Student loans	
Real estate		Other	
Home			
Other investments			
Personal property			
TOTAL		**TOTAL**	

Finding Money to Save or Invest

If you are spending all your income, and never have money to save or invest, you'll need to look for ways to cut back on your expenses. When you watch where you spend your money, you will be surprised how small everyday expenses that you can do without add up over a year.

How much does a cup of coffee cost you?

If you buy a cup of coffee every day for $1.50, that adds up to $547.50 a year. If you saved that $547.50 for just one year, and put it into a savings or investment account that earns 5 percent a year, it would grow to $698.76 by the end of five years, and by the end of 30 years, to $2,366.26.

That's the power of *compounding*. With compound interest, you earn interest on (1) the money you save, as well as (2) the interest that has previously been earned. Over time, even a small amount saved can add up to big money. If you are willing to watch what you spend and look for little ways to save on a regular schedule, you can make your money grow. You just did it with one cup of coffee.

If a small cup of coffee can make such a huge difference, start looking at how you could make your money grow if you decided to spend less on other things and save those extra dollars. If you buy on impulse, make a rule that you'll always wait 24 hours to buy anything. You may lose your desire to buy it after a day. And try moving any extra money left in your checking account to your savings account every couple weeks. You'll be surprised at how quickly small money can add up!

KNOW YOUR INCOME AND WHAT YOU SPEND

Monthly Income: ______________________

Monthly Expenses	
Savings	
Investments	
Clothing	
Rent or mortgage	
Electricity	
Gas/oil	
Phone/Internet	
Water/sewer	
Property tax	
Furniture	
Food	
Transportation/car	
Loans	
Insurance	
Education	
Recreation	
Child care	
Health care	
Gifts	
Other	
TOTAL	

Pay Off Credit Card or Other High Interest Debt

Speaking of things adding up, few investment strategies pay off as well as, or with less risk than, paying off all high interest debt you may have.

Many people have wallets filled with credit cards, some of which they've "maxed out" (meaning they've spent up to their credit limit). Credit cards can make it seem easy to buy expensive things when you don't have the cash in your pocket—or in the bank. But credit cards aren't free money.

Most credit cards charge high interest rates—as much as 18 percent or more—if you don't pay off your balance in full each month. If you owe money on your credit cards, the wisest thing you can do is pay off the balance in full as quickly as possible. Virtually no investment will give you the high returns you'll need to keep pace with an 18 percent interest charge. That's why you're better off eliminating all credit card debt before investing. Once you've paid off your credit cards, you can budget your money and begin to save and invest. Here are some tips for avoiding credit card debt:

■ Put Away the Plastic

Don't use a credit card unless your debt is at a manageable level and you know you'll have the money to pay the bill when it arrives.

■ Know What You Owe

It's easy to forget how much you've charged on your credit card. Every time you use a credit card, keep track of how much you have spent and figure out how much you'll have to pay that month.

■ Pay Off the Card with the Highest Rate

If you've got unpaid balances on several credit cards, you should first pay down the card that charges the highest rate. Pay as much as you can toward that debt each month until your balance is once again zero, while still paying the minimum on your other cards.

The same advice goes for any other high interest debt which does not offer the tax advantages of, for example, a mortgage.

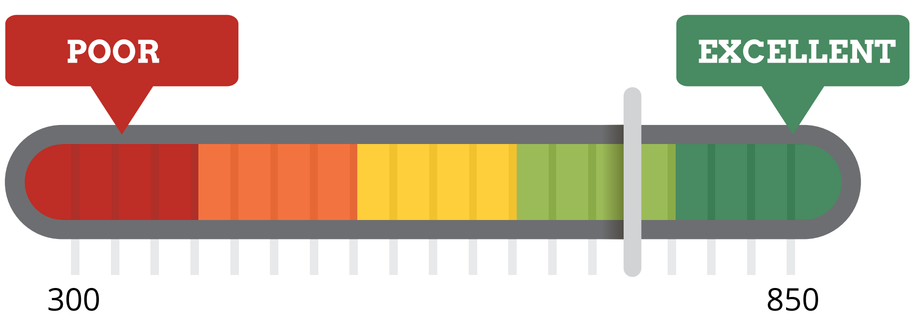
Manage Your Credit Score

Your credit score—a number between 300 and 850—is the financial barometer that measures the creditworthiness and risk potential of an individual consumer.

It's one of the tools banks and lenders use to determine the interest rate you'll pay on a given loan. The higher your credit score, generally the lower the interest rate charged, and the lower your payments. A lower interest rate can mean big savings over time. A higher credit score also makes it easier to be approved for new lines of credit, such as a mortgage or car loan.

You can improve your credit score. These guidelines may help:

1. Pay your bills on time, every time.
2. Don't get close to your credit limit.
3. A long credit history will help your score.
4. Only apply for credit that you need.
5. Check your credit report annually at AnnualCreditReport.com and make sure the information is correct.



Making Money Grow

Once you have a financial plan and have paid off any high interest debts, it's time to consider how to make your money grow.

There are basically two ways to make money:

1. You work for money.
Someone pays you to work for them or you have your own business.

2. Your money works for you.
You take your money and you save or invest it.

The Differences Between Saving and Investing

Saving

Your *savings* are the money you earn, but don't spend. This money is usually put into the safest places, or products, that allow you access to your money at any time. Savings products include savings accounts, checking accounts, and certificates of deposit. Some deposits in these products may be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration. But there's a tradeoff for security and ready availability. Your money is paid a low wage as it works for you—and it may not even keep up with inflation.

Investing

When you *invest*, you try to make the money you earn grow. When you invest, you have a greater chance of losing your money than when you *save*. The money you invest in securities, mutual funds, and other similar investments typically is not federally insured. You could lose your *principal*—the amount you've invested. But you also have the opportunity to earn more money.

THE BASIC TYPES OF PRODUCTS	
Savings	**Investments**
Savings accounts	Bonds
Certificates of deposit	Stocks
Checking accounts	Mutual funds/ETFs
	Real estate
	Commodities (gold, silver, etc.)

Automatic Contributions

Some people get into the habit of saving and investing by following this advice: always pay yourself or your family first. Many people find it easier to save or invest first if they direct their bank to automatically remove money from their paycheck and deposit it into a savings or investment account.

For money you want to invest, one of your best options for making automatic contributions is to participate in a retirement plan offered by your employer. Many public schools and non-profit private schools offer 403(b) and/or 457(b) retirement plans. Contributions can be automatically deducted from your pay and provide tax advantages either today (traditional) or in the future (Roth). 403(b) and 457(b) plans are discussed in more detail under the Planning for Retirement section.

Any time you have automatic deductions made from your paycheck or bank account, you'll increase the chances of being able to stick to your plan and to realize your goals.

What about risk?

All investments involve risk. It's important that you go into any investment in stocks, bonds, ETFs, or mutual funds with a full understanding that you could lose some or all of your money in any one investment.

Diversification, or spreading money among various investments, is the best way investors protect themselves against risk. This strategy can be neatly summed up as, “Don’t put all your eggs in one basket.” Diversification can’t **guarantee** that all of your investments won’t suffer if the market drops. But it can improve the chances that you won’t lose money, or that if you do, it won’t be as much as if you weren’t diversified.

What are the best investments for me?

The answer depends on factors like:

- when you will need the money;
- your goals; and
- your ability and willingness to take risk.

If you are saving for retirement, and you have 35 years before you retire, you may want to consider investment products that may grow faster over the long run, knowing that if you stick to only the “savings” products or to less risky investment products, your money will grow too slowly—or, given inflation and taxes, you may lose the purchasing power of your money. A common mistake people make is putting money they will not need for a very long time in investments that pay a low amount of interest. However, with the possibility of growing faster comes exposure to more risk and the possibility of losing money.

On the other hand, if you are saving for a short-term goal, five years or less, you don’t want to choose high-risk investments, because when it’s time to sell, you may have to take a loss. Since investments often move up and down in value rapidly, you want to make sure that you can wait and sell at the best possible time.

Stocks and Bonds

To invest in individual companies, you can buy either stocks or bonds. When you invest in a stock or bond, you are hoping that the company will be successful and your investment will grow as a result.

A stock is an instrument that signifies an ownership position (called an equity security) in a company, and a claim on a proportional share in its assets and profits. Generally, you can buy and sell stock that is listed on a stock exchange through a broker.

A bond is a debt security, similar to an IOU. When you buy a bond, you are lending money to the company. In return for the loan, the company promises to pay you a specified rate of interest during the life of the bond and to repay the principal when it *matures*, or comes due. You can buy or sell bonds through a broker.

THE MAIN DIFFERENCES BETWEEN STOCKS AND BONDS

Stocks	Bonds
If the company profits or is perceived as having strong potential, its stock may go up in value. The company may also pay dividends. You may make more money than from the bonds.	The company promises to return money plus interest.
Risk: The company may do poorly, and you'll lose a portion or all of your investment.	**Risk:** If the company goes bankrupt, your money may be lost. But if there is any money left, you will be paid before stockholders.

Mutual Funds and Exchange-Traded Funds (ETFs)

Because it is sometimes hard for investors to become experts on various businesses—for example, what are the best telecommunications, pharmaceutical, or computer companies— investors often depend on professionals who are trained to research companies and recommend companies that are likely to succeed. Since it takes work to pick the stocks or bonds of the companies that have the best chance to do well in the future, many investors choose to invest in mutual funds and ETFs.

What are mutual funds and ETFs?

A mutual fund or ETF is a pool of money run by a professional or group of professionals called the *investment adviser*. In a managed fund, after researching the prospects of many companies, the fund's investment adviser will pick the stocks or bonds of companies and put them into a fund.

Investors can buy shares of the fund, and their shares rise or fall in value as the values of the stocks and bonds in the fund rise and fall. Investors may pay a fee when they buy or sell their shares in the fund, and those fees in part pay the salaries and expenses of the professionals who manage the fund.

For more information about mutual funds and ETFs, be sure to read our brochure entitled *Mutual Funds and ETFs—A Guide for Investors* (Investor.gov/funds).

How can I keep fund fees and expenses low?

One way that investors can obtain for themselves nearly the same returns as the market is to invest in an index fund or index ETF. Unlike a managed fund, this type of fund does not attempt to pick and choose stocks of individual companies based upon the research of the fund managers. An index fund seeks to equal the returns of a major stock market index, such as the S&P 500, the Wilshire 5000, or the Russell 3000. An index fund tracks the holdings of a chosen index and aims to generate the same returns as an index minus, of course, the annual fees involved in running the fund. The fees for index funds and ETFs generally are lower than the fees for managed funds.

Historical data shows that index funds have, primarily because of their lower fees, enjoyed higher returns than the average managed fund. But, like any investment, index funds involve risk and historical data is no guarantee of future returns.

A Note About Fees and Expenses

Fees and expenses vary from fund to fund and the amount you pay may depend on the fund's investment strategy. A fund with high costs must perform better than a low-cost fund to generate the same returns for you. Even small differences in fees from one fund to another can add up to substantial differences in your investment returns over time.

Working with an Investment Professional

Do I Need an Investment Professional?

Are you the type of person who will read as much as possible about potential investments and ask questions about them? If so, maybe you don't need investment advice. But if you're busy with your job, your children, or other responsibilities, or feel you don't know enough about investing on your own, then you may benefit from professional investment advice.

Investment professionals offer a variety of services at a variety of prices. It pays to comparison shop. You can get investment advice from most financial institutions that sell investments, including brokerages, banks, mutual funds, and insurance companies. You can also hire a broker, an investment adviser, an accountant, a financial planner, or other professional to help you make investment decisions. Some financial planners and investment advisers offer a complete financial plan, assessing every aspect of your financial life and developing a detailed strategy for meeting your financial goals.

Remember, there is no such thing as a free lunch. If professional financial advisers are working for you, they are getting paid for their efforts. Some of their fees are easier to see immediately than are others. But, in all cases, you should always feel free to ask questions about how and how much your investment professional is being paid. And if the fee is quoted to you as a percentage, make sure that you understand what that translates to in dollars.

How do I Choose the Right Investment Professional?

Ask questions!

You can never ask a dumb question about your investments and the people who help you choose them, especially when it comes to how much you will be paying for any investment, both in upfront costs and ongoing management fees.

Here are some questions you should ask when choosing an investment professional or someone to help you:

- Are you licensed or registered with the SEC, state securities regulator or FINRA? Do you have a disciplinary history with a government regulator or any customer complaints?
- What training and experience do you have? What education do you have that relates to your work? How long have you been in business?
- What is your investment philosophy? Do you take a lot of risks or are you more concerned about the safety of my money? How often will you review my account or make recommendations to me?
- Describe your typical client. What experience do you have working with people like me?

- How do you get paid? How does your firm get paid?
  A "commission" that is based on certain transactions in my account? A percentage of assets you manage? Another method? Do you get paid more for selling your own firm's products?
- What are the fees that I will pay for products and services? Which of those fees will I pay directly and which are taken directly from the products I own? How much will it cost me in total to do business with you?

An investment professional has a duty to make sure that they only recommend investments that are suitable for you. The best investment professional is one who fully understands your objectives and matches investment recommendations to your goals.

"Robo-advisers" offer automated digital investment advisory programs. They allow individual investors to input information through a web portal or mobile application, and they use that information to create and manage those individuals' investment accounts. Robo-advisers are typically registered investment advisers. In some cases robo-advisers may offer advisory services at a lower cost than traditional advisers, but your ability to interact with a human may be very limited or non-existent. You should carefully consider whether a robo-adviser is right for you before making a decision to invest through one.

Before you Invest, Investor.gov

Investor.gov has a free and simple search tool that allows you to find out if your investment professional is licensed and registered, and if he or she has a disciplinary history or customer complaints. ALWAYS check the background of any investment professional before hiring him or her to manage your money.

Planning for Retirement

Factors to Consider

Retirement may seem distant, and as educators, saving for retirement may feel like the least of your concerns. However, planning for retirement is one of the most important ways of ensuring your long-term financial security. The earlier you start saving, the better chance you will have of meeting your goals. There are many factors you will want to consider when you think about saving for retirement, including:

- Your age
- When you plan to retire
- Your risk tolerance

With these factors in mind, you should consider how best to take advantage of the retirement benefits available to you. You should also consider how to reinforce those retirement benefits with additional savings and investments.

Defined benefit plans are also known as pension plans. Employers sponsor defined benefit plans and promise the plan's investments will provide you with a specified monthly benefit at retirement. The employer bears the investment risks.

Defined contribution plans, like 403(b) and 457(b) plans, do not promise a specific payment upon retirement. In these plans, the employee or the employer (or both) may contribute to the employee's individual account. The employee bears the investment risks.

Retirement Plans for Public School Teachers

1. Pensions.

As a public school or non-profit private school teacher, you may have access to a defined benefit pension plan. Check with your employer, school district, or state pension provider for more information.

2. Social Security.

You may also be eligible for social security benefits. Check with your employer, school district, or www.ssa.gov for more information on what types of benefits you may be able to receive in retirement.

3. Investment Plans.

You may also have two types of defined contribution investment plans available to you: 403(b) and 457(b) plans. Check with your employer or school district to see if one or both are available to you.

403(b) and 457(b) Retirement Plans

What is a 403(b) or 457(b) plan?

403(b) and 457(b) plans are tax-advantaged retirement savings programs provided by certain employers. Employers such as public educational institutions (public schools, colleges and universities), certain non-profits, and churches or church-related organizations may offer 403(b) plans. Employers such as state and local government agencies and certain non-profit organizations may offer 457(b) plans. Some employers may offer both 403(b) and 457(b) plans, and allow you to contribute to both plans. Find general information about these plans on the Internal Revenue Service's ("IRS") website (IRS 403(b) webpage (www.irs.gov/retirement-plans/irc-403b-tax-sheltered-annuity-plans) and IRS 457(b) webpage (www.irs.gov/retirement-plans/irc-457b-deferred-compensation-plans)).

Similar to 401(k) plans, 403(b) and 457(b) plans can offer two account options, traditional and Roth. Traditional 403(b) and 457(b) accounts allow you to contribute pre-tax money directly from your paycheck to your 403(b) or 457(b) plan to invest in certain investment products. These pre-tax contributions and their investment earnings will not be taxed until you withdraw the money, typically after you retire. Roth 403(b) and 457(b) accounts allow you to contribute after-tax money. The earnings in these accounts are not taxed when you withdraw the money. This allows you to withdraw tax-free income during retirement. For additional information on these rules and tax consequences, please consult a tax professional. Also find information about choosing a Roth account on the IRS's website (www.irs.gov/retirement-plans/roth-acct-in-your-retirement-plan).

■ How much can I contribute to a 403(b) or a 457(b) plan?

The IRS determines the annual contribution limits for both 403(b) and 457(b) plans. In addition to that amount, both plans allow "catch-up contributions" for eligible participants (those age 50 or older or turning 50 that year). Each plan has specific rules governing contribution limits and "catch-up contributions." Confirm the current contribution limits for each plan on the IRS's website (403(b) contributions (www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-403b-contribution-limits) and 457(b) contributions (www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-457b-contribution-limits)).

■ What are my investment options in a 403(b) or a 457(b) plan?

As a participant in a 403(b) or 457(b) plan, you may need to choose among different types of investments. Typically, 403(b) and 457(b) plans offer two types of investment products: (1) annuities and (2) mutual funds.

An **annuity** (Investor.gov/annuities) is a contract between you and an insurance company that requires the insurer to make payments to you, either immediately or in the future. There are three basic types of annuities:

- **Variable annuity.** The insurance company allows you to direct your annuity payments to different investment options, usually mutual funds. Your payout will vary depending on how much you put in, the rate of return on your investments, and expenses. One feature of variable annuities is tax deferral on earnings. But, if you are investing in a variable annuity in a tax-advantaged account, like a 403(b) or 457(b) account, you'll get no extra tax advantage. The SEC regulates variable annuities.

  For more information about variable annuities, please read our Investor Bulletin: Variable Annuities—An Introduction (**Investor.gov/variable-annuities-bulletin**).
- **Fixed annuity.** The insurance company promises you a minimum rate of interest and a fixed amount of periodic payments. Fixed annuities are regulated by state insurance commissions. Please check with your state insurance commission (**www.naic.org**) about the risks and benefits of fixed annuities.
- **Indexed annuity.** This annuity combines features of securities and insurance products. The insurance company credits you with a return that is based on a stock market index, such as the Standard & Poor's 500 Index. Not all indexed annuities are regulated by the SEC. The SEC regulates only indexed annuities that are securities. These indexed annuities can expose investors to investment losses. Indexed annuities also are subject to state insurance regulation. Please check with your state insurance commission (**www.naic.org**) about the risks and benefits of indexed annuities.

A **mutual fund** (Investor.gov/mutual-funds) is the common name for an open-end investment company. Like other types of investment companies, mutual funds pool money from investors and invest the money in stocks, bonds, short-term debt or money market instruments, or other securities. Mutual funds issue redeemable shares that investors buy directly from the fund or through a broker for the fund.

Please refer to the 'Making Money Grow' section for more information about mutual funds. For additional information about mutual funds, be sure to read our brochure entitled Mutual Funds and ETFs—A Guide for Investors (Investor.gov/funds).

What should I ask when selecting an investment product?

It will be up to you to select investments that best meet your financial objectives. Although you may be eligible to participate in a 403(b) or 457(b) plan, do not assume that your employer has endorsed any particular investment product offered through the plan. Before selecting an investment product for your 403(b) or 457(b) plan, ask the following three questions:

1. What fees will I pay?
2. Will I have to pay any penalties if I change my investment choices? If so, how much?
3. Does the vendor make more money for selling me one product over another?

What fees will I pay in a 403(b) or a 457(b) plan?

Fees and expenses vary from product to product and can take a huge bite out of your returns. An investment with high costs must perform better than a low-cost investment to generate the same returns for you. Even small differences in fees can translate into large differences in returns over time.

If a vendor tells you an investment product has "no fees," it may mean there are no upfront fees when buying the investment product. But most investment products in 403(b) and 457(b) plans have expenses related to their operation that come out of their investment returns on an ongoing basis (e.g., an expense ratio for mutual funds or administrative expenses for annuities). These ongoing expenses can have a major impact on the investment product's overall investment return.

For mutual funds and variable annuities, you can find information on costs and fees in the prospectuses. For fixed annuities, check the sales literature or the contract. If you need additional help understanding mutual-fund related fees, please read our Investor Bulletin: Mutual Fund Fee Expenses (Investor.gov/mutual-fund-fees-bulletin). If you need additional help understanding variable annuity fees, please read our Investor Bulletin: Variable Annuities—An Introduction (Investor.gov/variable-annuities-bulletin).

In addition to investment product fees, you should also carefully consider the impact of vendor fees. You can generally find these fees in the vendor's plan materials. For additional information on how fees can impact your investment returns, read our Updated Investor Bulletin: How Fees and Expenses Affect Your Investment Portfolio (Investor.gov/impact-of-fees-bulletin).

■ Will I have to pay any penalties if I change my investment choices? If so, how much?

Make sure you know the answer to this question before you make your investment choices. For example, if you withdraw money from an annuity within the first few years, the insurance company may assess a "surrender" charge. A surrender charge compensates the vendor who sold the annuity to you.

Some mutual funds have a back-end sales charge known as a "contingent deferred sales load." Like a surrender charge for an annuity, the amount of this type of sales charge will depend on how long the shares are held, and it typically decreases to zero if the investor holds the shares long enough.

The question of whether you must pay a penalty or other fee for switching among investment choices in your plan is different from whether you must pay a penalty for taking money out of your 403(b) or 457(b) plan. You usually have to pay a tax penalty for early (pre-retirement) withdrawals from tax-deferred retirement plans. **Consider consulting with a tax professional before you take money out of your 403(b) or 457(b) plan.**

Does my vendor make more money for selling me one product over another?

Always ask how—and how much—the vendor receives as payment for selling a particular investment product. For example, you could ask:

- Do you receive a commission for selling Product X to me? If so, how much?
- Do you get any other type of compensation for selling Product X? If so, what? (This could include a bonus or points toward some other reward, such as a trip or a cruise.)
- Are there any other products that can meet my financial objectives at a lower cost to me, even if you do not sell those products?

■ How do I select a vendor for my 403(b) or a 457(b) plan?

Your employer may allow you to choose your 403(b) or 457(b) plan provider from a group of vendors. These are pre-selected financial professionals or firms. Please do not assume that your employer has endorsed any vendor. Determining which investment products best meet your financial objectives and identifying a vendor who sells those products is very important. **Different vendors sell different types of products, and some vendors only offer a limited number of choices.**

Before selecting a vendor, you should read your employer's 403(b) or 457(b) plan documents to learn the basic rules for how your plan operates. In addition, read each vendor's 403(b) or 457(b) plan materials. Research each vendor's background, credentials and experience.

Some states require vendors that provide these plans to register with one or more state regulators—in addition to any required registrations under federal laws. If your state requires these vendors to register, it may provide resources to assist you in researching vendors. Some vendors may be registered with the SEC or state securities regulators. Vendors that are insurance companies generally register with your state's insurance commission.

Other Ways to Save for Retirement

Of course your retirement savings don't have to be limited to the retirement benefits offered by your employer. If possible, consider saving and investing additional money on your own. Explore a wealth of information about retirement topics such as employer-sponsored plans, managing lifetime income, avoiding retirement fraud and understanding senior specialists' designations at Investor.gov.

How to Avoid Fraud

The last place you want your savings to end up is in the hands of a fraudster. Understanding how investment scams work is an important step in avoiding fraud and protecting your hard-earned money.

Common Types of Fraud:

Affinity Fraud

Teachers and other school employees can be at risk for affinity fraud. Affinity frauds target members of identifiable groups through exploiting the trust that exists in a group of people who have something in common. The group could be a religious group, such as a particular denomination or church. It could be an ethnic group or an immigrant community. It could be a racial minority. And, it could be members of a particular workforce like teachers.

Sometimes the fraudsters are in fact members of that group. In other instances, the fraudster may only pretend to be affiliated with the group.

Fraudsters may convince unsuspecting group leaders to promote the scheme. Fraudsters may also use social media to promote an affinity fraud and encourage group members to use social media to share information about a so-called investment opportunity with others. Victims may hesitate to notify authorities or to pursue legal remedies.

"Ponzi" and Pyramid Schemes

Many affinity frauds are Ponzi or pyramid schemes. In a Ponzi scheme, money from new investors is used to pay "returns" to existing investors. In a pyramid scheme, new participants' fees are used to pay recruiting "commissions" to existing participants. In both types of schemes, when new investors stop coming in, the scheme collapses and investors lose their money.

■ Pump-and-Dump Schemes

Fraudsters may promote a stock to create a buying frenzy that will pump up the share price so that they can sell their shares at investors' expense. Fraudsters may promote the stock through seemingly unbiased sources including social media, investment newsletters, investment research websites, online advertisements and newsletters, email, direct mail, newspapers, magazines, television, and radio.

Warnings of Potential Fraud

Investment scams tend to share some common characteristics. Watch out for red flags of fraud:

"Guaranteed returns" aren't. If someone promises you a guaranteed high rate of return on your investment, it likely is a fraudulent investment scheme.

If it sounds too good to be true, it is. Every investment carries some degree of risk. Low risk generally means low yields, and high yields typically involve high risk.

Unsolicited offers, including through social media. A new post on your wall, a tweet mentioning you, a direct message, an e-mail, a text, a phone call, or any other unsolicited communication regarding an investment "opportunity" may be part of a scam.

Beauty isn't everything. Don't be fooled by a sophisticated looking website or documents.

Lack of documentation. Be skeptical of investments without documentation reflecting the promoter's claims. If there's nothing in writing, walk away.

How Can I Avoid Being Scammed?

- **Check out the financial professional.**

Unlicensed, unregistered persons commit many of the securities frauds that target retail investors. Even if a close friend or family member or a group of friends recommends a financial professional, or the financial professional claims to have impressive credentials, you should still check out that person for signs of potential problems before becoming a customer. Working with a financial professional who is registered or licensed with federal or state securities regulators affords you certain legal protections. Investor.gov has a free and simple search tool that allows you to find out if your investment professional is licensed and registered, and if they have a disciplinary history or customer complaints.

- **Ask questions and check out the answers.**

Fraudsters rely on the fact that many people simply don't bother to investigate before they invest. Do your own research, and understand the investment and its risks. Carefully review all of the materials available to you and, if possible, verify what you are told about the investment. Never make an investment decision based on just one source.

- **Research before you invest.**

Just because someone you know made money or claims to have made money, doesn't mean you will too. Any offer or sale of securities must be registered with the SEC or exempt from registration. Registration provides investors with access to key information about the terms of a product being offered or of a company's management, products, services, and finances. You can check whether an issuer has registered its securities offering with the SEC by using the SEC's EDGAR database online or call the SEC's toll-free investor assistance line at (800) 732-0330. Investor.gov also has a vast library of educational resources on investing, different investment products and how the market works.

Beware of persuasion tactics.
Fraudsters may use persuasion tactics including *phantom* riches (dangling the prospect of wealth, enticing you with something you want but can't have), *source credibility* (trying to build credibility by claiming to be with a reputable firm or to have a special credential or experience), *social consensus* (leading you to believe that other savvy investors have already invested), *reciprocity* (offering to do a small favor for you in return for a big favor), and *scarcity* (creating a false sense of urgency by claiming limited supply).

Take your time—don't be rushed into investment decisions.
Fraudsters may tell their victims that this is a once-in-a-lifetime offer, and it will be gone tomorrow. But resist the pressure to invest quickly, and take the time you need to investigate before sending your money.

- **Be cautious with offshore investments.**
When you send your money abroad, and something goes wrong, it may be more difficult to find out what happened and to locate your money.

- **Don't lose sight of your investments.**
Monitor the activity in your account and request regular statements. Get access to your account online, if available. That way you can check on your money frequently from anywhere in the world you have internet access. Ask about any trading activity that you don't understand. Remember—it's your money.

- **Be suspicious if you cannot cash out your principal or profits.**
Fraudsters may use delay tactics when you request your original investment or profits. Don't be fooled by explanations as to why you can't get your money back or by suggestions that you roll over your "profits" into other investments. Don't fall for schemes that ask you for more money to get your original investment back.

- **Report problems.**
If you suspect possible securities fraud, report it to the SEC by submitting a complaint on SEC.gov. If you have a problem concerning your investments, your investment account or a financial professional, call the SEC's toll-free investor assistance line at (800) 732-0330.

Where to Go for Help

SEC Office of Investor Education and Advocacy

If you encounter a problem with an investment or have a question, you can contact the SEC's Office of Investor Education and Advocacy. Please call us at our toll-free helpline, (800) 732-0330, or email at help@sec.gov. You can also send us an online complaint form (sec.gov/complaint/select).

SEC Office of Investor Education and Advocacy
100 F Street, NE
Washington, D.C. 20549-0213
Telephone: (800) 732-0330
Fax: (202) 772-9295

INVESTOR.GOV

Investor.gov—the SEC's website designed for individual investors—includes a section with resources specifically for educators at Investor.gov/teachers.

You can view copies of the publications and brochures listed below on Investor.gov. The publications are available in both English and Spanish, and are available for download.

- **Saving and Investing—A Roadmap to Your Financial Security Through Saving and Investing**
- **Mutual Funds and Exchange-Traded Funds—A Guide for Investors**
- **Variable Annuities—What You Should Know**
- **Stopping Affinity Fraud in Your Community**

Additional SEC Resources

Our online search tool at Investor.gov allows you to check the registration status and background of investment professionals. If you have been a victim of a scam, you can check the SEC's website at sec.gov/page/litigation for information about SEC actions and investor claims funds.

State Regulators

While the SEC regulates and enforces the federal securities laws, each state has its own securities regulator that enforces what are known as blue sky laws. These laws cover many of the same activities the SEC regulates, such as the sale of securities and those who sell them, but are confined to securities sold or persons who sell them within each state.

In addition, your state securities regulator can tell you whether an investment is registered and whether an investment professional and his or her firm are licensed to do business in your state. Your state regulator also can check an investment professional's disciplinary history. You can find out the name of your state securities regulator by visiting the website of the North American Securities Administrators Association, Inc. (NASAA) (www.nasaa.org) or by calling (202) 737-0900.

Also if your state requires 403(b) and 457(b) plan vendors to register, it may provide resources to assist you in researching vendors. Vendors that are insurance companies generally register with your state's insurance commission. For information on how to research insurance companies in your state contact your state insurance commission (www.naic.org).

Other Websites

Internal Revenue Service:
(www.irs.gov/retirement-plans/irc-403b-tax-sheltered-annuity-plans)
(www.irs.gov/retirement-plans/irc-457b-deferred-compensation-plans)

State Insurance Commission:
(www.naic.org)

Financial Industry Regulatory Authority, Fund Analyzer:
(tools.finra.org/fund_analyzer)

Saving and Investing for Teachers:
(Investor.gov/teachers)

Keep in Touch With Us

U.S. Securities and Exchange Commission
Office of Investor Education and Advocacy
Telephone: (800) 732-0330
Email: help@sec.gov
Twitter: @SEC_Investor_Ed
Facebook: facebook.com/secinvestoreducation
Website: Investor.gov

SEC

Office of Investor Education and Advocacy

Before You Invest,
Investor.gov

SEC Pub. 190 (7/23)
PAID FOR BY THE SEC