

The Mission: Episode 1
Who is an Investor?

Shawn McEnnis: I'm Shawn; I am an exam manager with the SEC, and like many of us who work for the federal government, I have a retirement account. Now, like many people with a retirement account, I may not necessarily think I am an investor; but as someone who has securities or stocks in the market, I am an investor. Sometimes people think of investors as a billionaire from a Hallmark movie — the guy who is going to come in and destroy the town — but really, most of us with retirement accounts are investors.

(Music)

Shawn: Lori Schock, Director of the Office of Investor Education and Advocacy; Tracey McNeil, the SEC's first Ombudsman. Let's talk about: What is an investor?

Lori Schock: You know, Shawn, sometimes there is confusion between savers and investors. And so: savers are people who put money into, say, a bank account. As you know, we have been in a period of low interest rates for about a decade now in the United States.

But when you are talking about investing there's always an element of risk with that, but there is also the opportunity maybe for higher returns. Historically, in the United States, the S&P 500 has averaged over 9% — that's with the ups and the downs. I wish I could say that was consistent every year, but unfortunately you have the years where you have flip flops in the market and so if people take advantage of that — especially, you know, early in their working career and they are planning for retirement — they may have decades of growth. Now, past performance is no indication of future returns.

Shawn: Of course.

Lori: But that is a historical average that we have; whereas right now, interest rates in bank accounts, you're lucky if you're getting 1% — and it has been lower than that more recently.

Tracey McNeil: So investing over saving is sometimes a better, longer-term strategy to make more money off of your money, or make your money work for you, over the long term.

Lori: Money is lazy. I have to say: money will do whatever you tell it to do in however you put it to work. So if you stick it under your mattress, 50 years from now, you'll have the \$1000 you stuck under your mattress. But if you put it in a bank account — OK let's say it earns 1% per year. If you put it in the market you have the opportunity for potential higher returns. Now you also take on risk, so like I said, there are no guarantees here. But in the United States the markets have proven that this is a real way to grow wealth and to prepare for these longer term things such as retirement.

Tracey: While I would love to stuff money under my mattress, to me that just means that my money is just taking a long nap and not working for me. I want to make sure that my dollars work for me as well. So an agency like the SEC is here to make sure that you can get all the information that you need; you can have your questions answered; you can check out your

investment professionals; you can look at their backgrounds. You can find out how long they have been in business and if they have ever gotten into any trouble. And if you have other questions or concerns about what you are considering doing with your money we always encourage investors to reach out to us, not necessarily for specific investment advice. We can't do that, but we have educational materials and bulletins in different languages. We have them for different populations: seniors, students, the military. If you don't find what you need, you can always call one of us. I sit in my office every day and I pick up the phone when it rings. So I am certainly here as a resource. All of us are here.

(Music)

Shawn: So we have talked a bit about who is an investor. Lori, can you tell me a little bit more about the kinds of things that investors invest in that the SEC regulates.

Lori: Probably the main product in the United States that investors invest in would be mutual funds. And they invest in those through their retirement accounts or 529 plans. Exchange traded funds, publicly traded stocks, bonds, whether they are municipal bonds, or corporate bonds or treasuries issued by the U.S. government — and those are probably the most popular investment products in the United States. And they're different than say from a savings account or banking products that are federally insured against loss. The products I'm talking about— mutual funds, exchange traded funds— they have risk. And so there is risk that they may lose money, but they may also gain more money, on the upside potential.

Tracey: The one thing I would say is if you don't understand the product, don't invest in it. Come to the SEC's website, investor.gov, sec.gov. You can contact me or contact Lori and get more information about the types of products you are considering, but I think that's a great benchmark. Fraudsters sometimes like to take advantage of using terminology that you may hear a lot: ETFs, you hear a lot now, and bitcoin, and ICOs, you hear that a lot now, but if you as an investor don't quite understand what that is, hold on to your money, hold on to your personal information. And reach out the SEC and we can help you understand it.

Lori: Before you invest your money

Tracey: Before you invest your money

Shawn: That's the best way to protect yourself. Thank you Lori, Thank you Tracey.

Tracey: Thank you.

(Music)

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