Achievable

FINRA / NASAA SERIES 6 / 7 / 65 / 66 DUMP SHEET

Product characteristics and BRTI

Municipal securities

- General obligation bonds
  - Non-self-supporting debt
  - Funds public parks, schools, roads, etc.
  - Backed by property (ad valorem) taxes
  - Subject to debt limits and voter approval
- Revenue bonds
  - Self-supporting debt
  - Funds toll roads, stadiums, airports, etc.
  - Backed by user charges
  - Not subject to debt limits or voter approval
- Interest exempt from federal tax, and from state tax for residents
  - Most suitable for high tax brackets
  - Not suitable for low tax brackets or retirement plans

Investment companies

- Classifications
  - Management companies (open and closed-end)
  - Face amount certificates
  - Unit investment trusts (UITs)
- Offer pooled investment opportunities
- Most suitable for investors seeking:
  - Instant diversification
  - Professional management (except fixed UITs)

Closed-end management companies (publicly traded funds)

- Negotiable pooled portfolios of managed securities
- NAV reports "book value" of shares
- Shares traded in market at the going market price
  - May be purchased above, below, or at NAV
  - May be sold short or bought on margin

Exchange-traded funds (ETFs)

- Structured as open-end management companies
- Typically are passively managed (match index)
- May be sold short or bought on margin
- Leveraged & inverse ETFs
  - Leveraged = track index at 2× or 3× rate
  - Inverse = tracks opposite index returns
  - Only suitable for aggressive and risk-tolerant investors

Open-end management companies (mutual funds)

- Redeemable pooled portfolios of managed securities
- Active management
  - Attempts to "beat the market"
  - Intends to beat benchmark (e.g., S&P 500)
  - Higher expense ratios
- Passive management
  - Attempts to "match the market"
  - Intends to provide returns of benchmark, lower expense ratios
- Offered to investors at POP if front-end sales charge exists
- Offered to investors at NAV if no-load (no sales charge)
  - NAV is minimum price
- NAV influenced by:
  - Value of securities in portfolio
  - Distributions to investors (dividends or capital gains)
- NAV not influenced by demand for mutual fund shares
- May not be sold short or bought on margin

Types of funds

- Growth funds
  - Invest in growth common stocks, seek growth
- Value funds
  - Invest in value common stocks, seek growth and income
- Balanced funds
  - Invest in common & preferred stocks + bonds
  - Seek growth and income
- Growth & income funds
  - Invest in common & preferred stocks (equity only)
  - Seek growth and income
- Income funds
  - Invest in various securities seeking income
  - Types
    - Equity income funds
    - Corporate debt funds
    - Government debt funds
    - Municipal debt funds
    - High yield (junk) bond funds
    - GNMA / FNMA / FHLMC funds
    - Money market funds — aim for a stable $1.00 NAV
- Asset allocation funds — seek fixed or variable asset allocation mix
- Life cycle funds — adjust risk tolerance over time
- Sector / specialized funds — invest in specific sectors or regions of world
- Index funds — track a specified index