

*John Hancock*<sup>®</sup>

MUTUAL FUNDS

Lessons for life



Helping young investors plan  
for a better financial future

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NOT INSURED BY ANY GOVERNMENT AGENCY.

# Are you looking for financial strategies that work over time?

For a young person just starting out, there are some basic strategies that are all you need to be financially secure. In this workbook, we'll cover 10 basic lessons that can help you be more successful.



## LESSONS

- 1 **Pay yourself first**
- 2 **Start early**
- 3 **Make your money work**
- 4 **Own, loan & save**
- 5 **Own stock**
- 6 **Don't get emotional**
- 7 **Use debt sensibly**
- 8 **Take the match**
- 9 **Don't touch the 401(k)**
- 10 **Needs vs. wants**

# LESSON 1

## Pay yourself first

**The foundation of financial success is to spend less than you earn.**

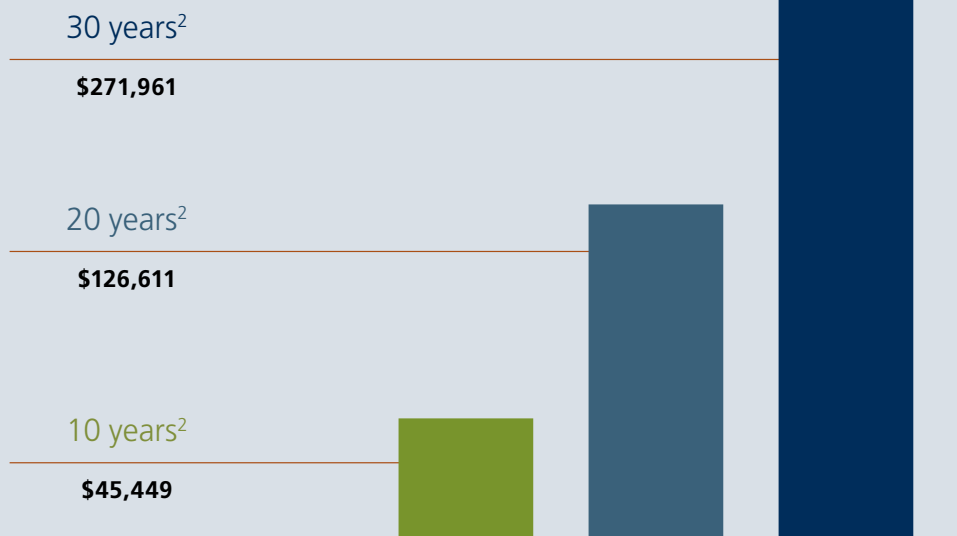
Save 10% of what you make and success is just a matter of time as you steadily build wealth. If you don't, financial success eludes you, no matter how much money you make.

Earn a dollar



Save 10%

The average new college graduate's starting salary is \$33,258<sup>1</sup>. If you invest 10% or \$3,325 per year this could add up over time.



For every dollar you make, invest 10 cents before doing anything else. It's simple, easy and effective.

<sup>1</sup> USAtoday.com, March 9, 2008

<sup>2</sup> Assumes a starting deposit of \$128 with additional deposits made bi-weekly, based on a pay schedule of 26 times per year, a 6% interest rate, compounded annually. This does not factor in additional savings based on salary increases. [www.finance.cch.com](http://www.finance.cch.com).

# LESSON 2

## Start early

**Younger people have an incredible advantage in investing — TIME.**

Three things determine how much an investment will be worth:

- The amount invested
- The rate of return
- How long the money is invested

Starting early lets you invest less to reach the same goal.

**Let's look at an example.**

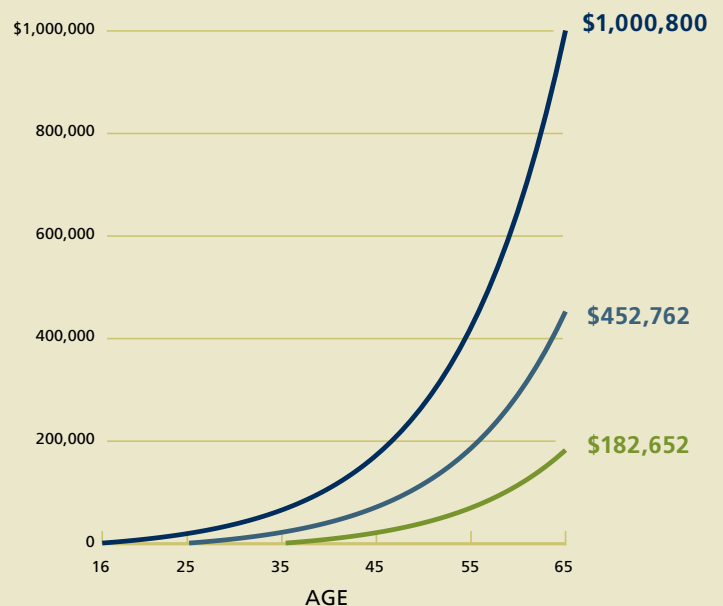
Assume you want to be a millionaire by age 65. How much would you need to invest each month to have \$1,000,000? We'll assume a steady 9%<sup>3</sup> return.

Starting age	Monthly investment
16	\$122
25	\$247
35	\$611
45	\$1,629
55	\$5,485



### The benefits of starting early<sup>4</sup>

With the same return and investment, more time means more money.



Whatever your age, starting today is better than waiting.

<sup>3</sup> A note on returns: We use 9% as our assumed rate of return throughout this booklet because, historically, it has been a reasonable long-term rate of return on a stock portfolio. There is no guarantee that future returns will match past returns. We also use a steady return to make the examples easier to understand (and calculate). A real investment will have positive and negative years.

<sup>4</sup> This chart shows an annual investment of \$1,340 from the ages of 16, 25 and 35 until the age of 65. It assumes a steady return of 9%. The illustration is hypothetical in nature and does not represent any specific investment or account for any fees or expenses associated with an actual investment. An actual investment would have lower returns due to fees and expenses.

# LESSON 3

## Make your money work

**Most people work hard for their money, but forget to ask their money to return the favor.**

If you want to be financially successful, you need your money to grow. Why?

### Inflation

Inflation is a fancy word that means things get more expensive every year. We don't generally notice it as it happens, but over the years it really adds up. Take a look at how the prices of some familiar things have been affected by inflation.

#### Movie ticket



20 years ago	\$4.11
15 years ago	\$4.14
10 years ago	\$4.69
<b>2008</b>	<b>\$7.08</b>

#### Disney World<sup>®</sup> Day Pass



20 years ago	\$28.00
15 years ago	\$35.00
10 years ago	\$42.00
<b>2008</b>	<b>\$75.00</b>

#### New car



20 years ago	\$13,932
15 years ago	\$16,871
10 years ago	\$20,364
<b>2008</b>	<b>\$23,098</b>

As prices rise, your purchasing power has to grow for you to keep up.

## Investing in the real world

### Real investments...

do not return exactly 9% each year.

sometimes lose money.

surprise investors (even the professionals).

### Real investors...

do not invest exactly \$1,340 for 49 years.

sometimes skip their contributions.

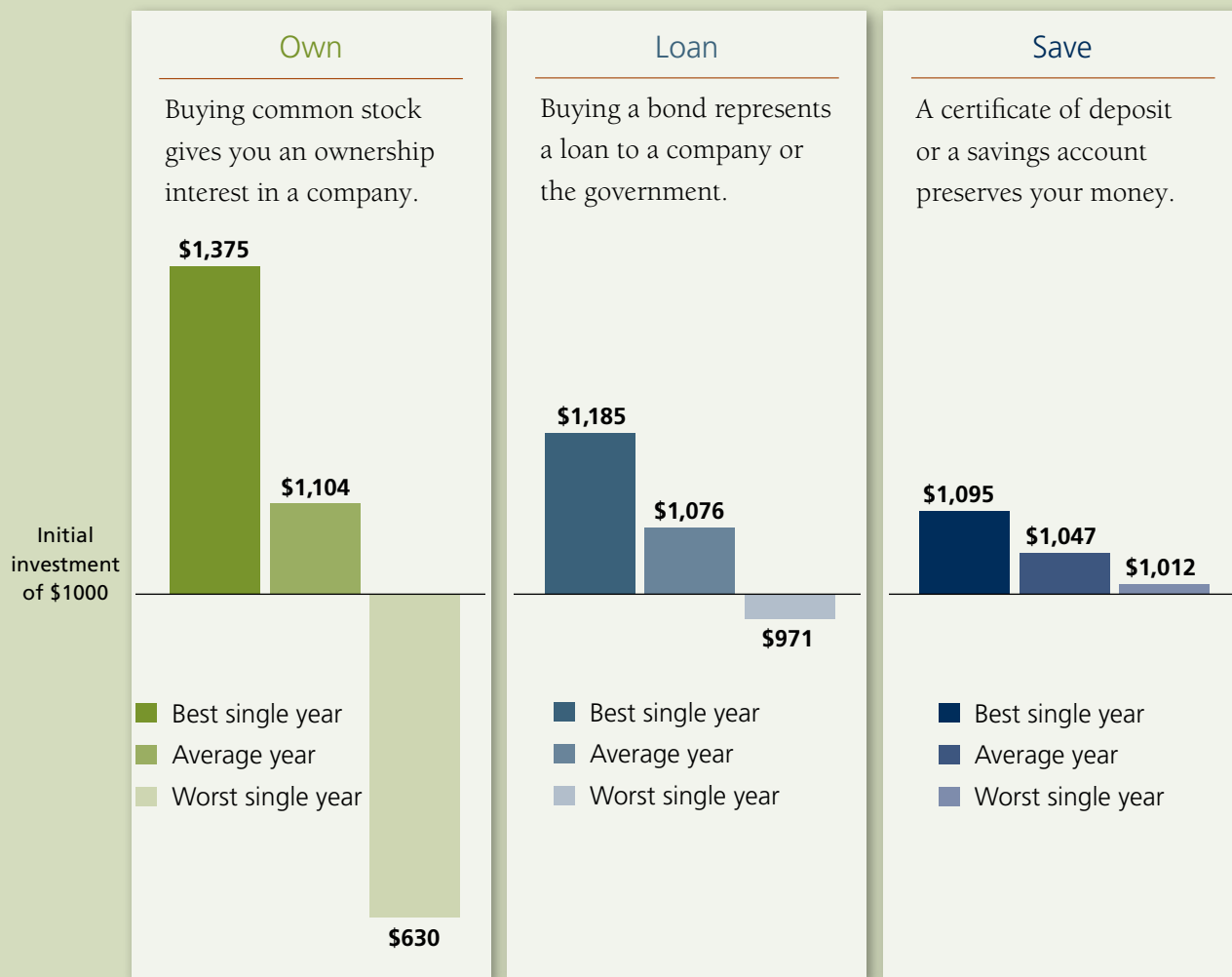
pay fees and taxes.

learn from their mistakes.

# LESSON 4

## Own, loan & save

There are three ways to invest:



\$1,000 invested in January of 1992 and left alone until December of 2008 would have been worth:

Own: **\$5,033<sup>5</sup>**

Loan: **\$4,193<sup>6</sup>**

Save: **\$2,514<sup>7</sup>**

Which is best? Most people should have some of each; stocks for growth, bonds for income and savings for stability.

The chart covers the period of 1/1992 to 12/2008 and shows what happened to \$1,000 in the best year, an average year and the worst year for each index. It is not possible to invest directly in an index. Indexes are unmanaged and do not take into account fees and expenses. These charts are for illustrative purposes only and are not meant to portray actual investments.

5 The S&P 500 Index with dividends reinvested. The S&P 500 is an unmanaged index that includes 500 widely traded stocks.

6 The Barclays Capital Aggregate Bond Index is an unmanaged index of dollar-denominated and nonconvertible investment-grade debt issues.

7 One Month CD Rate Index.

# LESSON 5

## Own stock

**Buying stock makes you an owner of the company.**

Owners, also known as shareholders, vote on important decisions and any profit the company earns is used for the benefit of the owners.



Shareholder

Investment

**Whenever your company makes money, it can do two things:**

**Some of the money may be paid to the shareholders as a dividend.**

**Some of that money is used to maintain and expand the business.**

When buying stock, think about the business you're investing in. It's what you're buying.

## What about *risk*?

Sometimes you'll sell your stock for less than you paid for it.

Occasionally, a stock becomes worthless.

Never invest too much of your money in a single investment.

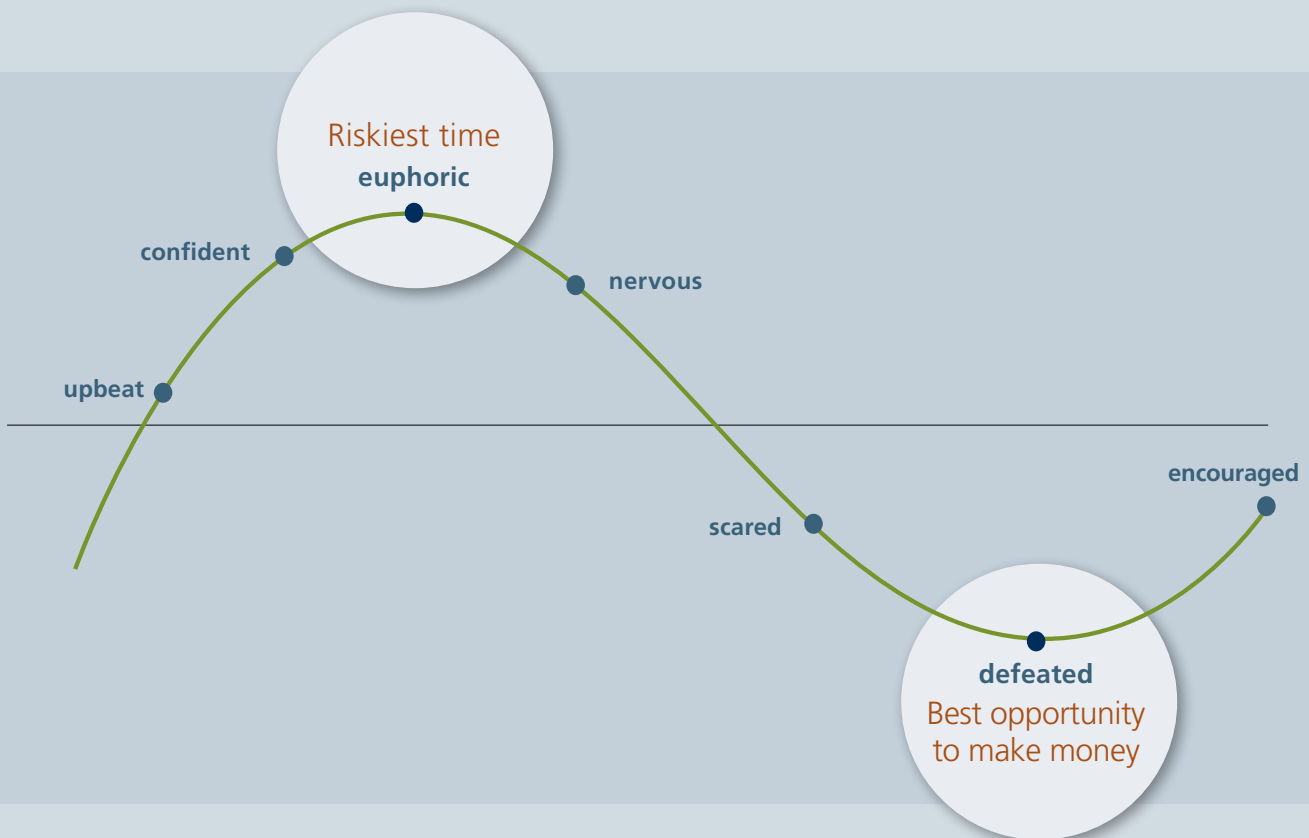
# LESSON 6

## Don't get emotional

**Making an investment decision based on emotional reasons can lead to costly mistakes.**

- It's easy to get greedy in a rising market.
- It's easy to get scared in a falling market.
- Acting on greed or fear is a bad idea.

The emotional rollercoaster of investing



Whenever you make an investment decision ask yourself: Am I acting on greed, fear or facts? Remember to focus on investing for the long term.

# LESSON 7

## Use debt sensibly

### Debt is just a tool.

You can use it to dig yourself into a hole or to build a better financial future. What debt does for you depends on what you purchase.

### Good debts

- At the end of the loan, your total payments are **less** than the current value of the purchase.
- There are more bad debts than good.

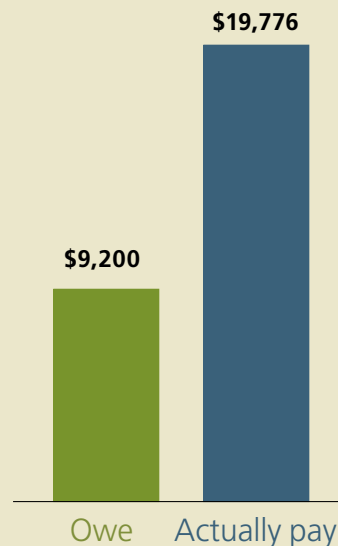
An example of a good debt is a student loan because the average college graduate makes significantly more than the average high school graduate. The increased earning potential justifies taking out a loan to finish school.

### Bad debts

- At the end of the loan, your total payments are more than the current value of the purchase.
- Not all bad debts are avoidable.

The average American household with at least one credit card owes \$9,200 in credit card debt. By the end of the third year, you've already paid more than the original balance on the credit card and you still have over 7 years left of payments.

A bad debt: Credit cards<sup>8</sup>



Used properly, debt is a tool that can help you achieve financial success. But when abused, it makes financial success almost impossible.



## Debt tips

Compare total cost, not monthly payments, for large purchases.

Don't carry a credit card balance.

Shorten the length of your loans.

Ask your lender for a better interest rate.

<sup>8</sup> Cnnmoney.com, Cardweb.com. According to Indexcreditcards.com, the average credit card interest rate is 14.33%. Based on a \$50 minimum payment to balance, it would take 11 years to pay off balance; www.mycalculators.com.

# LESSON 8

## Take the match

At some point, you'll probably be eligible for a retirement plan such as a 401(k). When that happens, think about the two major benefits:

### Less tax

Contributions to a 401(k) reduce your taxable income

**\$1.00 of taxable income**

– \$0.25 Federal Tax

– \$0.00 to \$0.095 State Tax

After taxes your net income can be reduced to:

**= \$0.65 – \$0.75 net income**

### Extra money<sup>9</sup>

Most plans offer an employer match (ex: If you put in \$1.00, your employer will put in another \$.50)

**\$1.00 put into your 401(k)**

– \$0.00 Federal Tax

– \$0.00 State Tax

+ \$0.50 employer match

Less tax and employer match results in more savings:

**= \$1.50 retirement savings**

In most cases, you should contribute at least enough to your 401(k) plan to get the full match.

# LESSON 9

## Don't touch the 401(k)

**The sparkling blue waters of Aruba are calling your name.**

You're changing jobs and have some time off. You could cash out your old 401(k) and head for the sun. How much will it cost?

**A) \$5,000**

**B) \$8,000**

**C) \$123,000**

**D) \$232,596**

If you paid for your vacation with a withdrawal from your 401(k), all four are right.

- You pay the travel company \$5,000 for your vacation.
- But, because of taxes and penalties you have to take \$8,333<sup>10</sup> from your 401(k) to get \$5,000.
- If you left that money in your 401(k), that amount could grow to \$123,206 by retirement.<sup>11</sup>
- Over a 20-year retirement, that \$123,206 could generate \$232,596 in income.<sup>12</sup>

Remember...

your retirement accounts are for retirement income only.

<sup>9</sup> According to the Profit Sharing/401(k) Council of America, 78% of profit sharing/401(k) plans have an employer match and a 50% match on the first 6% of salary is the most common fixed match. Figures based on the 2003 plan year.

<sup>10</sup> Assuming the 25% federal tax bracket, 5% state taxes and the 10% early distribution penalty.

<sup>11</sup> \$8,333 growing at 8% for 35 years.

<sup>12</sup> \$123,206 returning 7% annually paid out in equal installments over 20 years. All rates of return are hypothetical and not meant to represent any particular investment. Distributions from 401(k)'s and other qualified plans are subject to income taxes. A 10% penalty may apply if distributions are taken before age 59½.

# LESSON 10

## Needs vs. wants

**We all have to spend money on our basic needs: transportation, housing and food.**

How you choose to meet those needs has a dramatic impact on the amount you can save and invest. If you're not saving enough, switch to the cheaper option in a couple of areas and invest the money you save.

Transportation	Housing	Food
Average luxury car: <b>\$700/mo.</b>	Luxury apartment in Northeast: <b>\$1,900/mo.</b>	Dining out: <b>\$40/person</b>
Average sensible car: <b>\$300/mo.</b>	Average nice apartment: <b>\$850/mo.</b>	Dining in: <b>\$14/person</b>

It's not that you shouldn't ever choose the expensive option; it's that you should limit your splurges to what really matters to you.



### What's next?

Knowing what you should do is only the first step. Actually doing it is what will get you results. For help in determining what steps to take for your financial success, contact your financial professional.

Remember this: Financial success breeds financial independence and the freedom to live your life the way you want.

# Why John Hancock Mutual Funds?

John Hancock Mutual Funds is a premier provider of asset management and investment strategies, which we offer exclusively through financial advisers. When selecting a firm to help you reach your most important financial goals, here are three great reasons to consider John Hancock.

## A Brand You Know and Trust

John Hancock has been helping individuals and institutions build and protect wealth since 1862. At a time when trust and confidence are at a premium, we are proud to offer a full range of investment strategies that carry one of America's strongest and most recognized corporate brands.

## Access to Institutional Asset Managers

We offer access to an impressive roster of institutional asset managers not typically available to retail investors. Whether you access those managers through individual funds focused on a single investment strategy, or through diversified asset allocation portfolios, you benefit from the research, experience and independent thinking of proven managers who have specialized expertise in their respective asset class or strategy.

## A Focus on Your Success

We are committed to you and your success. Our ultimate objective is to help you achieve your long-term financial goals. We accomplish this by providing innovative, superior investment products, practical educational tools that are easily accessible on our Web site and exceptional customer service that meets your individual needs.



- The John Hancock Mutual Funds Web site won the 2010 **"Best of Industry"** award in the mutual funds category from the Web Marketing Association.
- In 2010, kasina ranked the John Hancock Mutual Funds Web site as **one of the Top 10 Websites** for Financial Intermediaries, for the fifth consecutive year.
- John Hancock Signature Services, Inc., the transfer and shareholder services agent for John Hancock Mutual Funds, attained the 2010 **"Support Team of the Year"** from the American Business Awards.

**A fund's investment objectives, risks, charges and expenses should be considered carefully before investing. The prospectus contains this and other important information about the Fund. To obtain a prospectus, contact your financial professional, call John Hancock Funds at 1-800-225-5291 or visit our Web site at [www.jhfunds.com](http://www.jhfunds.com). Please read the prospectus carefully before investing or sending money.**



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