

Investment Scenario

A large investment house in the Northwest recently hired John and asked him to examine different options his future clients might leverage for investments.

As John reviewed his research, he found three main types of investments that clients could leverage: equity, debt, and direct ownership. He identified the different characteristics of each so he could review them with his customers.



John received a call a few weeks after this from a small business owner who wanted to explore investment options for his retirement. In their discussion, the client expressed interest in direct investment. He also mentioned that he wanted to lessen his own involvement in his small business during his retirement.



In reviewing this information, John compiled the options to present to the small business owner. Because the owner wanted to lessen his direct involvement in his business, John recommended either equity or debt as an investment vehicle instead of direct investment. John knew that his client wanted to focus on other things, and the client would need to manage direct investment much like his own business.



John spoke to the investor about the virtues of equity and debt. He explained that the client could combine the two to reduce his risk and allow for strong returns, but these investments would not require direct involvement in day-to-day business operations.

The investor agreed with John's approach. He thanked John for reviewing his profile and suggesting a sound strategy based on his needs.