"How do I understand my statement?"

For some reason, the world works in "threes." When I recently fielded the same question from three clients in the span of three days about a three-pronged issue, I knew it was time to address it for everyone else.

Yield vs. Income vs. Capital Gain
You'll note on the following page a portion of a generic statement, which probably looks very similar to one or more of the pages on your statement, with the exception of the **blue** and **red** circles and the **green** and **purple** boxes.

The question I received was along the lines of, "If the market is going up, why is my estimated yield less than 1%, and why is my estimated annual income only a few dollars? That seems awfully low!" The question makes sense, given the layout of the statement. Fortunately, there's an answer to help everyone feel better, found in three definitions.

1. **Estimated Yield.** "Yield" is industry code for annualized bond earnings or interest. Bond earnings occur when the bond issuer "rents" money from an investor and pays interest. Eventually the principal is returned to the investor, upon the bond's maturity date.
2. **Estimated Annual Income.** This is the dollar amount of the yield above. If the yield is 1.0%, and the Market Price is $10, then the income will be $.10 per share. If there are 50 shares in that holding, then the Estimated Annual Income will be $5.
3. **Capital Gain.** Capital gain represents dollars made by virtue of the security increasing in market value. If I buy a stock for $10, and it goes up to $11, that represents $1 in capital gain. (Of course, capital losses occur also).

Because the market value of your investments fluctuates daily, there is no "Estimated Capital Gain (Loss)" column on your statement. Yields are more predictable because they are contractual, and thus can be reported as "estimated." Many mutual funds hold a mix of stocks, and bonds with varying yields. Remember, though, that yield and its associated income represent an incomplete picture for most portfolios. Capital gain or loss is reflected in the Market Price (per share) and Market Value columns of the statement, and can reflect the lion's share of your overall rate of return.

In my elementary example in #3 above, the $1 capital gain represents a 10% rate of return. In addition to that 10% increase in Market Value, there could also be income from yield that would increase the total rate of return. That happens to be the case for the green box below, where that holding began the year at $34.35 Market Price and ended June at $38.46. So, that hypothetical fund increased in value 11.97% for the first 6 months, and shows (for accounts where earnings are reinvested) an estimated yield as a very small portion of that gain. You'll notice that the purple box shows larger income and yield numbers, because that hypothetical fund is heavily concentrated in bonds that produce higher yields and income vs. a stock fund oriented to realize capital gain.

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Statement Period: 05/01/2013 - 06/30/2013

Market Price	Market Value	Estimated Annual Income	Estimated Yield
38.4600	2,058.84	15.14	0.73%
37.2200	342.20		
9.9300	6,490.71	321.63	4.95%
7.4800	2,179.49	0.87	0.04%
	$41,704.05	$656.47	
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