

Start with the Basics

Information to get you started.

Learn the basics of investing and you're on your way to making more informed investment choices and unraveling the sometimes confusing language and workings of the investment world.

THE PURPOSE OF INVESTING

Saving money is essentially putting it under your mattress or in a piggy bank. Investing, on the other hand, can help your savings grow through the magic of compounding. A careful investment plan can help your money keep up with inflation, generate modest income, or grow substantially.

THE FINANCIAL PLAN

The planning process is the foundation upon which your financial future rests. The planning stage shouldn't be neglected or rushed. When developing your plan, it's important to consider all the factors that relate to your personal and financial circumstances. As your circumstances change (marriage, divorce, new child, etc.) so should your financial plan.

TYPES OF INVESTMENTS

Investments generally fall into one of three categories or asset classes. Money market securities are low risk investments. Fixed Income securities (i.e. bonds) generally involve a somewhat higher level of risk. Equity securities (i.e. stocks) involve the greatest range of risk. Complete definitions of these asset classes can be found on some of the other sites listed on this sheet.

RISK AND RETURN

Risk and return have a direct relationship. The higher the return you expect, the higher the risk that you may lose your money or that the value of your investment may/will go down. Low risk investments are designed to protect your principal, so they do not generally earn a high rate of return. Be sure to assess your risk tolerance.

HOW THE MARKET WORKS

Some securities are bought and sold on the stock market. Stock markets function to bring buyers and sellers of securities together. Companies who need money to operate or expand their business can raise capital by selling part of their company to individual investors. Once an investor owns a security, he or she can sell it to other investors on the stock market. Stock quotes are simply the current prices of securities. Prices change frequently based on supply and demand. While it is impossible to precisely predict how the market will perform, we do know markets cycle upwards (commonly known as a bull market) and downwards (commonly referred to as a bear market). Your financial plan should be designed to address the challenges and opportunities the cycles present.

MUTUAL FUNDS

Mutual funds are pre-packaged collections of investments. They allow investors to purchase small amounts of many different investments, thereby providing diversification. Mutual funds have professional managers that maintain the investments according to a particular investment objective (growth, stability, etc).

FEES AND CHARGES

Investing may involve fees or charges. Before you invest, remember to ask about the kind, amount and timing of fees and charges. Ask if there are any special circumstances that will result in fees.

TAXES

Different investments can be taxed differently. Ensure that you consult a tax expert to help plan your investments in a tax-efficient manner. Tax accountants are an excellent source for reliable information.

CHOOSING AN ADVISER

An adviser should always look out for your best interests. They should act as a consultant and, as such, work as your employee. Interview your advisor **BEFORE** you give them your money and consider doing a background check. Ask lots of questions and make sure they are all answered to your satisfaction. If you are not happy with your adviser, you should look for another one.

MAKE INFORMED INVESTMENT DECISIONS

Before you invest, make sure you know:

- **yourself and your investing goals;**
- **who you are dealing with;**
- **what you are investing in;**
- **the red flags which could signal a fraud; and**
- **who to call for help or more information.**

Check First and conduct research before you invest. Consult a registered financial adviser or obtain independent legal advice before making an investment decision. Contact the ASC for more information and free resources:

- www.albertasecurities.com
- ASC Public Inquiries: 1-877-355-4488 or inquiries@asc.ca