Investment VEHICLES

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StellerVista credit union

- IT'S A -
MONEY THING®

First-time investor?

Do your homework before investing your hard-earned cash

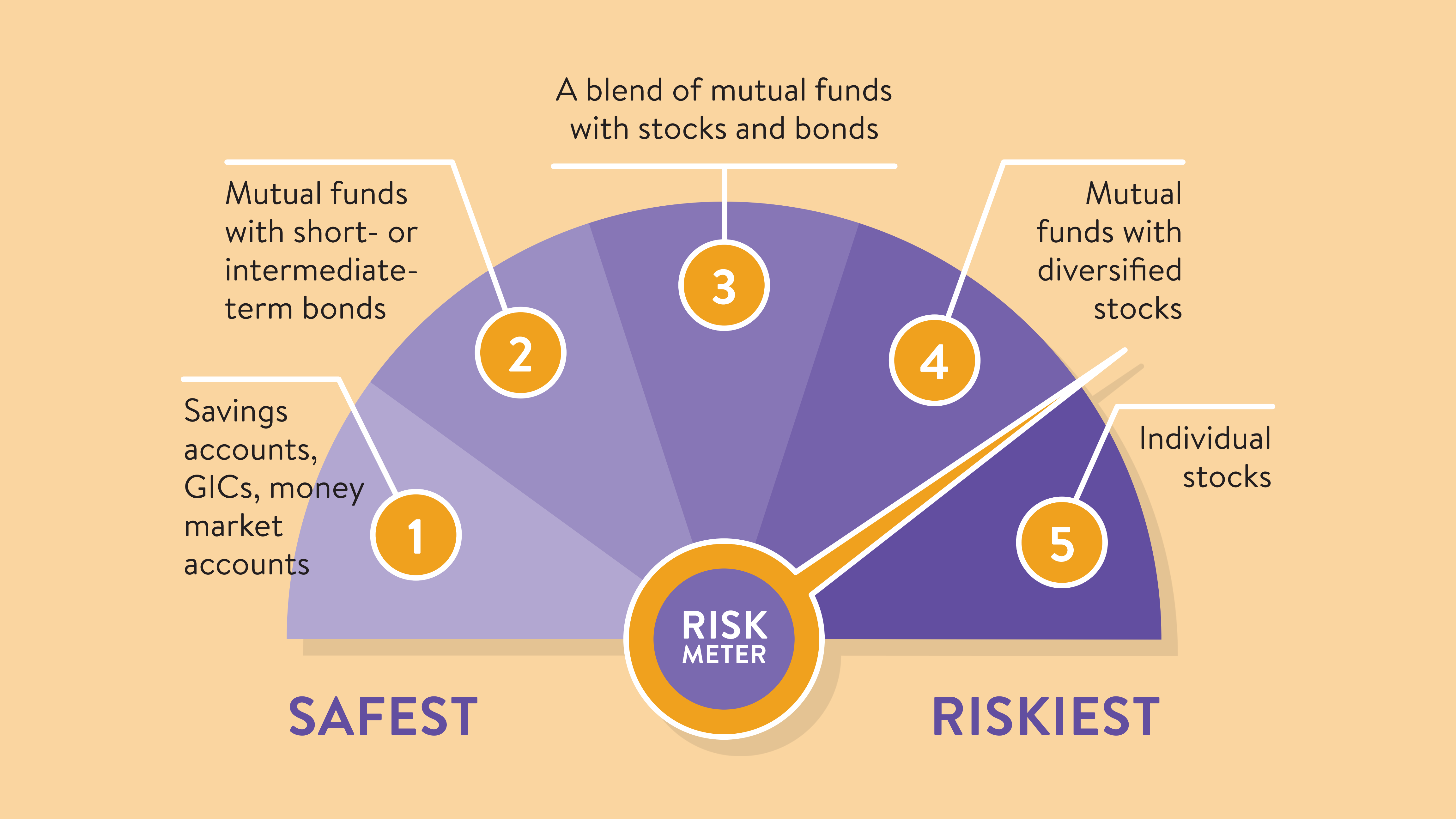
Unless you can predict the future, investing is a risky business

Know your goals, your needs and your tolerance for risk before you put your money at stake

STEP

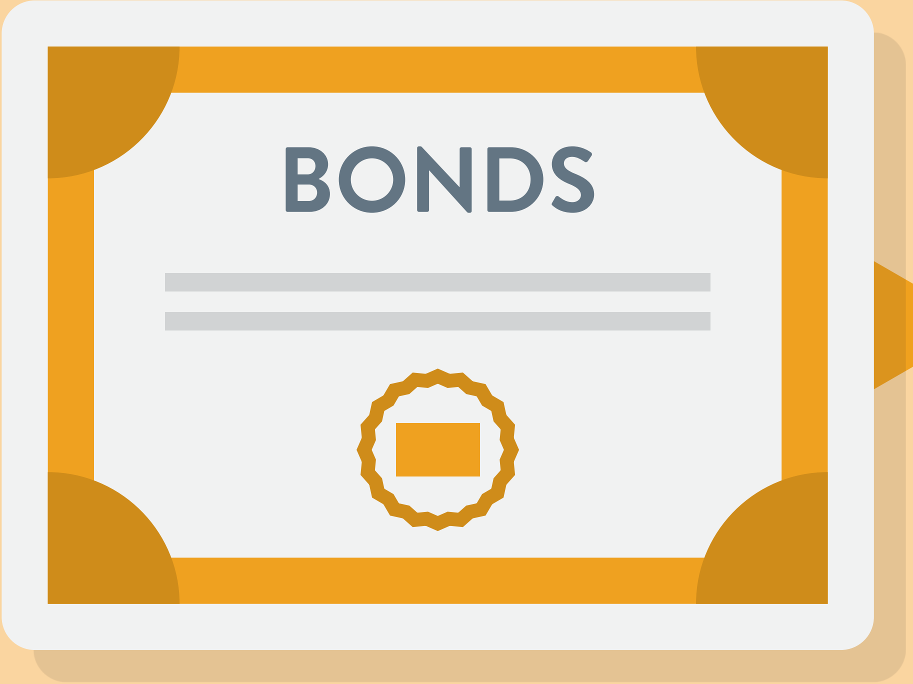
1

UNDERSTAND THE RISKS OF DIFFERENT TYPES OF INVESTMENTS



A blend of mutual funds with stocks and bonds
Mutual funds with short- or intermediate-term bonds
Mutual funds with diversified stocks
Savings accounts, GICs, money market accounts
Individual stocks
1
2
3
4
5
RISK METER
SAFEST
RISKIEST

Stocks and bonds are the two main vehicles that you are likely to invest in



A bond is a debt security—the issuer owes the holders a debt, and is obliged to repay the principal and interest

More stable

Lower potential gain

Risk of issuer not paying you back

Stock is capital raised by a corporation through the issuance and distribution of shares through financial markets

Less stable

Higher potential gain

Risk of company failure

If trading individual stocks and bonds feels too risky to you, investing in mutual funds is another option to consider

MUTUAL FUNDS

A mutual fund is a collection of stocks or bonds

Your money is pooled with the money of other investors into a fund that is invested in anywhere from a few dozen to hundreds of different securities

Managed by an expert fund manager who reports to a board of directors

Provides you with professional money management as well as instant diversification

STEP 2

ESTABLISH YOUR GOAL TIMELINE

The time horizons of your goals will have an impact on where you put your money

- With a shorter time span, a more conservative investment vehicle is typically in order
- With a longer horizon, your investment has time to weather more risk

3 YEARS

NEW CAR FUND

Savings account or a mutual fund with short-term bonds

15 YEARS

KIDS COLLEGE

Balanced mutual funds

30 YEARS

RETIREMENT

Stock-focused mutual funds

STEP 3

START EARLY IN LIFE, START SMALL AND KEEP GOING

When you are starting to invest, it is best to start small and take risks only with money that you are prepared to lose

You’ll have two main choices for actually investing your money

ADVISOR

Utilizing the services of a financial advisor at your bank, credit union or specialized investment firm is the traditional way to invest in stocks, bonds and mutual funds

DIY

Direct investing, self-directed investing, do-it-yourself investing—no matter how you describe it, investing on your own is a real option today, thanks to technology

ADVISOR	DIY
Purchases and trades are facilitated through your advisor	Trades are conducted by you through an online discount brokerage
Broker commissions and maintenance fees can be expensive	Typically lower fees and more transparency; you are closer to the process

ADVISOR	DIY
Educated professionals are guiding you	Learning and research are totally up to you
Less time on your part	Can be time-consuming

ADVISOR	DIY
Less stressful, as you are relying on a proven coach	Your emotions can get the best of you
Even though you are relying on expert advice, there are no guarantees	Your personal decisions and mistakes can be costly

AVOID THESE FIRST-TIME INVESTOR MISTAKES

Jumping in feet first

The basics of investing are quite simple in theory—buy low and sell high

However, don't be fooled by this overly simplistic view of the financial markets

It is important to study up before jumping in

Playing penny stocks

At first glance, penny stocks seem like a great idea—with as little as $100, you can get a lot more shares in a penny stock than in a blue chip stock that might cost $50 a share

Unfortunately, what penny stocks offer in potential profitability has to be measured against the volatility that they face

Going all-in with one investment

Investing 100% of your money in a specific market, whether it's the stock market, commodity futures, foreign exchange or even bonds, is not a good move

It is better to diversify your risk by putting your dollars into a variety of investment vehicles

Investing all of your cash reserves

Studies have shown that cash put into the market in bulk, rather than incrementally, has a better overall return; however, this doesn’t mean you should invest all of the money you have

You should always have cash available for emergencies and other opportunities

Chasing news

Investing based on news is a terrible move for first-time investors. Trying to guess what will be the next revolutionary product or basing a decision on a rumour of earth-shattering earnings is not a recipe for success

Rather than following rumours, the ideal first investments are in companies you understand and have personal experience with

INVESTING CAN BE RISKY

Investments made in stocks, bonds and mutual funds carry the risk of losing money, even when made through a financial advisor or financial institution

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Sources: CARP, *The Globe and Mail*, Investopedia, Morningstar Canada

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