

Investing 101: Explaining the Magic



Investing: *[verb]* confusing process involving magic and midwifery, in which your money is swept away today with the hopes of producing more money in the future. See *related terms*: dreams, confusion, fees, retirement, and future.

What you'll learn today:

- introduction to investing
- basic investment terminology
- overview of investment options

It Is Not All Smoke and Mirrors



Investing is planning for your future. It is taking the money you have today and making it work for you tomorrow. It is a wise decision. And, although it is a complex, regulated system, it does not need to be mind-boggling.

Today we're going to go over the basics to demystify investing. We're going to explain the basic terminology and strategies to help you understand the system. You do not need to build your retirement savings on a bed of confusing terms, fees, and dreams – nor do you need to hide your money under that bed – we're here to empower you with the knowledge and advice you need to invest with confidence.

It's time to drop the hat and cloak and look beyond the smoke and mirrors.

Defining the Magic

Investments are a tightly regulated industry with complex terms and conditions that leave most people confused and unsure of whom to trust. You have likely heard stories about people who were tricked by an investment advisor, lost money on the market, or suffered because of a financial institution.

Take for instance, Melanie, a young woman who came to me a few years ago. After going through a divorce while pregnant, Melanie was forced to file for bankruptcy when a bank refused to adjust her loan payments to make them manageable in her circumstances. When she declared bankruptcy, Melanie pulled her money out of the bank and hid it in a coffee tin under her bed. When her bankruptcy was discharged, she approached me to discuss repairing her financial picture.

I empathized with her situation and understood why she would not want to trust a financial institution with her money. She was afraid that it was just a cash grab and that it was the banks that would be making money and not her if she were to invest.

Where did I begin with Melanie? I answered her questions and offered her an education to take control of her future.

Understanding Investing

What is Investing?

A step ahead of hiding money in a coffee tin under the bed.

It is the process of committing money to something with the expectation of receiving an additional income.

Types of investments include: GICs, mutual funds, RRSPs, TFSA, and tax-efficient investing.

Why Invest?

Because dust bunnies grow under couches, not money. And because you can control your future.

Who should invest?

Everyone who plans to retire. Even those who don't drink coffee.

When should you invest?

Always. Whenever you have the means. When you feel the urge to go through the donut shop drive through. Ask an advisor to guide you on this one for a better plan.

How should you invest?

It depends on the *who* and the *why*. Again, an advisor can guide you on this one! They will conduct a detailed risk and goal assessment to find the plan that works for you.

Key terms: [mutual funds](#), [GIC](#), [RRSP](#), [TFSA](#), [portfolio](#), [compounding](#), [interest](#), [diversification](#), [SRI](#), [laddering](#).

Take the Stage

When you are ready to invest, you'll create an investment strategy with your advisor.

Check out the next blog in the **Investing 101** series to learn about investment strategies and how to empower yourself and invest with confidence.

For more information about investing you can also visit sites like [Investopedia](#) for great background knowledge and industry information. If self-guided research leaves you more confused than empowered, reach out to a PenFinancial advisor. We're here to demystify the magical world of investing and help you make the best decisions for your future.

[Investing 101](#) is a six-part series on investing run by PenFinancial Credit Union. This series is aimed at empowering PenFinancial members with the knowledge and confidence they need to invest in their future.