

Investing 101 - Investment Strategies: Empowering Yourself



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:

- why you can trust a financial advisor to help you invest
- the importance of risk and goal assessment
- how to financially empower yourself

Meeting Your Midwife

Hi! It's nice to meet you! My name is Emily and I am a financial advisor. I'll help you nurture your current income to grow a healthy portfolio of investments that will make you proud. I'll weigh your options and hold your hand as you move along the path toward retirement.

In all seriousness, the world of investment advising is filled with many different types of advisors. Perhaps you've seen the [Jon Oliver bit on Retirement](#) (*NSFW warning due to some colourful language) and why you shouldn't trust financial advisors. While there is a lot of truth in his piece, there are several ways to assess your financial advisor before you begin investing with them.

- Assess whether your advisor is regulated by a SRO (self-regulatory organization) authorized by the [Ontario Securities Commission](#)
- Check if they are [regulated by IIROC](#) (Investment Industry Regulatory Organization of Canada) and confirm that they are not under review for disciplinary action
- Check if they are [regulated by MFDA](#) (Mutual Funds Dealers Association) and if they have any discipline history
- Confirm that they are not on the [Canadian Securities Administrators disciplined list](#)
- Expect your advisor to do a thorough risk and goal assessment with you – and accept nothing less than a comprehensive, personalized assessment
- Look them in the eyes and don't get excited if they pull a quarter out of your ear (FWIW: This is a fun party trick, but a poor decision-making standard.)

Once you trust your advisor, you can start to develop your [investment strategy](#) with them. An investment strategy includes selecting an investment portfolio that works for you. Depending on your risk tolerance and your goals, different strategies may be appropriate (think: conservative, aggressive, or a balanced approach).

Another part of an investment strategy is choosing whether to be a hands-on or hands-off investor. Once you know the type of investing you want to do, you have to decide if you want to manage the portfolio yourself, have someone else do it for you, or enjoy the best of both worlds (think: DIY – Do Your [own] Investing, Already Designed Professionally Managed Portfolios, or a mix of both).

Empowering Yourself

Creating an appropriate investment strategy is really all about understanding a few details about you and your needs.

1. *Why do you want to invest?*

This question involves digging deep to discover your goals. Your goals may include buying a home, funding your or your children's education, saving for your retirement dreams, and so many more!

2. *How long do you have to invest?*

Your time horizon is a big indicator to your advisor about what your options may look like for investing. How you answer this question will help guide your investment strategy.

3. *How much risk are you willing to take to grow your money?*

Answering this question involves additional questions, like: "If your investment decreased by 30% overnight, would you lose any sleep?" There is no right or wrong answer to that question – some say yes, some say no, and some even say, HECK YES! You just need to be honest with yourself and your advisor. With the answers to these questions, you and your advisor can begin to work on the best investing plan for YOU! There are usually more questions your advisor will ask to ensure the plan being created is on the right track for your risk tolerance and goal profile.

Risk and Goal Assessment

Risk assessment is conducted by asking a series of questions (similar to the one above about losing sleep if an investment was to drop in value). When I conduct risk assessments, I want to ensure you understand what the risks would truly mean for you. To do this, I ask questions based on the value you currently have to invest and help you understand investing as 'your dollars' or 'your terms'.

Goal assessment is done in a similar fashion by asking open-ended questions to better understand what you are trying to achieve with your investments. For example, I may ask: "What does retirement look like for you?" to get someone really thinking about what they want instead of just the dollars and cents they need. Once I understand your big picture, I can ask additional questions to refine my understanding of where you currently are (financially) and where you need to get in order to see your vision become reality.

You may have more than one goal you want to work towards. In this common scenario, I would work with you to prioritize your goals. This means that we would determine which goals are short term, long term, and/or somewhere in between, as well as which goals are your real priority (and not based on my bias).

I know there are a lot of questions, but the process of establishing an investment strategy is not an interrogation. It is a conversation in which advisors aim to be educators that guide you on the path to your best future. By having a open-minded and honest conversation, I am able to help my members figure out their goals and start saving for the goals they already have.

Making the Magic Happen

To help you understand your investment options, you can do a little homework before meeting with an advisor (or after!). Check out sites like these:

- [The Globe and Mail Investor Education site](#) (Great third-party resource for investors and advisors)
- [The Learning Centre at AGF](#) (Great investor starting points/tips)

Above all, feel free to come in to a branch and ask questions! Together, we can help you trust that the money you work so hard to earn won't disappear into the hats of greed and that you won't be left with just smoke and mirrors at the end of your investment terms.

Oh, and don't forget, your investment strategy is a plan that needs to be reviewed every year at a minimum, because as you know, life happens! Whether you get married, grow your family with children, purchase a home, decide to retire, help your parents as they age, help your children through their own goals, or encounter other not-so-happy circumstances (such as losing someone,

or living through an accident), every stage of your life can have an affect on you financially (not just emotionally).

Investing is *NOT* gambling. If you empower yourself and work with a reputable advisor, it can be a very profitable and rewarding endeavor. We believe in you and can help you achieve your goals.

***Investing 101** is a six-part series on investing. This series is aimed at empowering PenFinancial members with the knowledge and confidence they need to invest in their future.*