INVESTMENT BASICS: Top 10 Takeaways

INVESTOR RIGHTS & PROTECTION

1. Investing is doing something with your money that you know or expect will make it grow into more money over time.

2. The money that you make from investing is taxable income and is called your return on investment.

3. By investing your returns as they are earned over time, you can make your investments grow much more quickly. This is called the "magic of compounding."

4. Return can be the interest from a guaranteed investment certificate, a payout from owning shares in a company (dividends), or the extra money you get when you sell an investment for more than you paid for it (capital gain).

5. Most investments do not guarantee you will make a return. You could make no money or even lose money and there is a direct relationship between risk and return.

6. When you choose an investment that has a good chance of making a high return, there is always the risk that it will make a low return, no return, or a negative return (capital loss).

7. You can choose low-risk investments that guarantee a return, but these guaranteed returns are always lower than the potential returns from a higher-risk investment.

8. Common financial investments include buying individual shares in a company or buying units of a fund that holds shares of different companies. These funds are called mutual funds or exchange traded funds.

9. The federal government encourages Canadians to invest. You can save or delay paying income tax when you hold your investments in special accounts that are registered with the Canadian government. Examples are RRSP accounts, TFSA accounts and RESP accounts. Each type of account has a different purpose and different tax rules.

10. Your age, your stage of life, and your goals will determine which investment products (for example, shares, bonds, or mutual funds) you choose and which registered or non-registered accounts you choose to hold them in.