03 Are you ready to invest?

Found some extra money in your budget?

If your income is more than your expenses, then you may be ready to think about saving and investing. In this worksheet, you will understand the basics of investing and look at the options.

What options do I have for my extra money?

Do nothing: You could keep the money in your chequing account, which bears no interest. You could even hide it under your mattress. Either way, your money will not grow.

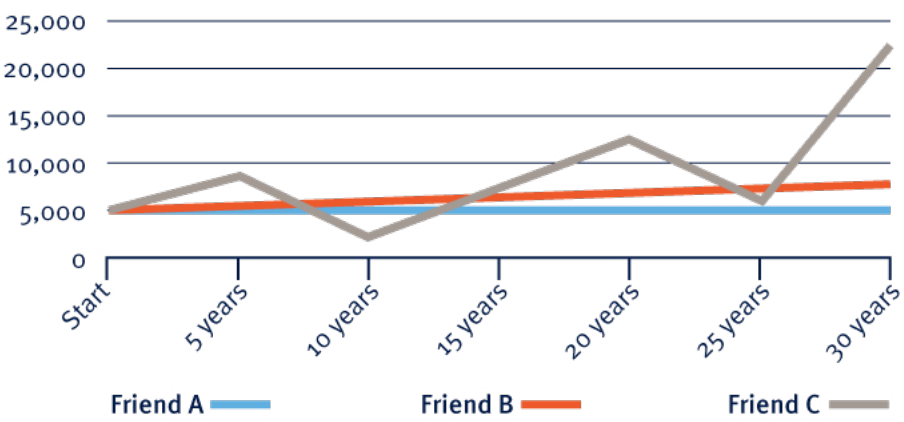
Put the money in a savings account: Banks and credit unions have accounts that keep money safe and pay interest on it. The money will grow according to the interest rate offered when you put it in.

Invest the money: Investing means purchasing an investment product on the stock market. When you sell the product, the price you get may be lower or higher than what you paid. In other words, you could make money, but you could also lose money.

> **Arctic wolves live in a harsh climate. They travel great distances and take risks searching for food. The arctic wolf teaches us that we too have great stamina. We may need to take risks to achieve our goals.**

The basics of investing

Let's look at an example of three friends who each have $5,000. They make different choices for what to do with their money.



- **Friend A** kept his money under the mattress. No change in value.
- **Friend B** opened a savings account earning 2% annual interest for a total of $8,000 after 30 years.
- **Friend C** invested the money. There were many ups and downs in the market, but on average the returns were 5% a year. The value after 30 years is $22,000.

So, keeping the money under the mattress isn't the best approach.

Your risk tolerance

Investing comes with the risk that you could lose money. You might make more in the long run. But your risk tolerance is how much you can afford to lose.

For instance, let's say you have a lot of savings. But you are only investing a small amount of your total savings. In that case, your risk tolerance might be high. That is because if you lost the money, you could still afford to live on the other savings.

But if you do not have a lot of savings, then your risk tolerance might be low. You would not have much to fall back on if you lost the invested money.

Answer these questions to find out about your risk tolerance:

- How much do you have in savings right now? ____________________
- What are your monthly expenses? ____________________
- What are your monthly expenses for six months? ____________________
- How much of your savings could you afford to lose and still be able to meet your expenses for six months? ____________________

Based on my answers, I think my risk tolerance is (circle your answer):

Low Medium High

Your time horizon

Time horizon means how long you are planning to hold an investment. The stock market goes up and down. Holding an investment for a long time gives it a better chance to really grow.

For instance, say you have a goal you want to achieve in less than 5 years. That means you will need the money you have invested quite soon. This is a **short** time horizon.

But say your goal is to grow your money for retirement in 30 years. That means you are not planning to use the money for a long time. That is a **long** time horizon.

Answer these questions to find out about your time horizon:

- When do you want to achieve the goal you set at the beginning of this booklet? ____________________
- Is there a chance you will need the money sooner? ____________________
- If your investment was not doing well, could you delay your goal and use the money later? ____________________

Based on my answers, I think my time horizon is (circle your answer):

Short Long

Your desired return

Your desired return is how much you want your money to grow.

For instance, say you are saving for a new place to live. You need $2,000 for a rent deposit. You already have $1,500 saved. This means your desired return is low as you don't need to grow your money by a large amount.

But say your goal is to save for retirement. You want to save $30,000. Right now, you have $5,000. Your desired return would be high because you want to grow your money by a lot.

Answer the questions below to identify your desired return:

- Do you need to grow your money by a large amount? ____________________
- If you needed to, could you delay your goal to give your money more time to grow? ____

Based on my answers, I think my desired return is (circle your answer):

Low High

Match the option to your situation

The table below shows the two options for growing your money. Think about the answers you gave on this worksheet and check the boxes that apply to you.

Savings account	Investments
☐ Low risk tolerance	☐ Medium or high risk tolerance
☐ Short time horizon	☐ Long time horizon
☐ Low desired return	☐ High desired return

The option with the most checks might be the best option for you.

Your risk tolerance, time horizon, and desired return can change. Review them as you go. You may find that you can take more risks as you get more confident about saving and investing.