



INVESTING BASICS FOR THE POTENTIAL INVESTOR

Introduction

The Trinidad and Tobago Securities and Exchange Commission ("the Commission") is responsible for ensuring that the securities industry operates in a fair, transparent and efficient manner in order to protect the rights of investors.

We realize however, that our efforts to protect the interests of investors will have limited effect if we do not provide these investors with the tools necessary to protect themselves in the first instance.

This information will provide you, the investor, with the precautions that you should take when dealing with market intermediaries or specific financial instruments.

QUESTIONS THAT YOU SHOULD ASK YOURSELF

When should I consider investing?

You should consider investing when you want to generate a return on your existing resources; if you want to generate a certain income to meet a particular goal or need; if you want to make provisions for an uncertain future.

You must however do so, armed with the relevant knowledge gleaned from your exhaustive research.

What should be my investment objectives?

Investors generally have three objectives. They want to have:

1. A safe investment
2. Generating handsome returns
3. Providing high liquidity.

Unfortunately you don't often get all of these wrapped up in one perfect investment package.

What are my investment options?

A wide variety of options exists from which to choose. Your choice depends on the amount you have to invest, your investment goals, the time frame within which you expect your return, and the level of risk that you are willing to entertain

Typically you have to trade off. For example you may have the potential to earn high returns but the risk here is increased. If you want high liquidity you may have to adjust your expectations on your returns.

What care should I take when investing?

Before making any investment decision you should undertake these ten steps:

1. Obtain written documents detailing the nature of the investment
2. Read and understand those documents
3. Verify the legitimacy of the investment
4. Determine the costs and benefits of the investment
5. Assess the risk/return profile of the investment
6. Know the liquidity and safety aspects of the investment
7. Ascertain if the investment is appropriate to your needs/goals
8. Compare the details with other investment opportunities
9. Deal only with registered financial institutions/intermediaries
10. Find out your options if something goes wrong

Once you have done all of this research and you are satisfied that your financial objectives are met, make the investment.

Did you know that we do outreach sessions? Get more information on our Investor Education programme by contacting the Communications Unit at 624-2991 Ext.1275 or 1259.

