Thinking about Investing– Here's what you should know

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.

The financial services market is a market in which suppliers offer their investment products at a price. Just like in any other market investors who purchase these products are expected to exercise due caution and to make sure that they fully understand the products and services being offered to them before they buy.

Before deciding to invest there are some considerations that persons should take on board. A key question to ask oneself is "Am I a saver or an investor?"

Most people pay little or no attention to the difference between investing and saving their money. In fact when dealing with money, many people interchange the words. Savings generally refers to money that can be "put aside" for the rainy day and is usually of a short term nature. Persons generally save money in a bank or credit union.

Investment, on the other hand, focuses on the use of money to obtain more money over the long term. When you invest your money you are seeking to acquire a return on that money in order to increase your potential for wealth accumulation.

The basic differences between savings and investment are:

	Savings	**Invest**ment
Risk Involved	Usually short- term, but could also be long term. The risk is usually based on changes in interest rates or returns.	Usually Long -Term *(over five or more years.) Could be very risky, depending on the type of security in which you have invested.*
End use of funds	Usually used for Consumption *(purchase items used for day-to-day living)*	May be used for Consumption but usually it is used for long term goals like children's education or retirement
Types	Placing money into regular savings account, a chequing account, credit union, or a money market fund.	Usually Securities (Stock, Shares Bonds, Mutual Funds etc.), High Yielding Accounts, Investment Schemes, and Real Estate.

Be Investment savvy

When deciding upon your investments it is important to establish an investment strategy.
This investment strategy involves 3 steps:

1. Establishing your investment goals
   (What you need from your investment portfolio and when you need it?);
2. Determining your tolerance for risk; and
3. Establishing your intended mix of assets for your portfolio

Our next article provides more details on these steps

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