

# Investing in Securities ~Part 1~



Investing in securities can be both challenging and rewarding. There is an undeniable element of risk involved when investing in securities. Different securities carry differing risks and generally the higher the return, the higher the risk.

Two elements of risk are the **return risk** whereby the return from the investment is dependent on several factors. There is also the **liquidity risk** wherein it may be difficult to turn the security into cash whenever you wish to do so.

## Investor risk profile

It is not always possible to meet financial goals with savings. If needs are substantial therefore we will need to look to investing your savings in avenues that would provide high returns. Bearing in mind that high returns usually equate to high risk we need to determine our investor risk profile which is our ability to withstand certain levels of risk.

Investment opportunities are classed differently based on their level of risk. As an investor it is wise to allocate your savings amongst different asset classes depending on your particular circumstances. This is known as your asset allocation decision which is the most important decision in the investment process.

In order to determine your risk profile you should ask yourself these questions:

- What kind of investor am I?
- Am I a high risk taker?
- Am I averse to risk?



# INVESTING IN SECURITIES PT.1

Important to note also is the fact that there are four asset classes based on risk profiles:

Equity	Poses the highest risk
Debt	Has low risk
Cash	Is even lower risk
Real estate	Is the lowest risk

Each investment option has its advantages and disadvantages.

## Investment Options

Investment options can be evaluated on the following criteria:

- Liquidity
- Safety
- Returns
- Tax savings
- Active involvement required by investor
- Minimum amount that can be invested
- Time frame



***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.***

## SEC

**“Building stakeholders’ confidence in the local capital market”**

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