



Getting started with Investing: Part 1 of 3

As the COVID-19 pandemic continues to negatively impact the lives and livelihoods of many, the financial stresses being faced by the citizenry remains a reality. The latest Economic Bulletin Volume XXIII No. 2 July 2021, published by the Central Bank of Trinidad and Tobago, listed a weak demand for labour, an increase in retrenchment notices and a rise in food inflation to 5.1% from 3.2% in January, 2021¹. The protracted nature of the current crisis caused individuals and householders to re-assess their finances including short-term loan repayments, funding for education and long-term investments e.g., in home ownership or new vehicle purchases. Beginning this week, we share a three-part series on “Getting Started with Investing”. In this article, we look at diversifying financial portfolios to include investments in the local securities market.

Firstly, have you ever thought about increasing your wealth by investing in the local securities market? Are you interested in investing but don't know how or where to start? Without the necessary knowledge and understanding you could possibly jeopardise your financial future. If you are new to investing, there are some basics that you should be aware of which may help you on your investing journey.

Who has oversight of the local securities market?

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) is the regulator of the securities industry in Trinidad and Tobago and mandated, in accordance with the Securities Act Chapter 83:02 (SA), to protect investors, educate and promote an understanding about the local securities market and encourage the growth and development of the industry.

To achieve this, the TTSEC, amongst other things, provides a wide range of educational online resources for individuals seeking to venture into the world of investing.

As investor education is specific to the mandate of the TTSEC, and significantly broad in scope, it is addressed from many levels. One of which is through the use of technology. The TTSEC has a website dedicated to the promotion of education on investing - www.investucatett.com. This is the TTSEC's go-to online portal for all the information that you may need to get started with investing.

Investing is usually considered a good way to make your money grow and create future wealth. Many persons consider investing as a means to expand, or diversify, their financial portfolio by spreading their money across different financial instruments. Such as, in a saving account at the bank or credit union; in securities i.e. stocks, bonds or mutual funds; in property, etc. Diversification normally allows for a financial buffer, in the event of any major financial loss in any one particular investment there may be other investments which may maintain its, and/or increase in, value. As the adage goes, “Don't put all your eggs in one basket!” However, before

you begin to invest your hard-earned money, you should consider a few things, such as your objectives for investing and the level of risk that you are prepared to take.

Ask yourself these questions:

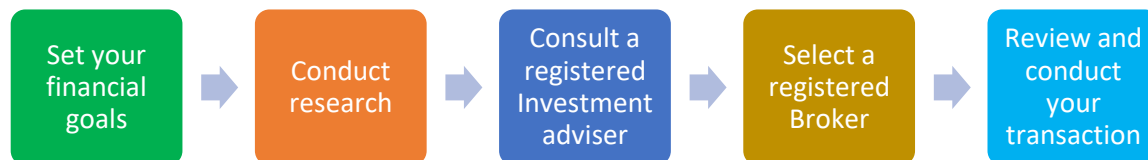
What are my future financial goals? Given my current financial standing, how much **risk** am I willing to take? Remember, higher risk means that you may lose some or all of your money. So, it is important to ask yourself - Do I want to take the chance to make more money if it also means that I may lose money? Would I rather make less and invest in a safer financial product? To assist in determining your risk appetite the TTSEC has a **Risk Profile Test** that we recommend you take prior to investing and/or consulting with a registered investment adviser. Visit <https://investucatett.com/investment-tools/> to take the Risk Profile Test.

Furthermore, depending on your stage in life, you may be more willing, or able, to take on more risk than others. There is also a guide available which will help you decide on the type of investments that may be more suitable for you during your particular **Life Stage** <https://investucatett.com/life-stages/>.

As part of your preparation for investing, you should always conduct your own research and have a detailed plan indicating exactly what you wish to achieve, as well as, the time within which you hope to achieve your financial goals. Also consider the various types of investment products that are available and then consult with a registered investment adviser. Visit www.ttsec.org.tt/registration to search for a list of registered Investment Advisers.

The diagram illustrates a guide that you should follow.

DIAGRAM - **Getting started with Investing: Part 1 of 3**



During this process you may start contemplating the following:

'How much am I hoping to make by investing in a particular product?' This question refers directly to the return on one's investment, which can sometimes take the form of income (interest or dividends) or capital gains or capital losses (the increases or decreases in the price of a share).

'How long do I plan to invest?' An investor's investment horizon, that is, the total length of time that the investor expects to hold a security or portfolio, is primarily determined by the investor's investment goals, including income needs and risk tolerance. For example, saving for a car is a short-term goal whereas allocating money for retirement is a longer-term goal. Once these goals are clearly defined, the appropriate investments can be selected to best achieve those targets.

How easy will it be to get back my money from an investment? Cash is normally considered the most liquid asset since it is normally kept in small quantities on hand, while larger sums are kept in a regular bank account or credit union. The amount which is placed in a bank account can usually be retrieved from the teller or via an ATM. In most cases, when you give up the opportunity to easily access your money, you have the potential to earn higher returns, as with many investments. However, it must be noted that many investment options, which promise a fixed rate of return, usually limit the accessibility of your money for a specified time frame.

The TTSEC developed an Investor Education Manual and Workbook for individuals to increase their knowledge and understanding of the securities market and investing. These documents are available on our Investor Education website and have also been converted to a **FREE Investor Education online course** - <https://investucatett.com/online-course-introduction/>. Anyone who is interested in increasing their investment knowledge, has the opportunity to participate in nine (9) units of lessons and activities. Once completed, persons also have the opportunity to take a quiz and obtain a digital certificate of completion from the TTSEC.

Remember every individual's situation is different and each investor will differ from another. What is important to note however, is that investing is not the same for everyone. It depends on your individual financial goals, risk tolerance and available income or savings. Before investing or purchasing any investment product, you should consult with a **registered** investment adviser, broker or professional. You can visit the TTSEC's corporate website- www.ttsec.org.tt, for a list of all registrants.

Next week, we will focus on developing your personal investor profile and guide you through the process for selecting an investment option.

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For more information, please visit our corporate website, www.ttsec.org.tt. You may also visit our Investor Education website at www.investucatett.com or connect with us via any of our social media handles:



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ⁱ <https://www.central-bank.org.tt/sites/default/files/latest-news/economic-bulletin-july-2021.pdf>