

Investing – an Introduction

Name: _____ Class: _____ Date: _____

Investing can be very exciting because it is the start of building wealth for many people. Essentially, you give your money to someone else with the hope of getting more money back later. In order for you to understand investing, you have to know about interest and more importantly, about compound interest. We have already talked about compound interest but there are other things to know about. Look up the definition to the following words.

Stocks

Part ownership or a 'share' in a company, fund or commodity. It means that you own a part of a company like Tesla or Apple, etc.

Bonds

A contract or certificate that promised a given rate of return (interest) over a given time.

Mutual fund

A group of investments (Stocks and bonds) that are professionally managed and are owned by shareholders (people who buy shares).

Indexed fund

A group of investments that are tied to the market performance in an industry or commodity (Stuff).
E.g., Dow Jones Industrial.

Diversified portfolio

A collection of investments that are in different types of investments that help make sure you are always earning a good rate of return.

Risk tolerance in investing

An individual's ability to handle the ups and downs of the market and their investments.

Dollar cost averaging

A way of getting more investment balance by regularly purchasing a specific investment.

TSX

Toronto Stock Exchange

Part of being a better investor is to not give away your profits. You can do this by minimizing your taxes that you pay on your investments (called your growth).

Look up the definition of each of the following.

TFSA – Tax Free Savings Account – a tax sheltered growth account that saves you money on the growth of your investment.

RRSP – Registered Retirement Savings Plan – tax reduction on deposits and when taken out you pay tax at the income rate that your salary is at in that year. Great for retirement when your income will be lowe.

RESP – Registered Education Savings Plan – designed to shelter growth for saving money for students to pay for educational expenses (like tuition).

Personal Income Tax – Federal and Provincial tax that is based on your income. The higher your income, the higher the rate of tax. It **MUST** be filed with the government each year. There are huge penalties if you do not file your taxes on time and correctly.

Income Tax bracket

As you earn more, you are taxed at a higher rate according to this chart->

2020 Taxable Income	2020 Marginal Tax Rates		
	Other Income	Capital Gains	Canadian Dividends
Any (\$44,743)	20.00%	10.00%	9.29%
over \$44,743 up to \$48,535	24.00%	12.00%	13.80%
over \$48,535 up to \$78,783	29.00%	14.00%	20.20%
over \$78,783 up to \$88,463	31.00%	16.75%	22.30%
over \$88,463 up to \$92,825	33.00%	18.00%	25.10%
over \$92,825 up to \$97,089	37.00%	19.00%	29.70%
over \$97,089 up to \$150,000	43.00%	21.00%	30.10%
over \$150,000 up to \$185,472	44.00%	22.40%	37.80%
over \$185,472 up to \$214,368	46.00%	24.00%	41.60%
over \$214,368 up to \$220,000	51.00%	25.00%	45.00%
over \$220,000	53.00%	26.00%	47.74%

How old do you have to be to invest in Ontario?
18 years old

How can you get around that legally?

Have a parent co-sign for you or have a joint account with a parent or person that is 18 or older.

What **MUST** you have in order to invest?

You must have money to invest (or at least access to money)

Why is it important to start early?

Compound interest is exponential growth. The real tip of the curve is when it grows the most! The longer and the sooner you invest, the greater the return!!

Why is it recommended to not check your investments or try to beat the market?

It is impossible to predict the market fully. Managers and experts are trained and skilled in this area. You can lose a lot of money if you fool yourself into thinking that you know the market or have a 'sure thing' to invest in. Get professional advice and trust the person and the investments that you put your money into. Or make it you career. Get trained and work in the financial industry to know how it works best.

