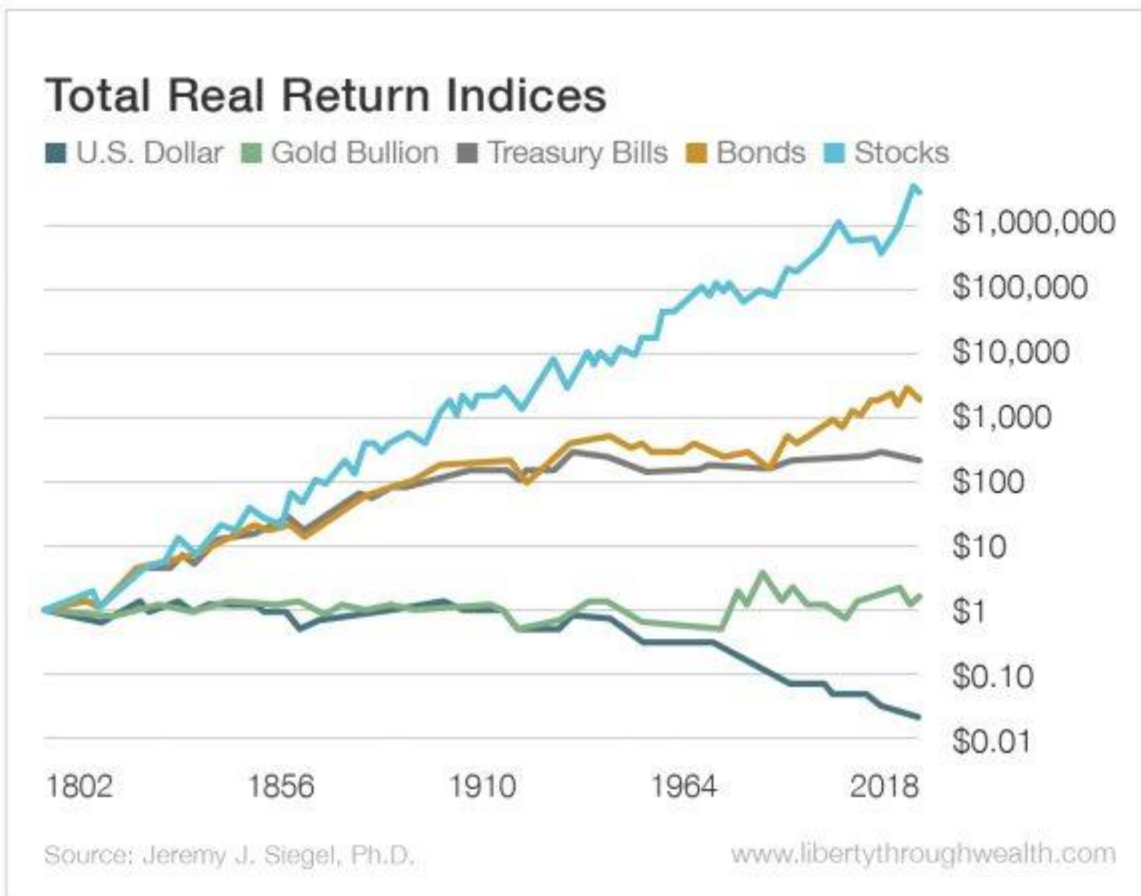
Grade7/ 8 Math Personal Finance **Taxes – An introduction**

Name: ___________________________________ Class: ______ Date: ______________________

Investing is supposed to be in the long haul. The better investors are trained and know the market very well. For the average Canadian, dabbling in the stock market can be fun. Here is a chart that helps show the growth of different commodities or things to invest in.

Over the really long-term gold has significantly under-performed other assets. For example, the value of 1$ invested in stocks in 1802 would have grow to $1.39 million *in inflation-adjusted terms* compared to very poor returns in gold as shown in the chart below:



Source: https://topforeignstocks.com/2019/07/30/is-gold-better-than-other-assets-over-very-long-term/

Tax Shelters

While there are
many things that you can invest in, it is important to make sure that you are sheltering your investments from taxes. There are experts out there that help – their entire job is to help people to avoid taxes legally. Tax accountants and investment advisors can give invaluable help to those with a portfolio large enough to justify their fees. An RRSP, TFSA and specific government programs help to save or defer taxes.

While there are many different types of stocks and bonds, a mutual fund is a good way to ensure that the volatility of your investment is managed through having many different stocks that are managed by experts. The future growth of any specific stock often fluctuates a lot (high volatility) so, having a diversified fund, means that overall, it should be less volatile.

The entire market is influenced by many factors and the market itself may have volatility but in the long run, the growth is predictably higher and steadier than individual stocks.

People invest in many different things and not just in the stock market. People start businesses all over the World and invest their own time and money to get it going. Sometimes you might have a relative or friend that wants to have your help and borrow money to start a business – this can be done informally or formally. Sometimes these businesses will grow to the point that they offer shares in the company and sometimes the shares are offered publicly and are trades on stock exchanges (this goes back to the stock exchange). Remember that holding stock in a company means that you own a portion of that company. It is possible that a specific company will have thousands or millions of shares.

To buy shares, you can have a trading account with a bank or investment company, or you can get an App that allows you to trade without going through a company. There are many books and courses that you can take to learn how to invest but we have to remember that you first have to earn money, then save a portion and then have the discipline to invest and forget it.

The powerful engines of dollar-cost averaging, and compound interest will always be on your side if you ride out the ups and downs of the market and pretend that you do not have access to the money that you are investing. We waste a lot of money on things that we think we want and do not often pay ourselves first and invest in assets that will pay us in the future – building wealth or delaying our gratification to a time when we are going to need to stop working and chill out.

There are other things people invest in. Learn to play around and navigate through so you find out what you like to invest in. Remember that you are doing this for yourself and your future happiness. Here is a link to 12 things you can invest in at any age and with any income level

https://www.nerdwallet.com/article/investing/the-best-investments-right-now