Your Financial Tool Kit

Developed by the Financial Consumer Agency of Canada, the Investor Education Fund and l'Autorité des marchés financiers

My investor profile

To discover your profile, ask yourself the following questions. Write your answers in the boxes. You may need different answers for different investment goals. Your answer may not always be definite—the point is to think about what's important to you.

1. **Duration:** I will have a variety of investing goals over my life. How long do I plan to invest for each goal?

- Think about the number of years that you plan to invest. For example, saving for a down payment to buy a house is a medium-term goal. Saving for retirement is a long-term goal.
- Investments that don't guarantee returns can be better for a longer-term goal, but they are riskier. Over a longer time, they may be able to recover if their value falls.
- You may have different times for different investment goals.

The time I'm investing for is: (e.g., for vacation fund, two years; for retirement fund, 30 years)

Answer:

2. **Return:** What kind of return (regular income or capital gains) do I expect to earn on my investment?

- Ordinarily, people want the highest return they can get, but different investments may earn income in different ways.
  - With some investments, your return takes the form of a regular income, such as interest or dividends.
  - With others, it takes the form of **capital gains,** if you sell an investment for more than you paid, or **losses**, if you sell an investment for less than you paid. With capital gains, you receive the income only when you sell the investment.
- Different types of returns are taxed at different rates, some higher than others. (See the Income Taxes and About Investments sections.)
- In most cases, to get a higher return, you have to take more risk.

The kind of return I'm most interested in is (more than one is okay): (For example, higher profit with more risk; steady reliable income; growing value I can cash in when I need it; etc.)

Answer:

3. **Liquidity:** Do I need to be able to cash in my money quickly?

- How easy will it be to get your money back before the end of the investment period without taking a loss? This is called **liquidity**. For example:
  - Cash or money in a bank account is the most liquid. You can get it and spend it right away.
  - Most stocks and mutual funds are liquid as they can be sold quickly and easily. However, some stocks are illiquid—that is, they are difficult to sell.
  - A term deposit is not very liquid because you may not be permitted to cash it in early, or you'll pay a penalty if you do.
- In most cases, when you give up quick and easy access to your money, you expect a higher return. For example, bank account deposits are very liquid, but they usually pay less than if you lock your money into a guaranteed investment certificate (GIC) for three years. They may also earn less than a mutual fund over time, although mutual funds are also easy to cash in when you need them.
- It's a good idea to have three to six months of expenses available in an emergency fund. You may also have short-term projects you will want to spend money on in the next year.

How much of my money do I need to have available quickly? (For example, you might decide to keep a percentage or a fixed amount in more liquid investments)

Answer:

4. **Risk:** How much risk is right for me?

- When you make a low-risk investment, you generally know how much you are going to receive. For example, with a term deposit, you know the interest rate in advance.
- Higher risk means you may not get what you expected, and you may lose some or all of your money. For example, when you buy company shares, there's a chance the price of the shares will go down as well as up. But you hope that it will pay much more than a safer investment would. Ask yourself:
  - Do I want the chance to make more money if it also means I may lose money?
  - Would I rather make less and keep my money safe?

Am I willing to risk some of my money to get a high return? What percentage? (For example, you might decide that 25 percent can be focused on more risky investments or that no risk is acceptable.)

Answer: