Investment Options - Transcript

(Open with an image of two people on screen using a calculator and holding a piece of paper.)

Once you're the habit of saving money by spending less than you earn, you will be able to invest some of that money.

(Image of a bag of money appears on screen followed by a question mark.)

Now, what will you invest it in? There are three broad, basic types of investments: guaranteed investments, fixed-income and equity investments.

(The word "guaranteed" appears on screen, followed by "fixed income" and "equity".)

They cover a broad span from low-risk, low-return investments to those that are riskier but offer greater potential reward.

(Zoom in on the word "guaranteed".)

Guaranteed investments are the safest kind. They include guaranteed investment certificates (GIC) or bank savings accounts.

(The words "Guaranteed investment certificates" appear on screen inside a circle. An image of a document appears on screen next to the words. Next, the words "bank savings account" appear inside the circle and an image portraying a bank appears next to them.)

Guaranteed investments provide a guaranteed rate of return and your principal investment is protected.

(An image of a lock appears on screen at the top of the circle.)

They are generally more suitable for short-term goals and for people who have the lowest tolerance for risk.

(The words inside the circle disappear and the circle turns into a clock. A second circle appears with an exclamation mark inside it.)

However, guaranteed investments also tend to have lower rates of return, or at least they don't have the potential for higher returns.

(The words "conservative", "moderate", "balanced", "growth" and "aggressive" quickly appear on screen next to the circle with the exclamation mark. Everything disappears and a percentage symbol appears on screen.)

One of the major long-term investing risks is inflation risk. That’s the chance that your money might not keep up with the rising costs of things you buy.

Guaranteed investments might struggle in doing that over the long term.

(The percentage symbol disappears and an image of the produce section at a grocery store appears. There’s also an image of someone’s hands looking at a receipt.)

Fixed income investments have some additional risk compared with guaranteed investments.

(The image of the grocery store is replaced with an image of a man in a suit. He’s holding his hand up to his chin, like he’s thinking about something. A circle appears on screen beside him with the words “fixed income” and an exclamation mark inside. A second exclamation mark appears inside the circle)

These include money market funds, Treasury bills, bonds and notes, other government bonds, and corporate bonds.

(A new larger circle appears on screen and the words “money market funds”, “treasury bills”, “bonds and notes”, “government bonds” and “corporate bonds” appear one by one.)

These investments can rise and fall in value to varying degrees, but they generate regular income.

(The words disappear from the screen and the circle transforms into a graph that moves across the screen. Next, images of money bags appear and also move across the screen.)

Equity investments have the greatest risk, but also offer the highest potential return.

(Everything disappears and a new circle appears on screen with the word “equity” inside. Three exclamation marks appear under it. Everything is then replaced with the word “return” and three arrows pointing up.)

Stocks are the primary form of equity investing.

(A new image appears on screen – a man in an office setting on the phone and an image of a graph beside him.)

Stocks allow you to own shares in publicly traded companies in Canada, the US and other countries.

(A circle closes in on the middle of the graph and the words “publicly traded companies” appear inside. Everything inside the circle disappears and it turns into a rotating image of the world.)

Risk and reward tend to go hand in hand.

(An image of two people looking at a diagram on a desk appears on screen. There’s also a circle with an exclamation mark and a bag of money.)

There are no guarantees regarding the performance of most investment products but over long periods, guaranteed investments with lower levels of risk have historically tended to offer lower returns while the higher risk category, equity, generally has compensated investors for taking additional risks by offering the potential for higher returns.

(A new graph appears on screen showing “high return”, “low return”, “less risk” and “more risk”. There’s also a diagonal line on the graph. A circle with the word “guaranteed” and an exclamation mark appear at the bottom left corner, near “low return” and “low risk”. Next, a circle with the words “fixed income” and two exclamation marks appears in the middle of the diagonal line on the graph and a third circle appears at the very top righthand corner with the word “equity” and three exclamation marks inside.)

Because of the variety of risks each type of investment faces, and the fact that one type of investment might do better or worse than the others in any given year, an efficient way of lowering risk is to simply combine different types of investments in your portfolio – that’s what’s called diversification.

(The graph is replaced by an image of a man outside carrying a kayak. A circle appears beside the image and several exclamation marks pop out of the circle. A graph then appears inside the circle and moves across the screen. Everything disappears and a new, larger circle appears in the middle of the screen. It has three small circle inside it, with the words “guaranteed”, “fixed income” and “equity”. The video ends with a circle of dotted lines appearing around the large circle and it has the words “diversification” inside it.)