



## INVESTING FOR ROOKIES

Why invest? Since time immemorial, persons have chosen to invest their money to earn money on it, rather than just letting it sit there. However, before one begins to invest, it is important to follow certain fundamental rules.

Firstly, **Pay Yourself First**: Save 10% of monthly income before spending on anything else. You can draw from this savings later to invest.

Secondly, **Review The Investing Options Available**: shares also known as stocks, treasury instruments (bills, notes or bonds), Certificates of Deposit (CDs) are some options that are always available.

- If you want to purchase shares in a company, take a close look at the company's financials to ensure that they are profitable. Look also at their dividend policy to ensure that they pay "attractive" dividends to their owners. Over time, stocks have returned higher amounts on investment than other investment types such as treasury instruments, CDs and saving accounts. There are two ways to earn income from shares. One is from dividends and the other is from making a profit by selling your shares for more than you paid for them. You must sell your shares to recover your capital, however. If your shares are listed on an exchange, it is very easy to see how they are doing by monitoring the selling prices.
- If you think you would like to purchase treasury instruments, you need to take a close look at the financials of the issuer, read the prospectus to find out how your loan will be repaid, the minimum investment amount, the period of the instrument, the amount of interest being offered, and how often interest will be paid. At the end of the period called maturity, you will receive your capital back. However, if the treasury instrument is listed on an exchange, you may sell it prior to the maturity date, if you need your capital.

Thirdly, **Diversify – "Do not place all of your eggs in one basket"**: No matter how much money your investments in shares or treasury instruments are bringing you, it is important not to invest all of your money in one category. Just like "a rising tide raises all ships", and the low tide brings them all down again, when one class of investments (shares or treasury instruments) is not bringing good returns, similar securities tend also not to bring in good returns.

Lastly, **Control Your Investments:**

- Pay attention to your investments -- Do not just invest and go to sleep. Review their prices on the securities exchange.
- Use your plans to manage your investments - Free up your money within your time frame.
  - If you need your capital in six - twelve months, speak with your broker about investing in treasury bills, as they are typically short term in nature.
  - If you have a longer-term perspective, consider buying shares, treasury notes or treasury bonds.

The above fundamental rules of investment are to serve as a guide.

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