



Saskatchewan
Securities
Commission

Wise Investing: Questions to Ask Before You Invest

To Be a Wise Investor...

At the Saskatchewan Securities Commission, we get many calls from people asking questions about investing. We want to outline the things wise investors consider before they invest their money.

Before you Invest...

Before you invest, take time to think about your overall financial situation and investment goals. You are not ready to invest until you've carefully considered these questions:

- Do you have money to invest?
- What are your investment goals?
- How much risk are you comfortable with?

Do you have money to invest?

Your financial well-being depends on careful planning. Assess whether making an investment at this time is the best use of your money. Here are some things to consider:

- Do you have enough money to cover personal and family expenses?
- Are you carrying adequate life, disability, property and liability insurance?
- Would it be wiser to use extra funds to pay off debts or reduce your mortgage rather than making an investment?

If you have money available after meeting these financial needs, you are ready to think about your investment goals.

What are your investment goals?

Decide why you are investing and what you want to achieve. Once you've determined your investment goals, you'll find it easier to choose an investment that will meet your needs.

You may invest for a variety of reasons:

- To meet short-term goals like saving for a vacation, a car, or a down payment on a house. Investors with short-term goals often buy such investments as Canada Savings Bonds, term deposits, guaranteed investment certificates (GICs) or money market mutual funds.
- To earn investment income which will supplement your other income. Bonds, preferred shares or income mutual funds might be appropriate if investment income is your goal.

- To achieve long-term growth so that you will have money for your children's education or your retirement. Suitable investments for long-term growth include common shares and equity mutual funds.
- To minimize taxes. Investing in a Registered Retirement Savings Plan (RRSP) is one way to minimize your current taxes. Money invested in an RRSP and income earned on the investment isn't taxed until you withdraw money from the plan.

Once you've determined your investment goals, you must decide how much risk you are willing to assume to achieve these goals.

How much risk are you comfortable with?

Different investments have different levels of risk. Keep in mind that an investment offering a higher return always carries a higher level of risk than one offering a lower return.

For example, investments such as Canada Savings Bonds and GICs are relatively safe, but generally offer lower rates of return. Common shares of growth companies have a higher level of risk, but offer potentially greater returns.

Decide how much risk you are comfortable with. Are you a conservative investor, concerned above all about safety of capital and stability? Are you an aggressive investor, prepared to take higher risks for the possibility of greater returns? Or are you a moderate risk taker, falling somewhere between?

Investing your money shouldn't be an experience fraught with anxiety. Determine how much risk you are comfortable with and choose your investment accordingly.

Once you have a clear idea of your investment goals and how much risk you are willing to assume, you are ready to start looking at specific investments.

Investor's Checklist

Being a wise investor means taking the time to examine each investment before signing on the dotted line. Here's a checklist of questions to ask yourself before committing to an investment. If you answer "yes" to most of these questions, the investment should be suitable for you. However, if you frequently answer "no", be cautious about going ahead.

This checklist is meant to be a starting point. We urge you to seek advice from a competent, experienced professional to help you make your investment decisions.

Is the investment right for you?

Does the investment meet your personal investment goals? Whether you are investing for long-term growth, investment income or other reasons, an investment should match your own investment goals.

Are claims about the investment realistic? Some things really are too good to be true. Use common sense, or get a professional opinion, when presented with investments that seem to offer unusually high returns compared to other investment options.

Do you understand and accept the risks involved with the investment? Most investments include an element of risk. You should know what these risks are and be prepared to accept them.

Are you putting too much money into one investment? Putting all your eggs in one basket is a risky proposition. If the investment fails, you stand to lose everything. Wise investors put their money into a variety of investments to achieve a balanced portfolio of investments.

Can you sell the investment? Find out if you can sell the investment and, if so, how. Can you sell it through an exchange, or do you need to find a private buyer?

Do you understand the conditions that apply if you withdraw from the investment? Find out if there are any restrictions or penalties that apply if you want to withdraw from or sell the investment in the future.

Do you understand the investment?

Has the seller given you written information which fully explains the investment? Make sure you get proper written information about the investment. The documentation should contain enough clear and accurate information to allow you to evaluate the investment.

Have you read the written information? Reading the written information carefully is one of the most important steps in making a wise investment decision.

Do you understand the investment after reading the written information? Don't commit to an investment you don't understand. Get professional advice if you have trouble understanding the written information.

Saskatchewan Securities Commission

The Saskatchewan Securities Commission regulates how securities are sold. Securities are investments like shares, bonds, units in mutual funds and units in limited partnerships.

We can't tell you how to invest, but we can tell you if the person selling the investment is following the rules. Contact us for answers to these questions:

- Is the seller registered with the Securities Commission?
- Has the written information that you've received about the investment been filed with the Securities Commission?
- Does the investment comply with Saskatchewan's securities laws?