MODULE:1

YOU AS AN INVESTOR

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Establishing short, medium & long term goals

The investment process starts with you. Before even considering buying one of the investment vehicles described in Module 3, you must reflect on your short, medium, and long term goals; your capacity to save; and your risk tolerance. Do you have a budget? It is always interesting, but most of all valuable, to understand where the money you earn goes and the choices you make. Make sure to create a reasonable time horizon for your goals.

Short -Term Goals: (less than 3 years)

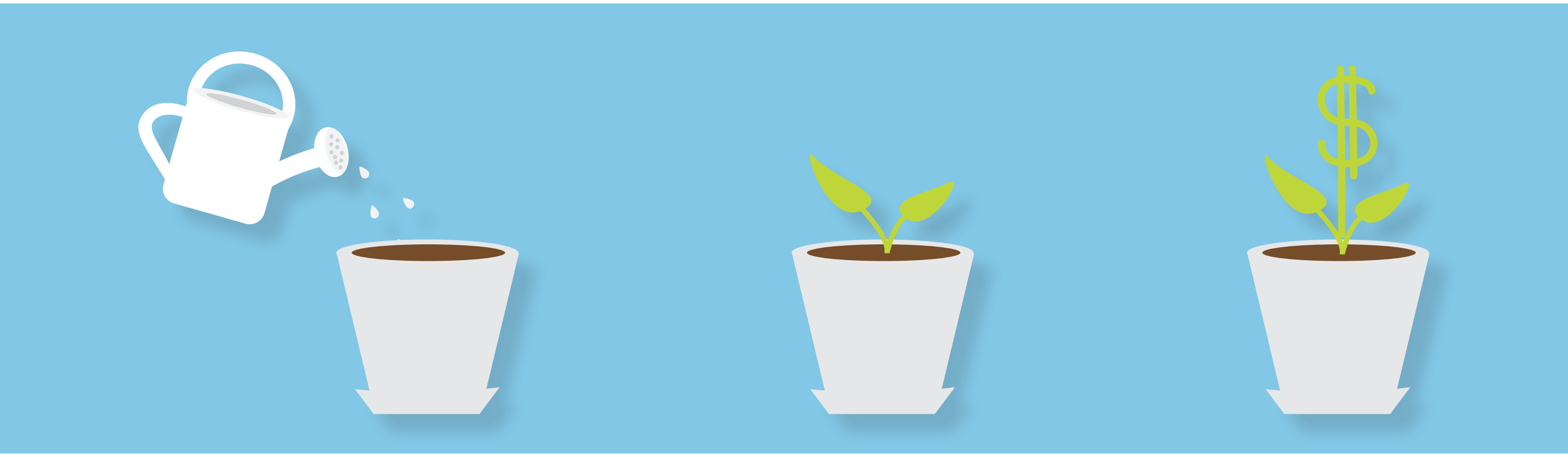
The shorter the time horizon to your goal, the less risk you generally want to take with the money you've already accumulated. Because you plan to spend the money in the near future, you'll want to focus on safety and liquidity rather than growth.

Medium -Term Goals: (3 to 5 years)

Choosing the right investments for mid-term goals can be more complex than choosing them for short- or long-term goals. That's because you need to strike an effective balance between protecting the assets you've worked hard to accumulate while achieving the growth that can help you build your assets and offset inflation. The longer your time horizon or the more flexible your timing, the more risk you can probably afford to take with your money. That being said, remember that risk is not just about timing. It is very personal and one should respect his or her tolerance, regardless of opportunities that may present themselves.

Long -Term Goals: (more than 10 years)

For many people, the number one long-term goal is a financially secure retirement. When your goal is paying for college, for example, you think in terms of paying costs for four years—or perhaps a few more for a post-graduate or professional degree. We live longer and are overall healthier than our parents and this trend is on the rise, so when you think about retirement, you have to picture it in terms of managing expenses for 15, 30, or even 40 years. You'll need income for that entire period. Whether you choose to deplete the assets you have accumulated through your working life or wish to leave a heritance to your children and/or grandchildren, it is important to plan accordingly.



Working on your budget

Simple steps to create a budget:

- Keep track of every expense, including the small ones
- Update your budget continually – weekly or monthlyBudget by the month, not by the paycheque
- Plan for both fixed and variable expenses
- Plan for occasional and/or special expenses

Below is a table to help you visualize the types of income and expenses you may face:

Revenues:	Amount:
Salary	
Bonuses	
Pension income	
Investment income	
Others income sources	
Total Revenues:	

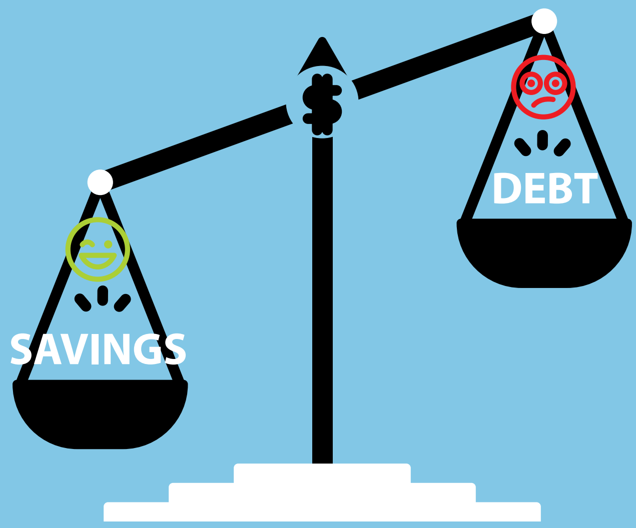
Expenses:	
Income taxes payable	
RRSP contribution	
Income tax	
Canadian pension plan	
Mortgage payments	
Property taxes	
Car/home/boat insurance	
Life insurance	
Hydro/heat/water	
Food and Liquor	
Restaurants	
Clothing	
Personal care	
Telephone	
Cable/pay TV	
Car maintenance & gas	
Recreation & Entertainment	
Education	
Vacations	
Total Expenses:	
Difference between revenues and expenses:	

Keep track of your income and expenses on a monthly basis to ensure you're not overspending but also to adjust for income changes and potential increased costs.
Another way of keeping things organize is to create pre-authorized debits (PADs).
PADs allow you to pay regular bills and make other payments automatically so you don't have to worry about missing them. Many people use PADs on an ongoing basis to pay their mortgage, insurance premiums, utility bills and membership dues to various organizations and clubs.

You can also use a PAD to pay yourself. Open an investment account and have 5-10% of your salary transferred to it automatically. It is an easy way to build a cushion.

Your PAD agreements should contain the following information:

- The amount of money (fixed or variable)
- The frequency
- How to cancel the PAD



Making choices between debt and savings

Should you decide to pay down debt or invest? A major factor to consider is the cost of debt versus the interest or return that could be earned if you invested the money.

If you can earn a higher rate of interest investing than you pay on your debt then you should consider using this strategy, depending on your tolerance for risk. Apply your interest earned to pay down your debt. You should also have an emergency account (equal to three months of expenses) in case of unforeseen events like losing your job, heath problems or major repairs needed on your home.

It is important to understand your relationship with money, i.e., are you a saver or a spender? Having a plan may sound boring, but the work involved in understanding your current position will help you avoid the stress related to overspending. This strategy will help you move forward with your real goals.

This website can help you make better choices:
http://www.questionretraite.ca/wp-content/uploads/2016/10/99-trucs-pour-economiser-sans-trop-se-priver_inscriptible.pdf

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