

# Investments



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# Investments Defined

## What is an investment?

- There are lots of things that can be considered investments: art, collectibles, real estate, education, financial assets.
- We are focusing on financial assets like stocks and bonds.
- We want an investment to increase in value, and potentially provide a stream of cash flow.



# Characteristics of Investments

Investments can be characterized in two ways:

- **Risk** – what is the potential to lose my investment? If the value of the investment changes rapidly and on a regular basis, the risk of losing money increases.
  - Lottery ticket – risky!
  - Canada savings bonds – almost risk free.
- **Return** – we want our investment to generate income and/or appreciate in value
  - Art/Collectibles – may appreciate in value but doesn't generate income
  - Stock investments – may appreciate in value and some will pay a regular cash payment called a dividend
  - Bond investments – designed to give you the original investment back and pay you interest on a regular basis
  - Cash - doesn't appreciate but provides a small amount of income and there is no downside!



## Common Stock Investment – Continued

Advantages of common stock investment versus a private company:

- Liquidity – you can buy or sell stocks at any time.
- Financial information – public companies are required to report on their financial performance and results of operations; private companies have no obligation to share financial information.



# Common Stock Investment

- Common stock represents ownership in a business – publicly traded versus private, also known as common shares or equity ownership.
- When you buy a stock, you're investing in a small piece of the company...You're a business owner!
- Stocks are bought and sold on a stock market (NYSE, TSX, NASDAQ), which is just a place where buyers and sellers get together to make a transaction.
- Owning stock gives you the right to vote on company matters and receive any dividends that the company has declared.



# Bond Investments

- Bonds – also known as fixed income or corporate debt.
- When we buy a bond, we are in fact lending a company some money – the credit rating of the company matters, just like individuals have different credit ratings.
- The amount we lend is called the 'principle', which we want return at the end of the period the money was borrowed for.
- Bonds are generally less risky than stocks, so we have a better chance of getting our investment back.
- Bonds also provide a regular stream of income.



## Summary of Investment Characteristics

	Stocks	Bonds	Cash
Liquidity	High	Medium	High
Risk	High	Medium	Low
Return	High	Medium	Low
Income	Low to High	Low to High	Low



# Buying a Stock – Example

Stocks & ETFs Options Strategies Mutual Funds GICs

Symbol or Name  
QSR CA

Action  
**Buy** Sell

Quantity  
100

Price Type  
Market

Good 'til  
Day

**QSR**  
RESTAURANT BRANDS INTERNATIONAL INC  
\$75.21 | +tick **▲ 0.75 (1.01%)**  
Bid / Ask \$75.20 / \$75.23  
Lots 9 / 1  
Open \$75.03  
High / Low \$75.50 / \$74.41  
Volume 265,753  
As of 17 Oct. 2022, 02:04:31 p.m. ET

Clear Preview Order





## Buying Bonds as an Investment

- Bonds are bought/sold in a slightly different way compared to stocks.
- Instead of transacting with random individuals, you must find an investment dealer who has the bonds in inventory, kind of like shopping for a particular car.
- If we want to buy a Rogers Cable bond, we might ask the investment dealer for a list of the Rogers bonds they have in inventory and then see what meets our criteria.
- In general, the longer the term of the loan, the higher the interest rate we'll want; for example, a 20-year bond might earn 6%, while a 2-year bond might only be 3%.



## Mutual Funds and ETF's

- A mutual fund is a group of investors who put their money in one pot which is then invested on their behalf.
- Mutual funds can be bought and sold but are typically only priced at the end of the day and they aren't traded on an exchange.
- The risk of a mutual fund will depend on what investments it is making – a cash mutual fund is very low risk, while an IPO mutual fund is high risk.
- Exchange Trade Funds (ETF's) are similar in concept to mutual funds, but they are traded in a similar way to stocks.



# Account Types

- There are a variety of accounts you can hold investments in, depending on your goals and objectives.
- Each account type has various rules regarding taxability.
- Some of the main types of accounts are:
  - RRSP: Registered Retirement Savings Plan
  - TFSA: Tax-free Savings Account
  - Cash or non-registered – all investment gains and income are taxable
  - RESP: Registered Education Savings Plan

# Resources for Further Information

- Investopedia – [Investopedia.com](https://www.investopedia.com)
- BNN Bloomberg – (Canadian business news) [bnnbloomberg.ca](https://www.bnnbloomberg.ca)
- Globe & Mail – [globeandmail.com](https://www.globeandmail.com)
- CNBC – (American business news) [cnbc.com](https://www.cnbc.com)

# Practical Application for First Nations Finance

Thank you for your time



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