# Investing 101: Investing Basics

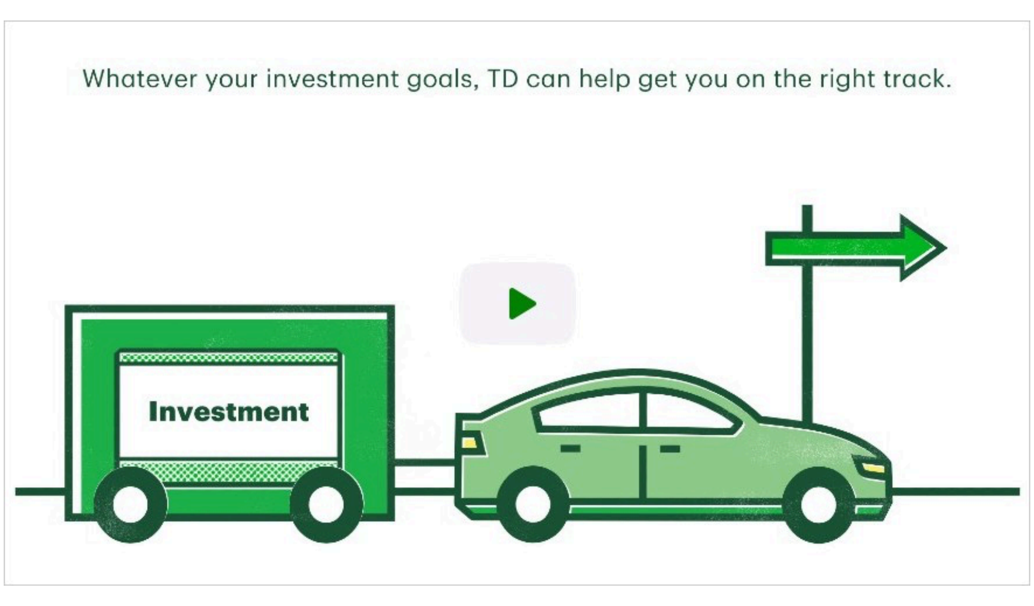
Investing involves putting your money to work through the buying and holding of investment products with the expectation of growing your money. It could boost your returns or provide the required amount of income to help achieve your financial goals. In many cases, the growth and income that can come from investing is a key ingredient to making financial goals achievable.

## Why investing matters

### Investing helps build wealth

Savings accounts can be an ideal option if you have shorter-term goals or are looking to build an emergency fund, as they offer security and liquidity but typically have lower rates of return than investing products. However, if you have longer-term goals, like saving for retirement or a child's education, buying investments may be a better option, as these products are designed to be held over a longer time frame and can give you the chance to earn a higher potential rate of return. Over the long run, even a small but positive difference in your rate of return can have a big impact on whether you achieve your goals.

Your personal investment strategy should be based on your financial goals. For example, if you're saving for a short-term purchase, a secure bank savings account can serve you well. But if you have long-range goals, consider the potential of compound investing through a market-based GIC or Mutual Fund. Learn the differences and details in this interactive video.




### The power of compound growth

Compounding is a powerful process in which an investment's earnings are reinvested to generate additional earnings and growth over time. This can make a significant difference in growing your investment over the long term. The sooner you start investing, the sooner you could benefit from the power of compounding.

Use our compound interest calculator to see how your investment could grow over time.

One of the most effective ways to benefit from the power of compounding is to start early and invest automatically. Setting up a pre-authorized payment plan allows you to regularly contribute to a TD Mutual Fund from your TD chequing account on a weekly, biweekly, monthly, quarterly, semi-annual or annual basis. By starting to invest regularly, you could be pleasantly surprised by how much your money will grow over time.

### Investing may help you outpace inflation

Inflation is the rise in the price of goods and services resulting in a substantial and continuing drop in purchasing power over a period of time. A high rate of inflation means prices are increasing quickly and your money may not buy as much in the future as it does today. In order to grow your money over the long run, you'll need to earn a return that exceeds the rate of inflation after tax. For example: with 2% per year inflation and a 35% marginal tax rate, you would need to earn a return of 3.08% per year in order for your investment to have as much purchasing power in the future as it does today1. One way you may be able to outpace inflation is through investing your money. Depending on the investment product selected investing can have a higher risk when compared to putting your money in a savings account but could also bring about higher returns.

## What to consider before investing?

### Think about your financial situation

Understanding your financial situation is key to building a successful investment strategy. Before you invest, remember to consider your:

- **Budget**: Building a budget will help you understand how much money you earn, spend and save. A budget can help you determine what you are spending your money on to better help you make decisions on how much you have available to save or invest.
- **Financial goals**: Assess what your goals are and how much money you will need to achieve your goals. An example could be understanding how much money you need to save for retirement. Our TD Retirement Savings Calculator can help you see what you'll need to retire the way you want.
- **Investment objectives**: Are you looking to grow your money, to generate an income or to keep your original investment safe? There are a range of investment products that are suitable to help meet your objectives.
- **Time horizon**: Markets move up and down. If you're investing your money and need to use it in the near term, you could be negatively impacted during a market downturn if you have to sell your investment at a loss. It is important to choose investment products that align with your time horizon to help ensure you can weather downturns and be able to benefit when markets improve again.
- **Risk profile**: Risk tolerance is the ability to handle fluctuations in the value of your investments. Ideally, you should invest in products that you feel comfortable holding, even when faced with market fluctuations.

  All these factors can change over time. It's important to review these considerations as your circumstances change or at a minimum of annually once you start investing to ensure you continue to hold investments that meet your needs. A TD Personal Banker can work with you to conduct a goals-based review of your options and to help determine which investments are suitable for you.

### Consider working with an Advisor

The financial marketplace is regularly evolving, and investors have access to a wide range of plans and products to choose from; this can make navigating the investing landscape and managing your investments seem daunting.

TD Personal Bankers are ready to help and are there to provide you with professional advice. They'll work with you to understand your financial goals and recommend suitable investments to help you achieve them. Working with a Personal Banker can help simplify the process and relieve you of having to make important decisions on your own. Book an appointment to get started.

## Common types of registered plans and investments

### How do registered plans work?

Registered plans were created by the federal government and are designed to encourage Canadians to save money by offering special tax benefits, which could allow you to grow your money faster. Registered plans have specific rules, regulations and eligibility criteria. Once a registered plan is opened, customers can hold various qualified investments within the plan (depending on what products are offered by the financial institution) like mutual funds, GICs, ETFs, stocks or bonds. Depending on the type of investments held within the plan, the rate of return may be determined by the performance of the investments. There are many different types of registered plans and most Canadians would benefit by choosing to invest within one, if they qualify. For more information, explore our registered plan options.

### Registered Plans

- **TFSA**: A Tax-Free Savings Account (TFSA) is a registered plan where you can save or invest up to your individual contribution limit and your earnings are tax-free.
- **RRSP**: A Registered Retirement Savings Plan (RRSP) is a registered plan that lets you build up savings designed for your retirement, while deferring your taxes.
- **RESP**: A Registered Education Savings Plan (RESP) is a registered plan that helps you save for a child's post-secondary education. RESPs can be a great option as saving incentives, such as grants, are offered by government.
- **RDSP**: A Registered Disability Savings Plan (RDSP) is a special program for Canadians with disabilities and their families to help save for long-term financial needs like future medical costs.
- **RRIF**: A Registered Retirement Income Fund (RRIF) is a retirement income option which gives you the flexibility of deciding how much income you withdraw each year from your retirement savings. You have to be paid a minimum annual amount from your RRIF account according to the federal government's predetermined schedule. Often, owners of RRSPs roll over the balance from those plans into a RRIF.

### Investing Products

- **Mutual Fund**: A mutual fund is an investment that pools the money of many individual investors and uses it to buy securities such as bonds, stocks, or other investable assets that are selected and managed by a fund manager. Each mutual fund has an investment objective which the fund seeks to achieve to the benefit of the investor. You invest in mutual funds by purchasing units of the fund. Mutual fund values tend to fluctuate and there is no guarantee that you will earn a return on your investment or the total amount you invested will be returned to you. It is recommended that you review the fund facts or prospectus before investing in mutual funds.
- **GICs**: A Guaranteed Investment Certificate (GIC) is a deposit which provides a guaranteed rate of return on your investment and secures your principle investment amount, making it a safe way to invest your money.
- **Stocks**: Stocks are units of ownership of a corporation. Owning stock in a company entitles the owner to an equal share of earnings that are paid out, if any, in the form of dividends. Holding stocks means having part ownership of a company. The terms 'share' and 'stock' are often used interchangeably.
- **Bonds**: Bonds are debt instruments (financial assets that can be traded) that promise to pay a specified amount of interest and to return the principle amount on a specified maturity date. Bonds are issued by federal, provincial and municipal governments, as well as corporations.
- **ETFs**: Exchange-Traded Funds (ETFs) are pooled investments like mutual funds. ETFs often are structured to mirror a stock index, but unlike mutual funds, they are bought and sold on a stock exchange.

## Investing terms and concepts

Even if you're new to investing, it's important to know the basic terms and concepts. This will help you better understand what investment options could be right for you.

- **Return**: Also known as rate of return, this is the amount your investment has changed in value over a specific period of time. It's usually shown as a percentage of your original investment or principle.
- **Risk**: In investing, risk is the chance you might lose some or all of the money you've invested. Many investments offer the potential for a higher rate of return but also involve some level of risk. Your comfort with risk generally depends on your willingness to accept fluctuations in the value of your investments, and your ability to weather any potential for financial loss. This is known as your risk tolerance.

  While risk can't be completely removed, investment options like mutual funds, can align to different customer objectives and risk tolerances. Very low risk investments like GICs that offer principle protection provide safety but offer a lower potential for return.
- **Liquidity**: Liquidity refers to the availability of your money. The more liquid it is, the more available it is. Liquid assets or investments are those you are able to cash in or sell quickly, like savings accounts and most stocks. Liquidity can be important if you are planning to use your savings or investments in the short term.
- **Diversification**: Having a wide mix of investments is called diversification. It can help to reduce your risk because some investments will do better at certain times, when others do not.
- **Dollar Cost Averaging**: Dollar-cost averaging is the investment strategy of gradually buying at regular intervals over a period of months or years. In situations where the value of the investment fluctuates, investing automatically/regularly helps to even out the purchases over time, and may improve the growth potential of investments in the long run, reduce the risk, and take the worry out of 'when to invest' to maximize returns.
- **Principle**: In investing, the principle is the initial amount of money you put into your investment.

## We can help you get started

TD Personal Bankers can help invest. We'll work with you to understand your goals and develop a plan to help put you on the right course to make them happen.

## Explore our registered plan and investing products.

Investing doesn't have to be complicated. From growing your money to planning for the future, we have a range of investment options for you.

Explore our investing products.

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[1] Break-even return calculation: Inflation / (1 – Marginal Tax Rate) = 2.00% / (1 – 35%) = 3.08%.

## Ready to invest?

**Book an appointment**

Meet with a TD Personal Banker in-person at a branch near you.

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Our Advisors ready to answer your questions and help you get started.

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