INVESTOR'S GUIDE

A guide to the financial markets, investments and the economy
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NICO Asset Managers

"INVEST today for tomorrow "

Topic 288: Becoming an Investor

An investor is someone who allocates capital for investments with the hope of making a future return. Many want to become investors but do not know where to start from. Some think investing is complicated and is only for the well to do. Investing, however, is not as complicated as some people think, nor does it always require huge sums of money. Anyone can become an investor, so long as they can put away some money for a while. Here are a few tips to get you started on the investment journey:

1. **Organise your finances**
   It is important to start by getting your finances in order. Examine your income streams and outstanding expenses that would eat away your finances such as loans. You should be able to decide how much of your income you can put away for some time and still be able to live comfortably.

2. **Learn the basics of investing**
   You do not need to know everything about investments for you to start investing, but basic knowledge is important. Learn the various investment avenues at your disposal such as listed and unlisted shares, treasury bills, bonds, fixed deposits, foreign currency and property. A little knowledge will go a long way in helping you make the right investment decisions.

3. **Set investment goals**
   Determine what you want to achieve with your investment. Is your investment a safety net, something you can turn to when your finances go sour? Are you saving for retirement or your children's college fees? A clear purpose will guide your decisions regarding what investment avenues to put your money in.

4. **Determine your risk tolerance**
   Every investment avenue has some risk attached to it. The greater the risk, the more rewarding the investment, and the lower the risk, the lower the return. You should be clear about how much risk you are willing to assume for a possible return.

5. **Learn the costs involved**
   It is important to learn the costs you would incur in investing. For example, if you are going to use a financial advisor or stock broker you would be charged a commission for their services. It is important that the costs should justify the benefits of investing.

6. **Find a financial advisor, broker or investment advisor**
   Find out what financial advisors, brokers or investment advisors are available around you. Your investment goals, risk tolerance and choice of investment instruments, will determine the kind of brokers or advisors you can engage. Find out about their reputation, their performance and what other services they offer. Get as much information as you can about them.

7. **Choose your investment style and portfolio**
   The broker or advisor will be able to help you in choosing the right investments and investment style that match your goals and risk tolerance. If you are risk averse you would choose a more conservative investment style; that is, you would invest in low risk assets such as fixed deposits and treasury bills. If you can bear more risk, on the other hand, you would adopt a more aggressive investment style and invest much of your money in high risk but more rewarding assets like shares.

It really does not take a lot to become an investor: get your finances in order, learn the basics of investing, set goals for your investments, determine your risk tolerance, choose an advisor or broker, and start investing. All the best!

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