

Are you a ready-made or do-it-yourself investor?

It's useful to think of this in terms of key features of investment strategies: effort, cost, and size (of the minimum investment you'll need to make).



Glossary: What do we mean by effort, cost, and size?

Effort

- How much investing work you'd have to do yourself to set it up and to keep up.
- How much investing knowledge you'd need to acquire.

Cost

- Ongoing, usually yearly, account / product fees. Usually expressed as a small percentage of your investment. In dollar terms, such fees are small for small investments, but become significant when you've accumulated more savings.
- Transaction fees, called commission, paid when you buy / sell securities to add to your investment / cash out. Usually expressed in dollars per transaction - you pay the same amount, regardless of whether you're investing \$100 or \$10,000. When you have more money to invest, your transactions will be bigger - cost per transaction declines.
- There may be some additional service fees and penalties, like when your account balance falls below a certain minimum level.

Size (minimum investment)

- There usually is a minimum amount required to start investing.
- There may also be a minimum amount for additional transactions (smaller than what's required to start).
- For the ready-made strategies, the minimum amount is stated by the provider. For do-it-yourself, it's an economic decision because costs of transaction are smaller when you invest more money.