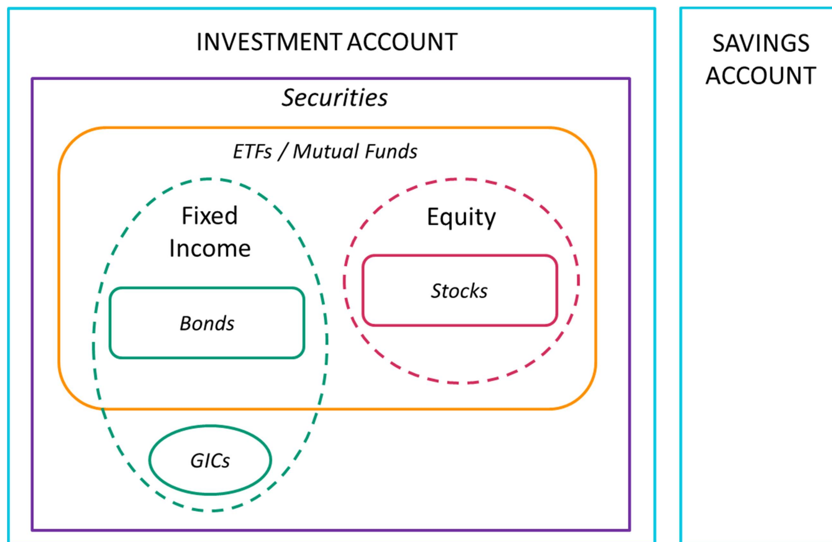
FinStart

Investing cheat sheet



Savings accounts are bank accounts.

- They allow you to grow your money a little while keeping it readily available to withdraw.

Investment accounts are opened at investment dealers - they are not bank accounts.

- In the long run, investing is expected to make your money grow faster than if you kept it in a savings account. But your money may not be readily available for you to withdraw at any time.
- Investment accounts are used to buy securities.

Securities are investment products you can buy in your investment accounts, like bonds, stocks, mutual funds, ETFs, and GICs.

- Some securities, like mutual funds and GICs, are also sold directly by the banks that create them, without a need for an investment account
- Those commonly used in investing are either fixed income or equity securities.

Fixed income refers to low-risk investments, like individual bonds, bond ETFs (exchange-traded funds) and mutual funds, GICs (guaranteed investment securities).
Equity refers to higher-risk investments, like individual stocks (also called ‘shares’), equity ETFs (exchange-traded funds) and mutual funds.

Bonds are loans to companies or governments. These investments earn a fixed amount (called ‘interest’ and expressed as a small percentage of the amount invested) each year until their fixed maturity date.

- On maturity, a fixed amount of money is returned to you.
- An investor can sell a bond before it matures (the reverse transaction of buying it in an investment account). But it won’t be a fixed price and it’s often an expensive transaction.

Stocks / shares refer to money invested in a company by its owners. It’s an investment that grows in value when the company grows and makes profit.

- To cash out, investors must sell their investment to other investors, usually in the marketplace called the stock exchange. In the meantime, stocks may, but don’t have to, pay dividends – small amounts of money on

Funds (ETFs and mutual funds) buy individual securities (bonds, stocks) or other funds and pool them together, like in a basket. Pooling lowers the risk of your investment – it’s called ‘diversification’.

- Another advantage: You can buy one security (one ETF or one mutual fund) rather than many individual stocks or bonds (less work and lower transaction costs).