

also... investing

Questions for first-time investors:

Investing in equities and registered savings plans (RRSPs) are among the best ways for young professionals to grow their savings. Before you choose your investments, Karl Berger a partner at Toron Asset Management says you must ask yourself a series of important questions.

1. Do you have short-term or long-term objectives?

(Translation: When will you need this money? Are you saving for a wedding, a house, or retirement?)

2. What level of volatility are you prepared to live with?

(Translation: Will you be able to sleep at night if your investments are fluctuating significantly?)

3. What rate of return do you want to achieve with your investments?

(Translation: The higher the risk the more opportunity for earnings and growth.)

Advice for first-time investors:

Experts agree buying a home is probably one of the largest investments a couple can make; it provides not only long-term security but also possible growth potential.

The trick, says Patrick Nicol a financial advisor and president of Nicol and Associates, is to invest wisely in solid, well-managed companies and practise the art of patience. "If you're willing to leave your money in the market long-term, generally speaking you'll experience growth." Historically, there has never been a time when markets have not recovered from a downturn.

"Invest when you've got the money, and invest more when everyone else is running scared," says Nicol.

need to know

YOUNG INVESTORS

According to Statistics Canada people 25 to 34 years of age accounted for eight per cent of all investors in financial securities other than real estate in 2005. On average, four per cent of their income is made from these non-real estate investments.

"There is a much healthier appetite for investing amongst young people today than ever before," says Janet McKeage, vice president and investment councilor, RBC Private Council.



INVESTMENT

Portfolio panic

Crystal Pinarello recalls the panic she felt recently when she observed her stock market investments begin to fall. A 26-year-old professional, Pinarello considers herself reasonably knowledgeable when it comes to investing and managing her finances. Since she was a teenager, her father has encouraged her to oversee her own portfolio, which she says has continuously experienced growth — until now.

"It definitely worries me to watch my savings decline in value," says the Toronto native, who is not alone in experiencing these feelings of angst. Since the United States' economic woes began to wobble portfolios in Canada and worldwide a few months ago, many investors have experienced losses in their financial portfolios. For Pinarello, the worst feeling was watching the very first stock she purchased over 10 years ago suddenly, and rather drastically, drop.

"It was \$11 per share when I bought it and had reached \$59 just a few months ago," she recalls. "The next thing I knew it dropped by 42 per cent to \$34."

For the 20- and 30-somethings whose investments have taken a hit, this is likely the first experience with such volatile markets. It's not surprising then, that a general feeling of uncertainty ensues. Of the approximately 3.4 million investors in Canada in 2005 about 270,000 were in the 25- to 35-year age bracket.

"About two weeks before the meltdown, I sensed the market might turn, so my wife and I liquidated all of our stocks and bonds and put them into short-term GICs," explains Bram Rothman, a 30-year-old MBA trained business



Photo illustration by Carrie Ruddy

professional. "We knew we were planning to buy our first house and would need access to liquid funds in the short term for renovations."

Experts agree buying a home is probably one of the largest invest-

ments a couple can make; it provides not only long-term security but also possible growth potential. In periods of seeming economic instability, tangible assets are of great value and investing in real

estate provides first-time homebuyers with numerous tax and other incentives.

While those with short-term investment goals may be the hardest hit by the recent market declines, young investors with a comfortable retirement in mind are being advised unanimously to stay the course and bide their time.

"If you have a 30- to 40-year time horizon and you are investing in good companies, there is really no need to worry," says Patrick Nicol a financial advisor and president of Nicol and Associates.

But with analysts forecasting months of doom and gloom ahead and words like downturn and recession monopolizing headlines, it can be hard for investors to stay positive. Young professionals like Pinarello are monitoring their portfolios even more closely these days and turning to experienced investors for advice.

Though it may seem counterintuitive to put more money into an already suffering market, now may actually be the best time to do so.

"You never know when the next big boom will hit and while you won't lose by jumping in early, you can lose by waiting too long," says Nicol. This advice he passes along to young clients: "Invest when you've got the money, and invest more when everyone else is running scared."

With a good plan and a set of goals, your financial decisions don't have to be governed by fear or uncertainty.

"If you are heading to Chicago for the weekend you don't just jump in the car and go," says Nicol.

"You get out a map and plan your route. The same is true for investing."

— Hailey Eisen, for 24 hours

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