Kingdom of Saudi Arabia
Capital Market Authority

هيئة السوق المالية
Capital Market Authority

Guide for Young Investors

Introduction

Investing can be a satisfying way to increase your fortune and help you achieve your financial goals. However, it is essential to make wise investment choices and avoid risk, such as buying and selling stocks based on tips and rumors or investing all your money in one field of investment. Your objective is to continually accumulate more assets, not lose the ones you have.

This booklet provides an overview on investing. It explains how to choose investments, how to evaluate their performance, especially Investment Portfolios and how to manage your portfolio to seek the best return.

The booklet also discusses the different types of investment risks and the strategies for limiting those risks, as well as how to learn to make good decisions, avoid common mistakes, and take advantage of the benefits of investing.

Part1: An Overview of the Foundations of Investment

Why Do We Invest?

While you might not have the money to afford the things you want, making good investments can help you in accumulating what you need over time. For example, by investing you can:

- Enhance your wealth.
- Provide income.
- Meet your short- and mid- term goals, such as a new PC, a car, or other items.
- Meet your long-term goals, such as buying a new home or securing your future when you are set to retire.

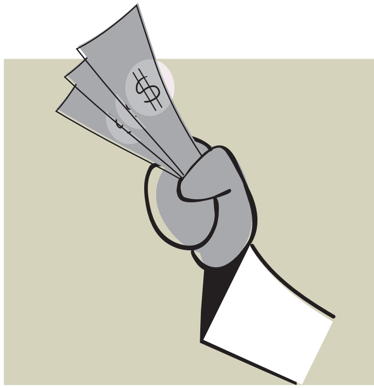
Investing can also protect you from inflation, which is the steady increase in the price of goods and services. It is known that Inflation leads to decrease the Riyal's value, which means you need more money every year to maintain the same standard of living. According to the Saudi Arabian Monetary Agency, inflation in the Kingdom has risen significantly in the recent years.

Some people think that they are avoiding risk by saving money instead of investing. But even though a bank account might keep your money safe, it won't allow your assets to grow at a rate that is high enough to offset inflation. So the value of your savings, measured as a buying power, will steadily decrease.

However, if your investment portfolio gives you a return that is greater than 7% (as an inflation rate for example) you will be able to preserve your wealth and increase your buying power. If your investments provide an average return of 10%, you will stay ahead of inflation and also start to build your wealth.

Gaining Profits

Unlike inflation, increased profits allow you to use time for your advantage to steadily increase the value of your investments. Your money multiplies when you reinvest your earnings, or buy more shares with the money you make from your investments. When you add your earnings to your investment account, you increase the size of your capital, which in turn can increase the amount of your return.



For example, if you invested 20,000 Riyals in a stock that had a return of 9% each year for five years, and reinvested your dividends each

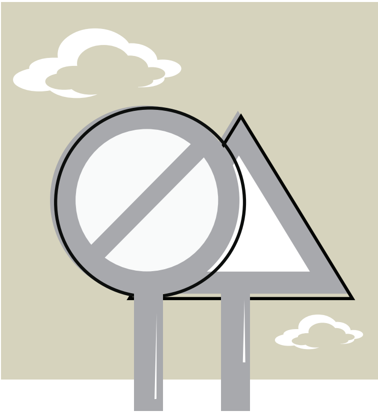
year, your stock would not just gain 1,800 Riyals every year (9% of 20,000), but its actual growth would look like this:

20.000 Riyals	1st Year Balance:
1800 Riyals	+ 1st Year Earnings:
21.800 Riyals	2nd Year Balance:
1962 Riyals	+ 2nd Year Earnings:
23.762 Riyals	3rd Year Balance:
2.139 Riyals	+ 3rd Year Earnings:
25.901 Riyals	4th Year Balance:
2331 Riyals	+4th Year Earnings:
28.232 Riyals	5th Year Balance:
2.540 Riyals	+5th Year Earnings:
30,772 Riyals	Balance after 5 years

Your initial investment would have gained about 54% of its original value.

Investment Risk

Its known that there is no such thing as a risk free investment. But understanding what causes the risk can help you create an investment strategy to help protect against losses in your portfolio.



Some of the risks you may face as an investor are the result of political uncertainty or a downturn in the global economy. Sometimes a downturn affects only the economy of a particular region or country. In other cases, risk may be created by a slowdown within a particular industry. You should always be aware that capital market products are higher in risk than other investment products.

Loss of Capital

When you invest in an individual company, you can make or lose money depending on its performance. If the company's performance was good and made profits, your investment will usually gain value, and you might be paid dividends. On the other hand, if the company does not perform well, your investment could lose value.

Prices Fluctuation

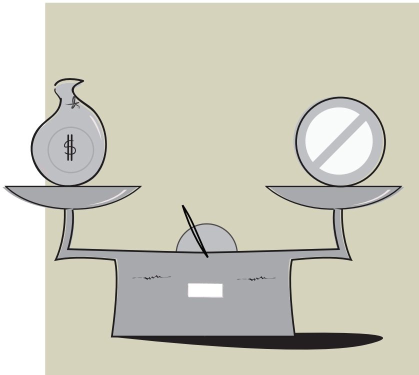
One of the investment risks is prices fluctuation or the possibility that the stock price may change in a short term. The greater the prices fluctuate, the risk increases.

Risks and Return

Risk and return are directly related, which means that the greater the potential that an investment might lose money, the greater its potential revenue. One of the keys to successful investing is finding a way to balance risk and return in your investment portfolio.

Diversification: a Strategy to Reduce Risk

Since different investments have different levels of risk, the best way to protect yourself is to vary your investments across different asset classes, such as stocks, Sukuk, and real estate. Also, you would want to diversify your investments among different companies from each type. The goal is to lower the risk and to protect your portfolio if there was a market downturn.



Knowing your Risk Tolerance

Some investors are willing to take on risk more than others. Your risk tolerance is generally influenced by factors such as your age, your financial situation, or even your personality.

For example, some investors have a greater tolerance for risk and are able to deal with losses of their investments. They may be willing to invest in companies where there is higher risk, but also a greater opportunity for return. More conservative investors, however, are more comfortable with investments that do not pose a greater risk but do not have the same potential for higher returns.

Risk tolerance may also change as your financial goals change, or as future goals approach. For example, you may want to shift to less risky investments as you come within a few years of meeting certain goals. That way, if there is a sudden downturn in the market just when you need the money, you will not find yourself with less than what you planned for.

Part 2: Financial Planning

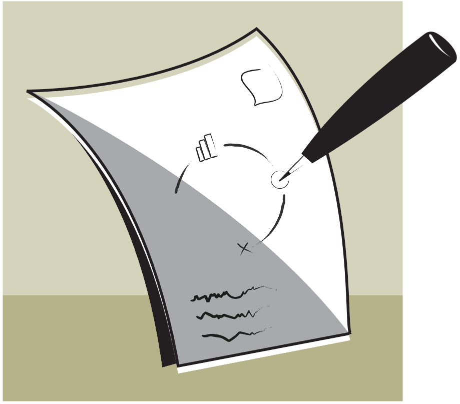
To manage your money effectively, you will need to have a financial plan. A financial plan is a written statement of your financial goals and your strategies for achieving them. This plan includes:

- A summary of your current assets.
- A list of your primary goals and a time-frame for meeting them.
- An estimate of what you expect your goals will cost .
- A list of the types of investments you might make to help achieve those goals.
- A schedule for implementing those investments.

Note that Financial planning is an on-going process. You will want to evaluate your progress on a regular basis, update your list of goals or your timetable, and revise your strategies as your goals or financial situation changes.

Defining Goals

You may have several different financial goals. They can be immediate and simple in the short or long term. The most helpful way to group your goals is usually by the time you have to meet them.



Short-Term Goals

Are those you hope to meet in the next year or two. To invest for these goals, you want to keep your money secure and liquid, so you will have it available when you need it. You do not want to risk money intended for your short term goals on uncertain investments.

Mid-Term Goals

Are those you expect to achieve within ten years. These goals may include buying a home, starting a business, or paying for tuition. You can afford to take some risks when you invest for mid-term goals, especially if they are several years away. Due to time constraints, you may want to sell the riskier investments and put the money into a more secure account.

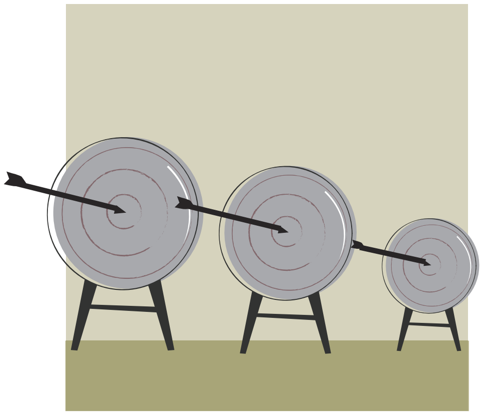
Long-Term Goals

Are more than ten years in the future. For most people, the primary long-term goal is affording a comfortable retirement. Helping your children or starting a business of your own may also be in this category. As long as you are investing for growth, then you can usually afford to take more investment risks to meet your long-term goals.

Seeking Advice

Many people seek professional advice in making and implementing a financial plan. One advantage of working with a professional is that it gives you an added incentive to get started and stay focused on your plan.

You can ask friends or family members who are experienced investors for referrals to the planning professionals they work with. You may also discuss your planning needs with the authorized person who handles your investment transactions.



Part 3: How to Start Investing

Money to Invest

In order to invest, you need an initial sum of money to buy those stocks. This is called your main capital. For example, to buy 100 shares of a stock priced at 35 Riyals per share, you need 3,500 Riyals plus enough money to pay the authorized person's fee.

Savings

If you have been saving money over the years, then you may be able to start investing immediately. If you do not have a savings account where you are accumulating money to invest, opening a savings account is the first thing you should do.

You don't need a lot of money to open an account, but you will need to add to it regularly to build up your balance. If you consistently put at least 10% or perhaps 15% of each paycheck into your account, it will not take long to accumulate the capital you will need to begin investing.

You should also plan to save most of your unexpected income like bonuses or grants that you receive. You might even ask your family to deposit the sum they are planning to give you to your investment account so you are not tempted to spend it. If you are finding it hard to save as much as you would like, you might consider cutting back on some of your spending and depositing that money too.

Remember, however, that you should always keep about three to six months income in an emergency fund in the bank to cover any unexpected expenses. It is better if you do not invest this sum of money to keep it for emergencies .

Risks of Taking a Loan

You might want to borrow money from your family or use the sums you saved to cover the necessary expenses to increase the amount you are investing. This approach, however, can be very risky. If you lose the money, you might find it difficult to pay back the loan. In addition, you would not have any more money to invest and you will not be in a position to build your fortune.

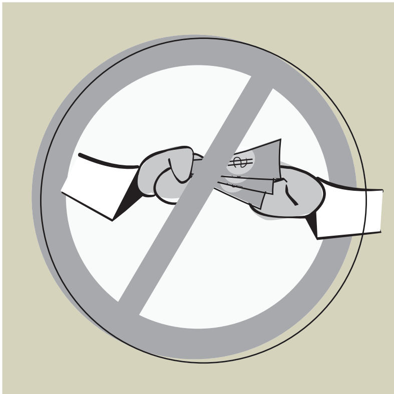
How Much to Invest?

When you start investing, you have to decide the percentage of your capital you are committing to different types of investments. What you are looking for is a combination of growth and safety. Growth will help you meet your investment goals and safety will provide a cushion if the market experiences a downturn.

It is important to keep in mind that investments that provide the most growth are also the ones that carry the greatest risk of losing money. That is because their value can change very quickly. For example, stocks of small and new companies are among the investments that have the most growth potential and the greatest risk of loss.

While each person must decide how much fortune to invest in volatile alternatives, you may want to consider these following guidelines.

- Invest no more than 10% of your total assets in high risk investments
- The only money you should invest in high risk investments is the money you can afford to lose
- If you do not want any risks in your investment, then you may not have enough money to meet your goals.



Part 4: Investing in Stocks

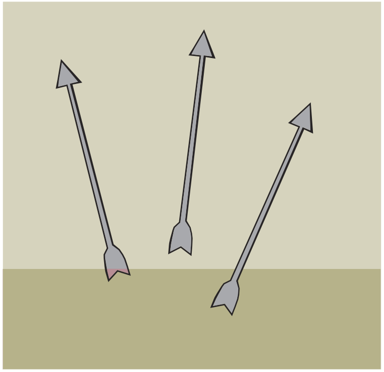
In the Kingdom of Saudi Arabia, all stocks are traded on the capital market. If you want to buy or sell shares of a stock, you are required to open an investment account to build your portfolio through an authorized person. You ordinarily pay the authorized person a fee or a commission for the service provided.

How do you Buy and Sell Stocks

- If you place a market order, the authorized person will trade the stock at the current market price. However, the price of the stock may change before your order goes through. In this case, you may end up with a different price than what you had expected.
- A limit order is when the stock reaches the limit price then the order would be valid. As a result, if the stock goes up or down before the sale goes through, your order may not go through.

Working with an Authorized Person licensed by the CMA

When you are ready to start investing, you need to work with an authorized person to help you buy the securities you want for your portfolio. A list of licensed authorized persons is published on the CMA website which can



help you in choosing the one that suits you. An authorized person is required by law to hold a valid license and must adhere to CMA guidelines. These guidelines provide specific rules for responsible trading, charging appropriate fees and commissions, as well as providing information about investments.

Your authorized person should be able to help you through a professional who will answer any questions you might have.

Here are some questions to ask an authorized person you consider working with:

1. How much experience do you have working with investors like me?
2. What investments do you recommend for someone just starting out?
3. How much do I need to start trading?
4. How will you keep me up-to-date on how my

investments are doing?
5. How can I pay you for your services?

What does Owning Stock Means?

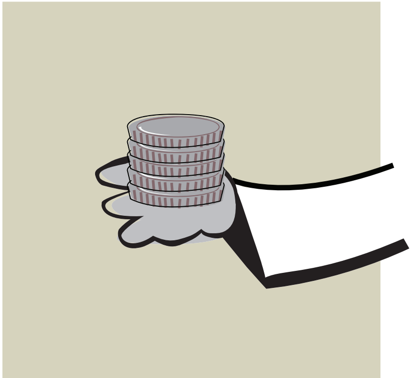
When you buy a stock, you share equity, or ownership of a small piece of a company.

- Owning shares of stock gives you the right to participate in the company's major decisions.
- Stock ownership also gives you the right to dividend income, or some of the company's profits, if the Board of Directors decides to pay a dividend.
- Since you own the stock, you have the right to sell it when you want to.

Each year, the company holds an annual meeting where shareholders vote on certain matters. For example, shareholders may decide whether to approve the issue of additional shares of stock or elect a candidate to the Board of Directors. The number of votes you have depends on the number of shares you own. You can also attend the meeting and vote in person or you can cast your vote through another person by following the instructions the company sends along with the announcement of the meeting.

Stocks Value

A company issues its first round of stock through an Initial Public Offering, or IPO, at a set price. The money raised from the IPO belongs to the company. After that, investors buy and sell shares in the stock market. The price of the stock fluctuates up and down in response to how much people are willing to pay to own the shares.



Many things can influence a stock's value, which is measured by its price. These factors include how much money the company earns, how well its management performs, the type of competition the company is facing, and the market conditions in general.

How Can you Gain Profit?

Stocks can be a good investment in two primary ways, if you buy:

- Income stocks which distributes a part of its profits regularly.
- Growth stocks which have the potential to gain value over time, and often reinvest their profits instead of paying dividends

You can own stocks from both types.

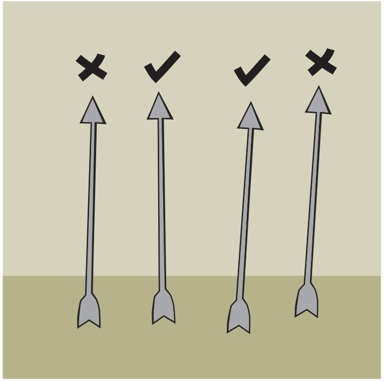
How Can you Lose?

You can lose your investment in stocks if:

- the shares lost their value, especially in the short term, in case investors lose confidence in the stock.
- there are more sellers than buyers in the secondary market.
- the company that owns the stocks stopped paying dividends.

Factors to Consider in Selecting a Stock

While you cannot be certain of how any stock will perform in the future, researching will give you a better idea of whether a particular stock is a good investment for you. You can find information about a company on the TADAWUL website by checking the company's news column. You can also visit the company's website, review its quarterly statements and annual reports, and read newspapers and other financial periodicals. You may also check the reports about a company that are available on official financial websites.



There are many factors to consider when you research a company. These include:

Stock earnings per share. The term earning refers to a company's profits after expenses. Since it might be difficult to compare two companies of different sizes on earning alone, you can use stock earnings per share in making your investment decision. Stock earnings per share are calculated by dividing a company's total earning by the number of outstanding shares issued. The result will tell you how much potential earning each share represents.

Current stock price. The current stock price is important because you do not want to buy a stock when its price is too high or purchase stocks that you cannot afford. If your research suggests a certain company as a good investment, you can decide how much you are willing to pay to own it. If the stock seems too expensive, you might wait until the price comes down to the amount you are willing to pay.

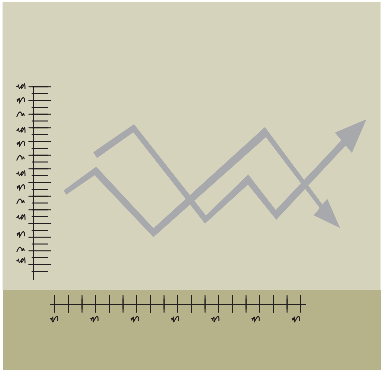
P/E ratio. A company's price-to-earnings ratio is one of the most important ratios to measure the (increase/ decrease) in the share's price. It could urge people to invest in it to gain profits. To calculate a company's P/E ratio, you divide its market price per share by its earnings per share.
For example, if a stock had a price of 55 Riyals per share, and earnings of 6 Riyals per share then your P/E ratio would be:

$$\frac{\text{Price per share: 55 Riyals}}{\text{Earnings per share: 2 Riyals}} = \text{P/E of 27.5}$$

If the company continued to achieve revenue of two Riyals of shares, the owner of the share needs 27.5 years to get his invested capital.

Therefore, the use of P/E ratio as an indicator is better than just using the share price just to take an investment decision. For example, a stock with a price of 100 Riyals with a P/E ratio of 10 is considered better than a stock with 10 Riyals with a P/E ratio of 20 multiplied, that is because the return on the first share is greater than the return of the second share, even if the value is less.

Of course there are many other factors within the P/E ratio such as the future and the age of the company, where there are companies with high and not enticing P/E ratio. This results from the fact that these companies are at their beginnings and did not achieve its inception in profits which reflect the P/E ratio in a positive way and other factors that according to them you make your investment decision.



Volatility and BETA

Judging the stocks volatility can be possible sometimes through BETA. BETA compares the volatility of an investment over time to the volatility of the overall market, which has a beta of 1. If the price of an investment typically fluctuates more than the market as a whole, its beta will be greater than 1. If the price is more stable, its beta will be less than 1. On the other hand, if the indicator BETA was negative, then the stock will move in the opposite direction of the markets indicator. To be more precise, BETA measures the degree of the stock price movement with the total market. Therefore, a stock with a beta of 1.8 is much more volatile than a stock with a beta of 0.5.

BETA

Volatility in the financial market	Volatility in 100 Riyals stocks with a beta of 0.5	Volatility in 100 Riyals stocks with a beta of 1.8
5%	2.5 Riyals	9 Riyals
10%	5 Riyals	18 Riyal
20%	10 Riyals	36 Riyals

If a stock has a high beta, or is very volatile, its price might fluctuate dramatically in the short term. This might mean you can have high profits relatively quickly, but it also means you could lose money if you sell when the price drops. However, a stock with a low beta might not have enough growth potential to help you meet your goals.

Your Role in Building your Portfolio

One way to minimize risk is to create a well-rounded portfolio. When you are evaluating a stock, you would want to ask how it fits in with the rest of your holdings. If you already have several similar investments, you may want to look for a stock of a company that is in a different type of business from the rest of your holdings.

Part 5: Mutual Funds' Stock

Sometimes identifying the right stocks for your portfolio can be difficult. In addition, it may take time to accumulate the investment capital you need to buy several individual stocks. One attractive alternative is to invest in mutual funds' stock.A professional manager runs each fund, deciding which stocks to purchase and when to sell them. Instead of owning stocks outright, you and other investors own shares of the mutual fund.The fund pools the money it raises by selling those shares and uses the capital to invest across a wide range of industries and companies, creating a large and diversified portfolio of stocks. Each investor in the investment funds pays his investment value by multiplying the number of units he buys in the fund by the price of the unit's funds.

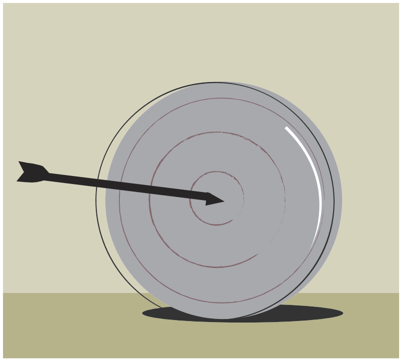
If the fund's performance is positive, it will affect the unit price. If your fund shares at a value of 10 Riyals, the Fund's performance will affect this price either by increasing or decreasing. For example, if a 1000 Riyals was invested in an investment fund at a unit value of 10 Riyals, you will have 100 units.And when the unit price rises to 11 Riyals, this means that you have achieved an extra Riyals per unit

100 x extra Riyal = 100 extra Riyals.

Objective and Style

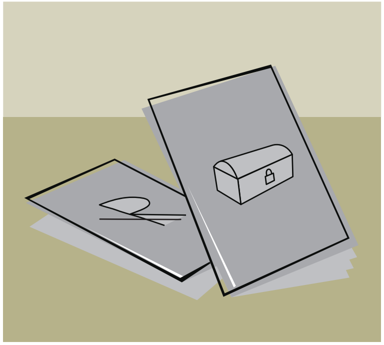
Each mutual fund has a specific investment objective that it works to achieve. One fund may invest for growth, while another invests for capital preservation. Some funds are highly specialized, investing only in a certain sector of the economy, such as energy or telecommunications, or only in businesses of a specific market capitalization, such as the smallest companies in a particular market.

Investment style refers to the strategy or approach the fund's manager uses to choose investments. Some managers emphasize growth potential and buy stocks they expect to increase substantially in value even if they have a high price/earnings ratio. Other managers emphasize value and choose stocks with low prices in relation to their earnings.



Mutual Fund's Prospectus

To research any mutual fund, you can begin with the fund's prospectus, which is an official document that provides specific information about the fund. A prospectus must include:



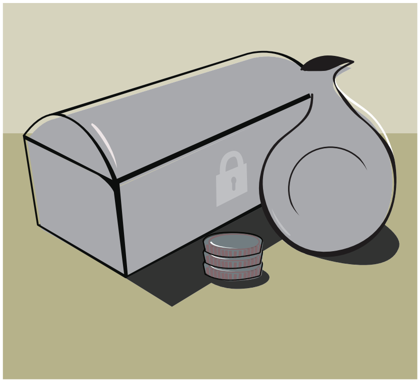
- Information about past performances.
- How that performance is compared to the fund's benchmark.
- The fund's objective and style .
- The level of risk the fund poses.
- Fund fees, expense ratio, and sales charges if any.
- Who is the fund manager?
- A list of the fund's major holdings.
- Minimum investment amount.
- Days of Trading, evaluation, recovery and participation.

Reading the prospectus can give you an idea of whether the fund's objective and style will help you meet your goals, whether this risk you are taking is acceptable to you, and how much it will cost you to buy and own the fund.

Fund Fees and Expense Ratios

When you own shares in a mutual fund, you pay annual fees called Administrative fees plus ,some include, a subscription fee. These fees and expenses, which are subtracted before earnings are credited to your account, and vary from fund to fund.

A fund's expense ratio is the percentage of your account value that you pay in annual administrative and investment fees. Trading costs are the amounts the fund pays a brokerage firm to buy and sell shares. The higher the expense ratio and trading costs, the more those fund expenses decrease your earnings on your investment principal each year.

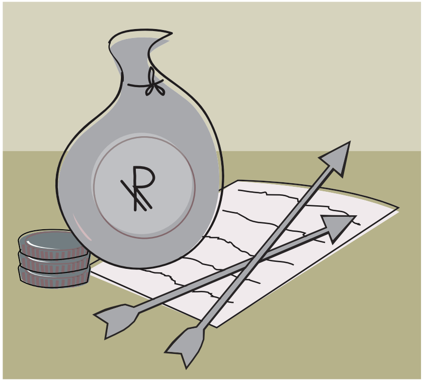


Stocks vs. Mutual Funds' Stock

In summary, if you are just getting started with investing, purchasing shares of a mutual fund's stock may be more appropriate than buying stocks outright. Mutual funds' stock are easier to research than individual companies because a great deal of information is provided in the prospectus. Mutual funds have a clear objective, so you can choose funds that fit your investment strategy. Mutual funds can also give you access to a larger and more diverse portfolio.

Part 6: Building Your Own Portfolio

When you buy any share of stocks, it becomes part of your portfolio. Your portfolio includes all your investments, whether it was cash, real estate, stock, or stock mutual funds. Your objective is to build a portfolio that will help you meet your current financial needs and achieve your long-term financial goals.



Strategies

When you start building your portfolio, you need a plan or a strategy to guide the decisions you make. Otherwise you could end up buying and selling investments randomly and falling short of your financial goals.

Buy and hold: If you are investing with long-term goals in mind, this needs you to build a portfolio of a few solid stocks or mutual funds and keep them through ups and downs in the market. The expectation is that they will gain value in the long run, despite some short-term losses during downturns in the stock market.

If you are constantly buying and selling, you might miss out on this long-term growth and pay a substantial amount in fees to authorized persons. Of course this does not mean you should hold onto a stock or mutual fund if it consistently provides a smaller return than comparable investments. You should not be afraid to purchase new investments with your earnings.

Asset allocation: Asset allocation means dividing your portfolio among different types of investments, called asset classes, such as stocks, cash, and real estate. Some asset classes, such as stock, have more potential for growth but are also more volatile, while others, such as cash, are more stable in price but often grow more slowly. In addition, different classes perform best at different times, based on what is happening in the overall economy.

By planning how much of your wealth you are going to invest in each asset class you can create the mix of growth and stability that is right for you. You can, also take advantages of different market cycles. The allocation you choose may be aggressive, moderate, or conservative. An aggressive portfolio is more heavy in stock, while a conservative portfolio includes more cash and bonds.

Allocation Models			
Allocation	Stock	Bonds	Cash
Aggressive	80%	15%	5%
Moderate	60%	30%	10%
Conservative	40%	40%	20%

Diversification

Owning a variety of investments within each asset class is also essential to achieving a strong, balanced portfolio. For example, suppose you invest all your money in one or two stocks, or stocks that are very similar to each other because the companies that issue the stock are all in the same business. In that case, the growth and security of your entire portfolio will depend on the performance of a few companies or ones that are very similar. If these investments suffer losses, you could lose a substantial amount of money.

If you invest in several different types of stock, on the other hand, you will be in a better position to protect your portfolio and benefit from many different strong areas of the economy. For example, you may invest in large and small companies, companies in different sectors of the economy, some stocks with growth potential and others that pay dividend income.

Matching Investments to Goals and Risk Tolerance

The investment distribution you choose for your portfolio should be in line with your financial goals and reflects your investment style. If you have a high risk tolerance, you may want to choose a more aggressive allocation. As you approach an important goal, like retirement, it might be better to keep your money in safer investments.

Measuring Portfolio Performance

Even after you have created a portfolio that works for you, it is important to be careful about your investments. You want to make sure that they are performing as well as you can reasonably expect them to, and that you make changes to your portfolio to meet your evolving goals. For example, you might decide to sell a stock that has turned out to be much riskier than what you have expected, especially if it means that your entire portfolio becomes more risky.

It is a good idea to go through your portfolio about once a year to evaluate each of your investments and to make any necessary adjustments to your asset allocation.

Total Revenue

When you are trying to evaluate a stock or a mutual fund's performance, the first step is to figure out its total revenue. This number takes into account any gain or loss in value, plus any dividends you received.

If you own a variety of investments, you may find it difficult to evaluate their performance in relation to each other. To compare return across investments you can calculate the percentage revenue for each one of them.

You can calculate the percentage revenue by dividing the total revenue by the initial cost of the investment. For example, if you invested 3,700 Riyals in a stock with a total return of 750 Riyals, your percentage return would be 20%. And if you invested 70,000 Riyals in a stock with a total return of 8,500 Riyals, your percentage return would be only 12%. So in this case, the smaller investment would have a better percentage revenue.

$$\frac{\text{Total revenue: 750 Riyals}}{\text{Purchase price: 3,700 Riyals}} = 20\%$$

Using Benchmarks

In addition to calculating returns to evaluate your investments, you can also look at your investment's performance in comparison to the overall market by using a benchmark, or a measuring criterion.

A benchmark is usually an index that tracks the performance of a selection of stocks within a market or a sector in order to measure the performance of the market or the sector as a whole. Comparing your results to an index can give you an idea of your portfolio's performance.

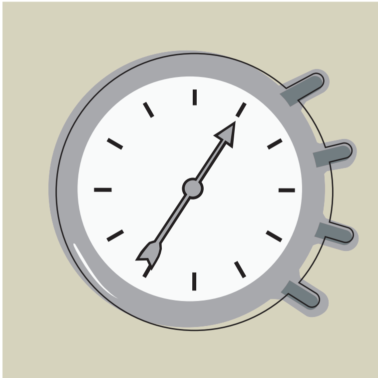
For example, if stocks in your portfolio lost 5% last year while the stocks included in the TASI index gained 15%, you might need to reevaluate your individual investments to understand your disappointing results. But make sure that the index you use tracks investments that are similar to the ones you own, so you are comparing similar types of investments. TADAWUL stock index or the Saudi index or TASI is the index which tracks the performance of the financial market plus all the listed companies shares from all the fifteen certified sectors in the Saudi financial market.

When to Rebalance your Portfolio

As investments in your portfolio either gain or lose value, your asset allocation might change. That is because if one asset outgrows the others, it will eventually take up more of your portfolio than it did before. For example, if your portfolio had 60% invested in stocks, with 40% in other assets, and stocks performed very strongly over a period of time, you might end up with 64% in stocks and only 36% in other assets. This could leave you exposed to more risk than what you intended.

One way to rebalance your portfolio, or restore the allocation you want, is to sell off some of the assets that have grown the most, and use the proceeds to purchase more of the investments that have fallen behind. While you may be hesitant to sell some of your most valuable assets, you will be actually selling high and buying low, which is a good strategy. You can also use the money you set aside for investing each month to purchase more of the lagging asset, until your allocation is back to the balance you want it to have.

Some investors rebalance once a year, but you may follow a different schedule depending on your financial goals and changes in your life or finances.



Part 7: Common Mistakes to Avoid

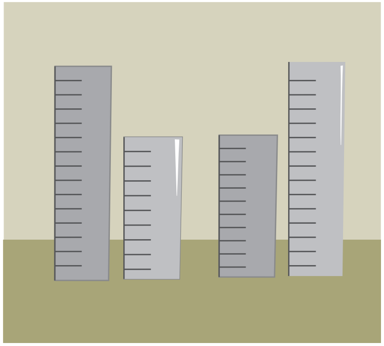
Investing can be a powerful tool to help you achieve your financial goals, but it is important to make sound decisions because you can lose money as well as earn it. Some investment practices may seem smart, but they can actually result in a loss rather than a gain.

Trading too Frequently

Even though new and promising investments may present themselves all the time, buying and selling too frequently is not usually a good strategy. Most good investments go up and down in value in the short term, but gain value over a long period of time. If you sell too quickly, you may miss out on the long-term benefits. You might also end up losing money if you sell too quickly because the price drops to less than what you paid to buy the investment.

Holding Stocks too Long

Monitoring your portfolio regularly will benefit it by selling investments that are not performing well which would keep your portfolio strong. Holding stocks that consistently provide disappointing returns can drag down your entire portfolio. That is why it is good to keep an eye on your investments and take the time to evaluate your portfolio on a regular basis.



Researching before Buying a Stock

Before you make any investment, you should learn as much as you can about the company, property, or fund. You can find out about investments by reading financial newspapers and visiting websites to follow what is happening in the market. You should also learn what you can about the company's financials, goods, services, and business practices.

Hot Tips and Rumors

Buying and selling investments based on tips and rumors is extremely dangerous. With any rumor there are several risks:

- The information could be wrong
- The rumor could be purposefully mislead-

ing to get people to invest
- The rumor may encourage investments that are illegal

Before you act upon any information, make sure you can back it up with your own research. Use a reputable source such as a well-known financial publication. Ask yourself what the person providing the information stands to gain, and whether you know and trust the source.

You should be especially wary of tips you receive through unsolicited emails or phone calls or some non official websites.

Allocating too much of your Portfolio to one Stock or Industry

Even though a single stock or industry might seem like an excellent investment, putting all your money in one place is never a good idea. There is always a chance that something could go wrong with any company or sector, no matter how strong it seems. If you have sold your other investments to buy those that turn out to be bad choices, you could end up losing everything.

It is also very risky to take money out of your emergency fund or use money you need for your home to purchase stocks.

Borrowing to Invest

When you find an investment that you think will make a lot of money, it can be tempting to borrow from the bank, a relative, or a close friend, in order to invest as much as you possibly can and earn a return. If your investment doesn't perform as well as you hoped, you could end up losing the borrowed money as well as your own. It is a lot smarter to invest what you can afford, and build your capital over time.

For more information, please don't hesitate to contact us on the following address:

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