DFO! DON'T FREAK OUT!

the B!G payoff

why smart students are investing $5 a week

by Adam Vassallo

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What Will You Get Out of This Book?

I want my friends and every student to have a simple play-book on how to manage their savings. I've taken the time to figure out this investment stuff so you don't have to.

This cheat sheet will save you time, money, and stress with a step-by-step framework you can put into immediate action.

Who the Heck is This Guy?

Well, I'm a student like you: I have a wicked sweet tooth, I'm a total podcast nerd, and I'm a fourth-year at Queen's University.

I noticed when I would talk to my friends about investing or saving, they would give me this deer-caught-in-headlights look. Turns out my friends aren't the only ones intimidated by money talk—thousands of students are too. I co-founded Don't Freak Out! to improve financial literacy and help make all this finance stuff less confusing.

Adam Vassallo

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INTRO

How the heck can I invest when I barely have enough cash for a Starbucks coffee?

I bet you’ve had a similar thought cross your mind. I get it. I’ve been there.

As a student, paying for school is often priority *numero uno*, and saving cash for anything else can seem like a scene from *Mission Impossible*. Luckily, you don't need a small fortune to start investing. If you can save just $5 each week, you can get started.

Let me show you a set of straightforward steps that will grow your money.

DISCLAIMER

I Want to Make Clear...

... that I am not a financial advisor, economic expert, or stock market wiz. I'm an average Adam, a huge reading nerd, and have fun presenting concepts in ways that are easy to understand (I swear I'm not as boring as I sound). The ideas in this book are based on my experiences and the knowledge shared by the experts mentioned throughout.

There is no one-size-fits-all approach to investing. Use this ebook as a launchpad to do your own research and find the best strategy for you.

QUESTION

Why Are Smart Students Investing $5/week?

Great question! Let's stop the guessing and answer it right off the top. To illustrate why smart students are investing $5/week, I'll share with you a little story about two students named Eva and Reid. They were best friends in high school—couldn't be separated. They lived in the same neighbourhood, took the same classes, played together in the school band, and worked the same shifts at their part-time Tim Hortons gig. During a walk home from school in their senior year, they both decided to invest $5 each week. Eva eagerly started right away on her 18th birthday. She kept investing $5 a week for eight years, then stopped on her 26th birthday. She decided her $5 was better spent on other things, like guac and extra cheese. In total, she saved $2,080 over those eight years. Eva's money then compounded at a rate of 10% a year. Fast-forward through the wedding, babies, grey hair, and wrinkles, all the way to her retirement at age 65. That $2,080 investment has turned into $134,571. Wowza! Pretty incredible, right?

INTEREST

Money you make on the money you invest.

COMPOUND INTEREST

Interest earned on both prior interest and the money you invested. The total amount of money grows exponentially.

Now let's jump back to check on her friend Reid. He began investing exactly the same amount—$5 each week—but waited until age 26, after he'd graduated school and had settled into a full-time job. He's a disciplined guy though and kept investing every single week until his 65th birthday—that's $10,140. His money also compounded at 10%, and over those 39 years, Reid's savings grew into $114,814.

Hold on. Let's play that back.

Reid invested almost five times more than the $2,080 Eva invested. While in the end, Eva ended up $20,000 richer. What's up with that? Well, it's all thanks to the power of compound interest.

Savings Comparison	Eva	Reid
Amount invested	$5/week	$5/week
Age at first investment	18	26
Years spent investing	8	39
Total invested	$2,080	$10,140
Retirement dollars	$134,000+	$114,000+

Channel your inner-Eva while we walk through the five simple steps of investing!

STEP 1

Understand the Basics

In This Chapter You'll Learn

1. The investing lingo.
2. Types of investing.
3. Fees you might face.
4. Age requirements for investing.

1. Lingo

The world of investing can have some terms that sound like they're straight out of Hogwarts. Here are the important ones that I've translated into muggle-talk.

Stock A share in the ownership of a company. The higher the value of the company, the more your stock is worth. Generally a riskier investment than bonds.

Bond A type of loan typically to a company or government. You lend them money and they agree to pay it back with interest. Generally a safer investment than stocks.

ETF (Exchange-Traded Fund) A pool of money that has purchased a certain amount of assets such as stocks and/or bonds.

Index-ETF An ETF that has purchased a number of stocks and/or bonds to mimic the average of whatever market it is trying to follow. For example, an ETF that wants to track the U.S. stock market may hold the stocks of the 500 largest companies on the New York Stock Exchange (NYSE). This means that the individual ups and downs of one stock will be balanced out by the movements of the other 499 stocks in this ETF.

Online Brokerage A platform that allows an individual to buy and sell stocks, bonds, and ETFs.

Portfolio A group of investments held by an individual or company.

Asset Mix Usually shown as the set of percentages every asset type (such as stocks and bonds) contribute to the total value of a portfolio. For example, your asset mix might be 80% stocks and 20% bonds.

Rebalancing The process of buying or selling investments to return to the desired distribution of investments, e.g. 80% stocks and 20% bonds.

Limit Orders A way to buy/sell stocks, bonds, and ETFs. A limit order allows you to specify the maximum price you're willing to pay (if you're buying), or the minimum you're willing to accept (if you're selling).

Market Orders A way to buy/sell stocks, bonds, and ETFs. A market order is the default option. This option does not have any restrictions on the price at which you're willing to buy/sell. This makes you vulnerable to sudden sharp ups and downs of prices.

ACTIVE INVESTING

An investment strategy involving frequent buying and selling to profit from short-term price fluctuations. Active investors typically monitor their investments several times a day.

2. Active vs. Passive Investing

If you've ever watched a movie like *The Big Short* or have stepped into a bank, you may have heard terms like "day trading", "broker", or "mutual fund". These usually fall into the category of *active investing*, where a more hands-on and time-intensive approach is taken. This investment strategy involves frequently buying and selling stocks to profit from short-term price fluctuations. Active investors typically monitor their investments several times a day. Tony Robbins, author of the book *Unshakeable*, advises against this strategy.

UNSHAKEABLE
by Tony Robbins

Tony tells us in his book:

> *The problem is, most funds do a terrific job of charging high fees but a terrible job of picking successful investments. One study showed that 96% of mutual funds failed to beat the [stock market average] over a 15-year period. The result? You overpay for underperformance.*

A simple rule of thumb: don't pick stocks or pay someone to pick stocks.

The alternative is *passive investing*. In this strategy people limit the amount of buying and selling they do, and usually keep their investment for many years. Through buying and selling less frequently, these investors will lose less money to fees (more info on fees coming up soon). They are more concerned about their money over the long term than with making a quick buck. Two strategies to carry out a passive investing approach are DIY investing and robo advisors.

PASSIVE INVESTING

An investment strategy involving infrequent buying and selling to build wealth over time. Passive investors typically buy an investment with the intention of owning it for many years.

DIY Investing

The typical DIY investor is perfectly happy with being “mediocre”. They don’t try to hit the jackpot with a hot new stock because if that stock turns out to be a dud, they risk losing a lot of money. Instead, a DIY investor aims for the average: not the highest, but certainly not the lowest. Instead of trying to beat the average of the stock or bond market, you simply try to match it. This has proven to consistently outperform the vast majority of active investors over the long term. The most important part: no high fees.

There are three main options for this type of low-fee, DIY investing in Canada:

- Tangerine Investment Funds
  (higher convenience, higher fees)

- TD e-Series Funds
  (medium convenience, medium fees)

- ETFs (lower convenience, lower fees)

Stick around long enough and I’ll tell you all you need to know about these three amigos.

Robo Advisors

If all of this investing lingo is hurting your brain, don't freak out. Robo advisors are here to save the day. These knights in shining armour help you start investing quickly and easily. So what is a robo advisor anyways?

- Robo advisors *aren't robots*. They are real humans who will choose your investments. However, since it's all done online, you probably won't chat with them in person.
- An *individual approach* is taken. They learn about your investment goals and then recommend a basic selection of index-ETFs that each of your investment dollars will go into.
- Investing your money with a robo advisor is much *cheaper* than the traditional bank mutual funds.
- Your money is *safe*. If a robo advisor were to be bought out or go bankrupt, your assets would be just fine because client money is kept separately from the company's own balance sheet.
- Some robo advisors, like Wealthsimple, have *no account minimums*. This means you can literally invest with just $5/week (or even $0.01/week).

INDEX-ETF

An ETF that has purchased a variety of stocks and/or bonds to mimic the average of whatever market it is trying to follow.

WEALTHSIMPLE.COM

Providing world-class, long-term investment management without the high fees and account minimums associated with traditional investment managers.

- A *drawback* is that there is no human advisor to hold your hand and keep you on top of your long-term plan if you are tempted to sell everything when your investments start to drop.

3. Fees

You may have heard the saying, “There’s no such thing as a free lunch.” Well, that is definitely true with investing. You need to pay attention to the fees you’re paying. A percent here and there might not seem like a big deal, but it is!

Here are some fees to look out for:

Management Expense Ratio

An MER is the measure of what it costs an investment company to operate a mutual fund or ETF. It is shown as a percentage. We’ll compare an MER’s impact on your investment by comparing the Canadian average for mutual funds (2.1%) and a typical ETF (0.2%).

- On smaller accounts, a difference in MER won’t break the bank: On a $5,000 investment, the difference is $95 a year.

- However, choosing an investment with a low MER can save you quite a bit in the long run: On a $100,000 investment, the difference is $1,900 a year.

If your MER is below 0.50% you're generally in a good spot.

Management Fee

A management fee is an amount you pay for a company to handle your investments for you. For portfolios under $100,000, most robo advisors charge 0.50% to 0.60%. What does this mean in real dollar figures?

- On a $5,000 investment, the cost is $25–$30 a year.
- On a $100,000 investment, the cost is $500–$600 a year.

A robo advisor management fee of about 0.50–0.60% is generally a good rate.

Minimum Balance Fee

Another fee to be wary of is the minimum balance fee. Bank-owned brokerages often have a fee for not meeting their minimum account requirements, which are typically $10,000–$25,000. Try calling and telling them you're a student (only if that's true). They might waive the fee for you.

Trading Commissions

You'll often be charged every time you make a transaction (buy or sell). These are called trading commissions. The big banks typically charge between $6.95–$9.99 per trade.

Compare the fees of online brokerages.

4. Age Requirements

In Canada, you have to be 18 years or older to open your own investing account. However, if you're digging what I'm saying and can't wait, there are ways around it that you can chat about with your parents.

Take a look at informal trust accounts.

If you're *really* digging what I'm saying, but are thinking you won't have enough money until you've reached 40, I have news for you (and a challenge)! For a whole month track your spending. Yup, a full 30–31 days (28–29 if you're starting in February). This is the only way you'll be able to see where your money is going. I bet some of that money leaving your wallet isn't totally necessary. Once you see where that moolah is leaking, it's time to take action. You can find cheaper, no-name alternatives to things you're already buying, like laundry detergent. And you can even cut out expenses all together, like that third cocktail at the bar.

Now you can put those savings to work. If you're working a part-time or full-time job, make a promise to yourself to put a percentage of your paycheque into your investing account each month. You know yourself best, but I'd suggest to start low, say 3–5% (or even $5/week). Then, once you've mastered that for a few months in a row, see if you can put away just 1% more (or $1 more) than the previous month. Make it a little game and see how far you can push it.

YOU NEED A BUDGET

YNAB will help you break the paycheque to paycheque cycle, get out of debt, and save more money.

A cool app to get you started with this challenge is You Need A Budget. It starts with a free trial so you can test it out. If you're old-fashioned like me, a good ol' Excel spreadsheet will do just fine. Whenever I make a purchase, I save my receipt and input it into my spending spreadsheet. You can use this template. Why let the 40-year-olds have all the fun when you can start investing right now?

The Two Best Things You Can Do

1. Pay attention to fees.

2. Save as much as possible (even if it's only $5/week).

To do this:

- Track your spending for a whole month. Then see where you can be saving some money.

- Don't pick stocks or pay someone to pick stocks. Avoid mutual funds too.

- Go with DIY investing or robo advisors. We'll learn more about these in the next few pages.

STEP 2

Pick the Right Strategy For You

In This Chapter You'll Learn

1. How to decide between DIY investing and robo advisors.

Everyone is different, so let's find what's best for you. Time for a pop quiz! No, not the kind your Grade 8 French teacher used to spring on you. This one is super short and impossible to fail.

DIY vs. Robo Quiz

Answer each question with a *yes* or *no*:

1. **Do you want to do a few hours of reading to understand your ETF investing?**
2. **Are you super confident about investing terms like ETF, limit order, RRSP, and TFSA?**
3. **Do you want to commit to rebalancing your account 1–4 times a year?**
4. **Would your commitment level be unaffected by difficulty of use?**
5. **Do you mind paying someone to take some work off your hands?**

Results

- If your answer to any of these was *no*, consider robo advisors.
- If your answers to all of these were *yes*, consider DIY investing.

Strategy 1: Robo Advisors

If you like the thought of low-cost investing without the fuss of managing your own investments, robo advisors are great. You can then focus your attention on saving as much as possible to grow those investments.

For a full review on the robo advisor field in Canada, check out this blog post.

Kyle Prevost, author of the popular personal finance blog *Young and Thrifty*, shares this advice when it comes to selecting a robo advisor:

> *Ultimately what it REALLY boils down to is which of these services will make you the most likely to save and invest more of your paycheque? Which one of the robos really inspires you to go to their website or app and use it because it just makes sense to you? Whichever robo grabs you in this way is probably the one that will give you the best results when you come to retirement in 20–40 years. They each offer unique bells and whistles, but at the end of the day it's all about knowing yourself and making it as easy as possible for you to meet your specific goals.*

KYLE PREVOST
@youngandthrifty

Use this tool to help you pick the right robo advisor.

Strategy 2: DIY Investing

If you don't mind spending a few extra hours on research, the benefit you receive from DIY investing is the flexibility to choose and manage your investments, as well as a slightly lower fee because you're not paying someone to manage your money for you.

Earlier, I told you about the three main options for low-fee, DIY investing in Canada. Thanks for sticking around! I'm a man of my word, so it's time to introduce you to my three little friends.

- Tangerine Investment Funds
- TD e-Series Funds
- ETFs

Option 1: Tangerine Investment Funds

This is the higher-convenience, higher-fee choice (but still lower than most mutual funds). You can select between five different funds, all with a MER of 1.07%. These balanced funds require virtually no maintenance.

Check out Tangerine's website.

Option 2: TD e-Series Funds

The medium-convenience, medium-fee choice. You can select between 16 different funds, with MERs ranging from 0.33%–0.51%. These funds offer you more customization. However, you will need to build and rebalance the portfolio yourself.

Check out TD e-Series Funds.

Option 3: ETF

The lower-convenience, lower-fee choice. ETFs are available in enormous variety through any online brokerage. You can build a solid portfolio with an average MER of less than 0.15%. ETFs offer the most flexibility, but are the most difficult to maintain of these three options.

Dan Bortolotti, author of the *Canadian Couch Potato* blog, shares this advice, in an article for *MoneySense*:

DAN BORTOLOTTI
@CdnCouchPotato

> *The truth is, fees are only one part of the decision. To appreciate this point, imagine you're trying to decide what to do for dinner. You could take the family to a restaurant and let someone else do the cooking. Or you might grab a prepared meal to serve at home. Finally,*

you could buy all the ingredients and whip up a dinner from scratch. Of course, the home-cooked meal is the cheapest, but that doesn't mean it's the best option for everyone. If you work long hours, or don't know how to cook, or are afraid of slicing open your hand with a chef's knife, one of the other options makes more sense despite the added costs.

DIY Quiz

Answer each question with a *yes* or *no*:

1. **Do you mind paying for convenience?**
2. **Will you contribute to your investment account fewer than five times a year?**
3. **Will you rebalance your investments?**
4. **Do you like having a lot of options?**
5. **Is investing fun?**

Results

- If you answered *yes* 0–1 time: consider Tangerine Investment Funds.
- If you answered *yes* 2–3 times: consider TD e-Series Funds.

- If you answered *yes* 4–5 times: consider ETFs.

I'm a personal finance nerd (that's why I'm writing this). I really don't mind spending the extra hours reading to make sure I know what I'm doing. I would also rather put in the time to manage my investment than pay someone to do it for me. This is why I go with the ETF approach. I know that the time commitment can be a huge barrier between people keeping all their money in their savings account and investing it. That's why, for the majority of my family, friends, and everyone else, I would recommend going with a robo advisor. If you're still unsure of what to do, the following pages may help clarify what is best for you.

The Two Best Things You Can Do

1. Take the DIY vs. Robo Quiz.
2. **Spend more time figuring out how to save more money, and less time fussing over which investing strategy to use.**

STEP 3

Take Action

In This Chapter You'll Learn

1. How to set up an account with a robo advisor, Tangerine Investment Funds, or TD e-Series Funds.

2. How to buy ETFs with an online brokerage.

3. A few ETFs ideal for DIYers.

If you've decided that a robo advisor is the best choice for your lifestyle, awesome! Use this resource to help select the right company for you. Once you've picked "the one", go to their website and they'll walk you through how to set up an account. Why wait? Go! Pick your robo advisor now.

If you want to go the DIY approach and like the sounds of Tangerine Investment Funds or

TD e-Series Funds, you can check out their websites to get started. If you don't do it now, don't kid yourself, you know it'll always be pushed to "tomorrow".

Interested in ETFs? Stick around for the juicy deets. Not interested? Feel free to skip to step 4.

1. Online Brokerages

To buy your ETFs you'll need to register an account with an online brokerage. You can compare online brokerages at MoneySense.ca. They also ranked these brokerages. If you're interested in an ETF strategy, Questrade came out as the clear winner.

QUESTRADE.COM

By using technology to bring trading online, Questrade provides all Canadians affordable access to the markets from the comfort of their homes.

Some Advantages of Questrade

- No need to get off the couch! Their sign-up process is fully online.
- Superior in offering low fees and commissions, and tied with Virtual Brokers in the *MoneySense* "Best for ETFs" brokerage rankings.
- Doesn't charge a trading commission when buying ETFs (this is a huge money saver).

MONEYSENSE.CA

MoneySense is Canada's best-selling investment and lifestyle brand about all things money. Save. Spend. Earn. Learn.

Some of the Disadvantages

- Their customer service is lacking compared to some of their competitors.
- Their mobile app could use improvement.
- Be aware of their ECN fees (electronic communication network fees). Not every brokerage has these fees, but Questrade does. They are applied on a per-share basis, the cost is $0.0035/share for Canadian ETFs.

Watch these simple and short tutorial videos to get started.

When I was 19, I dipped my toes into investing for the first time. I set up my account with RBC because that's who I banked with. The convenience of having all of my money with one institution was the most important thing to me back then. Now, my priorities have shifted. I'm more interested in paying the lowest fees possible. So, I jumped ship and swam over to Questrade.

2. Portfolio

How do I choose the best ETFs for me? Here are some general rules:

- Choose ETFs that have a MER lower than 0.5%.

- Choose ETFs that are simple to understand.
- Avoid complicated ETFs such as: actively managed ETFs, ETFs that track specific groups, inverse ETFs, and leveraged ETFs.

I searched the web to find what knowledgeable finance experts are suggesting. Kyle Prevost, author of *Young and Thrifty*, recommends these three ETFs for inclusion in a low-cost and low-maintenance portfolio. He selected these three for two main reasons: broad diversification and really low fees.

YOUNGANDTHRIFTY.CA

A personal finance blog for 20-somethings.

Kyle's Picks

ETF	MER
Vanguard FTSE Global All Cap ex-Canada Index ETF (VXC)	0.27%
Vanguard FTSE Canada All Cap Index ETF (VCN)	0.06%
Vanguard Canadian Aggregate Bond Index ETF (VAB)	0.13%

Dan Bortolotti, author of *Canadian Couch Potato*, says that these three ETFs are great for a simple and diversified portfolio.

Dan's Picks

ETF	MER
iShares Core MSCI All Country World ex Canada Index ETF (XAW)	0.22%
Vanguard FTSE Canada All Cap Index ETF (VCN)	0.06%
BMO Aggregate Bond Index ETF (ZAG)	0.14%

For the vast majority of investors, picking the perfect combination of ETFs doesn't matter nearly as much as saving as much as possible. Now that we have an understanding of what ETFs we will purchase, we have to decide the asset mix that we want to have. Here are some of the major factors that you should consider when deciding:

- Time until retirement: Generally it is recommended to have more "safe" investments the closer you get to pulling your money out of your account. This usually means buying fewer stock-based ETFs and buying more bond-based ETFs.
- Diversification: Essentially, don't put all your eggs in one basket. ETFs are great in that they hold many stocks and/or bonds. However, it is best to go a step further and buy more than one type of ETF.

Take this quiz to help you choose an appropriate asset mix.

The two ETF portfolio suggestions made above aren't all that different. They each have three ETFs that track the Canadian bond market, the Canadian stock market, and the global stock market. Since low MERs get me going, I mixed and matched their suggestions to pay the lowest fees. I'm young (like, just-turned-21 young) so I have time to recover from any major losses. That means I can choose investments that are a bit riskier. I have picked an asset mix with mostly stocks and little bonds, using this doc as a guide.

Adam's Picks

ETF	Portfolio %
iShares Core MSCI All Country World ex Canada Index ETF (XAW)	60%
Vanguard FTSE Canada All Cap Index ETF (VCN)	30%
Vanguard Canadian Aggregate Bond Index ETF (VAB)	10%

The Two Best Things You Can Do

1. Choose a strategy and then visit one of the websites that will help you impliment that strategy:

   Strategy: Robo Advisor

   - Robo advisor selection tool

   Strategy: DIY

   - Tangerine Investment Funds
   - TD e-Series Funds
   - Questrade

2. Set up your account now—don't put it off.

STEP 4

Raise Your Chances of Success

In This Chapter You'll Learn

1. **How you can actually start investing right now.**
2. **Investing plans you can use to put the ideas you've learned into practice.**

Below are a few other tips to up your investment game:

- You don't need a small fortune to *start investing*. I started with $2,000 that I had saved up over my childhood, but you can even start with $100–$200 (or just $1 with some robo advisors).

- Good investment strategies begin with *regular savings* and contributions. Look into setting up an auto-transfer to your robo advisor or investment account each month.

- Make a plan and *stick to it*. Don't pay too much attention to the latest investing fads and the ups and downs of the market. The surest way to tank your investment plan is to go chasing the next "big thing" or sell in a panic during a market crash. Inner peace comes to individuals once they realize there is no optimal portfolio.

- When you are buying or selling ETFs, always *use limit orders*, never market orders. Also, make your trades during the day when the markets are open (for Toronto and New York this is 9:30 a.m.–4:00 p.m. ET). It's common for companies and governments to make important announcements before and after the market is open. This can cause ETF prices to be significantly higher or lower the next morning.

- Keep your asset mix close to its long-term target by *rebalancing* regularly, about 1–4 times a year. That can mean selling whatever has recently gone up and using the proceeds to buy what's gone down.

The Two Best Things You Can Do

1. Start saving right now.

2. Make a plan and stick to it. Don't go chasing the next "big thing".

To do this:

- Set up an auto-transfer to your robo advisor or investment account.

- Choose 1–4 times to rebalance across the year. Write the dates in your calendar.

- Don't tinker. Take a deep breath. Everything is going to be okay.

STEP 5

Inspire Others

If you want your friends and family to be able to apply these simple investing strategies, be the one to inspire them. One of the greatest gifts you can give them is a future free of financial worry. The information in this ebook can be the first step to making that a reality. Direct them to the resources I've referenced in this book or to this book itself.

As you apply the tips and tricks you've learned, it's important to remember this advice from Peter Adeney, author of the *Mr. Money Mustache* blog:

> *"What is the single step I can do to get started in investing?" With no knowledge at all, most people default to keeping their money in a savings account where it will earn them nothing. Others resort to a Wild West financial advisor*

MRMONEYMUSTACHE.COM

A thirty-something retiree who now writes about how we can all lead a frugal yet badass life of leisure.

whose claims and fees exceed his/her financial knowledge. Or speculate in individual stocks and try to time the market. None of these approaches are winners over the long run.

PETER ADENEY
@mrmoneymustache

See what Peter said? Don't default to the status-quo and keep all of your money in a savings account. Use the principles we chatted about in the above pages to invest smartly, without all the absurd fees. Tony Robbins says one of my favourite quotes, "Knowledge is power, but execution trumps knowledge, so it's what you do from here that will matter." So don't just stand there, do something! Take the 5 steps outlined in this guide and put them to action. Just remember that the most important thing you can focus on is saving. Then let compound interest work its magic (channel your inner-Eva).

Before you go I have one last piece of advice… don't freak out! You've got this. You've shown the initiative to download and read this ebook, so I have full confidence that you'll follow through.

APPENDIX A

Glossary

Active Investing An investment strategy involving frequent buying and selling to profit from short-term price fluctuations. Active investors typically monitor their investments several times a day.

Asset Mix Usually, the percentages every type of asset (e.g. stocks and bonds) contribute to the total value of the portfolio. Your asset mix might be 80% stocks and 20% bonds.

Bond A type of loan typically to a company or government. You lend them money and they agree to pay it back with interest. Generally a safer investment than stocks.

Broker An individual or firm that charges a fee or commission to buy and sell for you on the stock market.

Compound Interest Interest earned on both prior interest and the money you deposited. The total amount of money grows exponentially.

Day Trading Buying and selling a financial instrument (such as a stock) within the same day, or even multiple times a day. A day trader aims to take advantage of small price movements.

Diversification A technique to reduce risk by buying a wide variety of investments. In theory, the positive performance of some investments will neutralize the negative performance of others.

ETF (Exchange-Traded Fund) A pool of money that has purchased a certain amount of assets such as stocks and/or bonds.

Financial Instruments Assets (e.g. stocks and bonds) that can be traded.

Index ETF An ETF that has purchased a number of stocks and/or bonds to mimic the average of whatever market it is trying to follow. For example, an ETF that wants to track the U.S. stock market may hold the stocks of the 500 largest companies on the New York Stock Exchange (NYSE). This means that the individual ups and downs of one stock will be balanced out by the movements of the other 499 stocks in this ETF.

Interest Money you make on the money you invested.

Limit Orders A way to buy/sell stocks, bonds, and ETFs. A limit order allows you to specify the maximum price you're willing to pay (if you're buying), or the minimum you're willing to accept (if you're selling).

Market Orders A way to buy/sell stocks, bonds, and ETFs. A market order is the default option. This option does not have any restrictions on the price at which you're willing to buy/sell. This makes you vulnerable to sudden ups and downs of stock/bond prices.

MER (Management Expense Ratio) The measure of what it costs an investment company to operate a mutual fund or ETF. It is shown as a percentage.

Mutual Fund A pool of money from many investors. A professional money manager decides on where to allocate the money.

Online Brokerage A platform that allows you as an individual to buy and sell stocks, bonds, and ETFs.

Passive Investing An investment strategy involving infrequent buying and selling to build wealth over time. Passive investors typically buy an investment with the intention of owning it for many years.

Portfolio A group of investments held by an individual or company.

Rebalancing The process of buying or selling investments to return to the desired distribution of investments (e.g. 80% stocks and 20% bonds).

Robo Advisor A digital platform that provides automated financial planning services, with little to no human management.

Minimum Balance Fee A customer may be required to keep a minimum amount in their account. If the account is below the minimum balance, the customer may be charged a fee.

Stock A share in the ownership of a company. The higher the value of the company, the more your stock is worth. Generally a riskier investment than bonds.

Trading Commissions A fee charged by a broker or investment advisor in return for investment advice and/or handling the purchase or sale of an investment.

APPENDIX B

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WHAT IS DFO!

Don't Freak Out!

Students deserve better financial literacy. Shortly after Adam Vassallo and Vincent Atallah started university, they realized they were totally unprepared for the massive financial responsibilities of living on their own. They decided to do something about it and founded Don't Freak Out! in 2015. Adam and Vincent partner with schools across Ontario to host events that equip students with everything they need to master their finances. From understanding credit to the basics of investing, the duo continues to empower students across the province. For more information please check out dontfreakout.ca.

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