

# SA303 BASIC INVESTMENT VEHICLES

The main considerations for any investment include the following:

1. The amount of **RISK** it holds
2. How **EASY** it is to **UNDERSTAND**
3. The **LIQUIDITY** of the investment
4. The expected **RATE** of **RETURN**
5. The applicable buy & sell **FEES**
6. The ongoing **EXPENSE FEES**



## STOCKS

- Represents actual **OWNERSHIP**
- Offers potential for **DIVIDENDS & GAINS**

- Can be bought or sold through a brokerage firm with a **TRADING FEE** and ongoing **EXPENSE FEES**
- Advantages of stocks include: **POTENTIAL FOR GAINS, DIVIDEND INCOME**
- Disadvantages of stocks include: **VOLATILITY, FAVORABLE TAX TREATMENT, FEES**

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## BONDS

- Represents **DEBT** for a company
- Offer regular **INTEREST** payments to the investor

- Can be bought or sold through a brokerage firm, but otherwise are **HELD TO MATURITY**.
- Advantages of bonds include: **STEADY INCOME, LESS VOLATILITY, LESS RISK**
- Disadvantages of bonds include: **LOWER RETURNS, LESS FAVORABLE TAX TREATMENT**

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## MUTUAL FUNDS

- Offers a **VARIETY** of stock, bond or other investments (include index, target funds, etc.)

- Can be bought or sold through a brokerage firm with a **TRADING FEE** and ongoing **EXPENSE FEES**
- Advantages of mutual funds include: **POTENTIAL FOR GAINS, MANAGEMENT & DIVERSIFICATION AMONG INVESTMENTS**
- Disadvantages of mutual funds include: **SOME VOLATILITY, POTENTIALLY HIGH FEES**

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## ETF's

(exchange traded funds)

- Offers a **VARIETY** of stock, bond or other investments in one investment package

- Can be bought or sold through a brokerage firm with a **TRADING FEE** and ongoing **EXPENSE FEES**
- Advantages of exchange traded funds (ETF's) include: **POTENTIAL FOR GAINS, MANAGEMENT, DIVERSIFICATION, LOW FEES**
- Disadvantages of exchange traded funds include: **SOME VOLATILITY, STILL HAS TRADING FEES**

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