



BARBADOS STOCK EXCHANGE INC.

# GUIDE FOR INVESTORS



## GETTING STARTED

As a potential investor you first need to make some serious decisions on what you want to accomplish with your money and when you want to accomplish it. Think about it for a while as every investment opportunity may not suit your needs. Suitability may well depend on your financial situation, your investment goals, how much time you have to reach your goals, and your tolerance for risk.

And as with every major investment decision we make in our lives we need information and guidance.

So before you start deciding which shares you will buy take a couple of minutes to think and jot down notes on where you are now financially and where you want to be in the future.

### **Ask yourself these questions:**

1. How much money do you have to invest now?
2. Will your employment income allow you to invest additional money in the future?
3. How much?
4. Are you confident that will continue?
5. What are your monthly financial obligations, and how much do those obligations change from month-to-month or year-to-year?
6. Do you have outstanding debts that you would like to pay off?
7. Do you plan to make any major purchases in the future?
8. Do you expect to inherit money at any point in the future?
9. How much money would you like to have readily accessible in case of emergency?

The investment planning worksheet on page 12 can help you to start to answer these questions. This worksheet will not tell you which investments are right for you, but it will help you work through information that is important to your overall investment strategy and will help your financial adviser give you sound financial advice.

### **INVESTMENT TIP**

***To invest successfully you must first think through exactly what it is you want to accomplish and what resources you have available to make it happen.***

## RECOGNIZING YOUR LIMITS

You've made a decision on how much you could possibly invest but being a smart investor means recognizing your limits. By

overestimating your investment knowledge you may make it difficult to get the right advice, you may make investment decisions you are not quite sure about or understand and you may lose hard earned dollars by not being honest with yourself.

### **INVESTMENT TIP**

***Always be sure you understand your investment options before you make a final decision.***

## GETTING THE ADVICE YOU NEED

Great financial advice is an important first step towards successful investment planning. A good place to start is to work with a financial adviser or stockbroker to help you make informed decisions.

### **Choose an adviser or stockbroker who:**

- is knowledgeable about the market and able to give you sound financial advice about investments and specific securities of interest
- can understand your needs
- communicates fluently
- works hard for you
- you are comfortable with

### **He or she can help you:**

- understand financial markets and documents
- calculate the amount of money you plan to invest
- analyze your tolerance for risk
- plan your investment portfolio
- determine your investment objectives
- keep an accurate and complete record of all your market transactions

It's important to note that anyone trading in or advising you on securities must be a member of the Barbados Stock Exchange Inc and registered with the Securities Commission of Barbados. See page 10 for an overview of the Barbados Stock Exchange.

### **INVESTMENT TIP**

***Ask questions until you thoroughly understand what you are investing in and provide all relevant information to assist your broker in giving you the best investment advice possible.***

See list of registered brokers on page 11

## BUILDING A SOUND INVESTMENT FOUNDATION

An investment is an item of value purchased to generate income or to grow in value. To help you build a sound foundation, these five steps can be used when selecting various investments to ensure you meet your objectives.

- Personality Investment Profile
- Investment Goals
- Asset Allocation Model
- Make Wise Investment Decisions
- Portfolio Records and Monitoring

## PERSONALITY INVESTMENT PROFILE

You've calculated the potential amount you can invest but as a serious investor you need to assess your tolerance to risk, your need for liquidity and the timeline you have set for reaching your goals. The personality investment profile helps you to define your personality.

How risk tolerant are you? Complete the personality investment profile self test to find out.

**If you had several different investment choices which one would you choose?**

- a. Yields 4% with no risk
- b. Offers 7% moderate risk
- c. Offers 15% with high risk

**Do you prefer to have your investments grow slowly rather than losing it all by investing in speculative investments?**

- a. Agree
- b. Neither agree nor disagree
- c. Disagree

**In your portfolio do you prefer to have high risk-return investments as:**

- a. 0%
- b. 25%
- c. 75%

**During a TV game show you are offered three choices, which option would you choose?**

- a. An instant \$7,500
- b. \$15,000 if the presenter flicks the coin in your favour (heads you win and tails you lose)
- c. \$25,000 if you choose the Ace of Diamonds from a deck of cards and win

**When you invest, do you wish your portfolio to grow:**

- a. Slowly but surely
- b. Fast even though there may be the risk of losing some money
- c. Much faster than most even though there is a risk of losing considerable money

**Do you believe that when you are young you should take more risks to build your investment portfolio faster, because if you lose you still have time to rebuild the investment:**

- a. Agree
- b. Neither agree nor disagree
- c. Disagree

**Scores for your test are:**

**a = 1 point, b = 2 points, c = 3 points**

Check page 8 when you have added up your score to find out your personality investment profile score.

The need to balance your risk, return, time frame and liquidity (marketability) are important to any investor. With any degree of uncertainty there is always a risk that all the investment might be lost. There is also no guarantee that after tax, profits will give you the return on your investment that you had anticipated. If you are working towards a particular goal the cost of the investment will be higher in a shorter time frame than for a longer one. You also need to take into consideration how easy it is to convert your investment into cash and how much you are likely to get at market prices (liquidity).

### INVESTMENT TIP

***Every investment has three key characteristics - expected return, risk and marketability or liquidity.***

## INVESTMENT GOALS

Your investment will depend on your future goals and the time that you have to achieve them. A careful analysis with the help of the Investment Planning Worksheet can define and assess the amount of money you will need to achieve those goals. Speak to your stockbroker or investment advisers about your future dreams and aspirations to come up with an investment package to best suit your needs.

## ASSET ALLOCATION MODEL

Based on the results of your personality investment profile you can divide up your investment portfolio into different kinds of assets to better understand and manage the risk-reward relationship. Your investment options under the asset allocation model can vary with the economic conditions. Investment opportunities based on their return and risk can fall under the following asset allocation categories:

### Higher Risk Investment

Stock options, undeveloped land, Mutual Funds - investments under this section can either yield large gains or losses.

### Moderate Risk Investments

Income producing properties, conservative Mutual Funds, Stocks - investments can offer a long-term potential for higher rates of return or may lose money.

### Low Risk Investments

Government savings bonds, corporate bonds - these investments would hardly lose money but they tend to offer a lower potential rate of return than higher risk investments

### Cash and Cash Equivalents

Cash, savings accounts, treasury bills, insurance - these assets can be made accessible at any time (liquid) and offer the safest category of investment but can produce the lowest rate of return.

#### INVESTMENT TIP

***Carefully analyze the best way to choose investments remembering that from time to time things change in your life and you may need to revise your personality investment profile.***

## INVESTMENT DECISIONS

There are many different kinds of investments to choose from including stocks, mutual funds, treasury bills and government bonds to name a few. Your choice again is based on your goals, amount to be invested, how you wish to diversify, what returns you expect to receive and the time period you have available to you to invest.

Mutual funds may work better for the small investor as opposed to the purchase of stocks.

You can make informed investment decisions by either researching or getting your financial adviser to research companies you are interesting in investing in. Information can be found in annual reports, business news items and press releases by the company or its regulator.

#### INVESTMENT TIP

***The first step to becoming an informed investor is by doing research to understand the investment opportunities.***

## PORTFOLIO RECORDS AND MONITORING

Keeping accurate records and monitoring your investment is one way to ensure you are still on track towards your goals. Your broker or financial adviser can help you understand any terminologies which are not clear. They should also send you statements and reports on a regular basis so you can monitor the performance of the investment.

## WHAT MUST BE DISCLOSED?

In Barbados, public companies listed on the board of the Barbados Stock Exchange must file copies of quarterly and annual financial statements with Barbados Stock Exchange.

The BSE and the public must also be advised about other important events or material changes, such as take-over bids, issues of new or additional securities, a change in auditors and any buying or selling of the company's securities by its executives or other "insiders".

#### INVESTMENT TIP

***Carefully review and file your monthly statements and trade confirmations. Ask your stockbroker if you have questions or need any clarification. Contact the company's corporate secretary immediately to report any discrepancies.***

## USING THE PROSPECTUS TO HELP MAKE INVESTMENT DECISIONS

The prospectus is a document provided to investors purchasing securities in the primary market. The prospectus contains full, true and plain disclosure of all material facts relating to the securities being offered. It allows investors to better determine whether the investment has merit and whether the levels of risk and potential return fit their particular investment needs and objectives.

### The prospectus contains:

- A history of the company and a description of its operations
- A description of the securities being offered
- A list of directors and officers
- Audited financial statements for the previous three years
- A summary of the major risk factors affecting the company
- A description of the issuer's business and investment plans
- A description of the intended use of the money raised from selling the securities
- A description of the legal rights of investors to withdraw from the purchase, or to sue for rescission, i.e., the return of their investment or damages if the prospectus contains a misrepresentation.

### INVESTMENT TIP

***Reading the prospectus with the help of your broker will give you the information you need to make a sound investment decision. The prospectus' purpose is to inform and protect you.***

## MAKING YOUR INVESTMENT THROUGH THE PURCHASING OF SHARES

Shares are sold by companies to raise capital which the company can use to improve and grow their business. With the purchase of shares you become a part owner of the company. Stockbrokers are the immediate link between the selling of the shares by the company and buying of the shares by the investor. If the investor wishes to sell their shares the stockbroker will try to get market value or a higher value from the sale to make a capital gain on behalf of the investor. In most instances, there is no direct contact between the investor and the company.

The main types of shares sold are preferred shares and ordinary/common shares. When you own ordinary shares in a company the dividends can go up or down depending on the amount of profit the company has made. In the event that the company made a loss you as the ordinary shareholder may receive no dividend for

that year. If the company makes a profit your dividend payment is dependent on the amount of shares you own in the company.

If you own preferred shares your dividend amount is fixed. Dividends in this case do not fluctuate depending on whether the company is doing well or not. As a preferred shareholder, however if the company has made a loss in one subsequent year, the dividend payment would be carried forward to be paid in the future when the company is profitable again.

Share prices can change, often due to market conditions. If particular shares are in high demand the price of the share will rise and vice versa, if the demand for shares in a particular company is low the share price will fall.

## HOW TO MAKE MONEY FROM SHARES

### Sale of Shares

If you sell your shares for a higher price than when you purchased them you stand to make a profit.

For example, if you bought 100 shares at \$10 per share you would have spent \$1000. If in one year's time the price of the share goes up to \$11 and you sell your 100 shares you would receive \$1100, a profit of \$100, minus fees or taxes that you have to pay.

### Calculation

Purchase price: 100 shares x \$10 per share = \$1000

Selling price: 100 shares x \$11 per share = \$1100

Profit: Selling price minus purchase price = \$1100 - \$1000 = \$100

### Payment of Dividends

At the end of each financial period for publicly owned and traded companies, the directors of the company issue a notice declaring the payment date and the amount to be paid for dividends.

For example, if you bought 100 shares and the company has declared a dividend payment of 37¢ a share, you are entitled to receive \$37 less the tax payable. Therefore, for that financial year you would have earned \$37 on your investment. Dividends tend to fluctuate based on the performance of the companies you have invested in.

### Calculation

Amount of shares = 100

Dividend payment = 37¢

Earnings = 100 x 37¢ = \$37

## Losing Money from Share Ownership

You stand to lose if you sell your shares for a lower price than what you originally paid for them.

For example, if you purchase 100 shares at \$7.50 a share and 2 years after purchasing them the price drops to \$6.50, you will lose \$1 on each share you own. If you decide to sell, your loss will be of \$100.

### Calculation

Purchase price: 100 shares x \$7.50 per share = \$750

Selling price: 100 shares x \$6.50 per share = \$650

Loss: Selling price minus purchase price = \$650 - \$750 = (\$100)

## HOW RISKY ARE SHARE INVESTMENTS?

Shares are risky as compared to other investments in that you can lose money. Due to the nature of the stock market prices can go up and prices may go down. Businesses can have good years and bad years depending on the economic climate and investment decisions.

You should be cognisant that your investment in the stock market can make you as much money as you can lose.

## ARE SHARES A GOOD INVESTMENT FOR YOU?

If you clearly understand how shares work along with the help of your stockbroker/financial adviser, you can make a decision of whether stocks will help you achieve your financial goals. If you need your investment to turn over quickly, shares may not be the best choice.

### Diversification

Every investment you make has its own inherent risks. While some products are high risk, others can be very low. Investment opportunities can be affected by interest rates, others by commodity prices, consumer confidence, management decisions or a host of other factors.

You can reduce the level of expected risk by combining several different investments in your portfolio. The key strategy here is diversification, which means simply, not putting all your eggs in one basket.

## INVESTMENT TIP

***Investment values can fluctuate and cause you to lose money. This is a reality of the investment markets, and it's the responsibility of you and your adviser to ensure that the investments you choose are suitable for your risk tolerance and personal circumstances.***

## PROTECTING YOURSELF

You have made your decisions on the amount of money you will invest, the type of investment you will make and the time lines in which you hope to receive returns on your investments. It is time to go a step further to protect your investment. As a savvy investor it is important to understand terminologies and be on the look out for “get rich quick schemes”.

## WHAT YOU NEED TO KNOW

The way a company manages its money can say a lot about its ability to withstand market changes or unexpected events. This would impact on the amount of returns you hope to receive from your investment. Although your stockbroker or financial adviser plays a key role in assisting you to make your decision, take time to gain as much information about the company as possible.

What you may need to know about the company may differ based on the type of investment you are making, but some common background checks can include the following:

- Are the company's assets tied to large debts or liabilities?
- Does the company have enough short-term assets to pay its short-term liabilities?
- Does the business meet its cash needs and day-to-day liabilities?
- How will it repay short or long-term debt?
- Does the company have significant revenue or revenue growth, but no net income or profit in the end? Why? How long can this continue?
- How have expenses changed over time?
- Are administration costs getting high while revenues remain flat?

## RED FLAGS FOR INVESTORS

Use common sense and judgment when assessing the quality of information you come across to make your investment decisions. These red flags often signal fraudulent or misleading advice:

- The person giving the advice or information is a stranger
- You are guaranteed high investment returns
- There is supposedly “little or no risk”
- Your money is guaranteed to be there “when you need it”
- You are offered confidential or “insider information”
- There is a reluctance to give you information, such as a prospectus
- The information is only found on the Internet

## BE ON THE ALERT

Beware of persons who have information regarding the company you wish to invest in. Insider trading is illegal. This is where individuals buy or sell securities when they are in possession of material information that has not been generally disclosed to the public.

### INVESTMENT TIP

***Don't rely on insider information. If you trade on a tip from someone with insider information, you can be guilty of insider trading.***

## AVOIDING SIMPLE BUT COMMON PROBLEMS

You didn't make your decision lightly to invest so don't take it for granted that everything will just fall into place. Avoiding some of these simple but common problems can help you protect yourself and your investment.

1. Always ask questions about anything you don't understand
2. Read the fine print
3. Keep records
4. Think things over
5. Keep your adviser informed
6. Never sign a blank document
7. Never invest in anything you don't understand
8. Any documents you sign may be used as evidence should problems develop in the future

## PERSONALITY INVESTMENT PROFILE RESULTS

### Score between 7 and 11

Higher Risk 10%  
Moderate Risk 30%  
Low Risk 40%  
Cash & Cash Equivalents 20%

### Score between 12 and 16

Higher Risk 20%  
Moderate Risk 40%  
Low Risk 30%  
Cash & Cash Equivalents 10%

### Score between 17 and 21

Higher Risk 30%  
Moderate Risk 50%  
Low Risk 10%  
Cash & Cash Equivalents 10%

## GLOSSARY OF TERMS

### Annual Report

A document published by a public limited company for shareholders at the end of each fiscal year. The annual report includes a balance sheet, income statement, cash flow statement, auditor's report, and management's discussion and analysis and may also include articles by senior executives and information on significant events.

### Assets

A resource the company owns or controls, such as buildings, equipment or cash. Intangible assets, such as trademarks, may also be counted as assets.

### Auditor's Report

A report included in the annual report, giving the auditor's opinion after examining, testing and evaluating the company's financial data and supporting evidence.

### Balance Sheet

A financial statement setting out a company's assets, liabilities and shareholders' equity on a given date. It does not include the value of every asset of a business such as intellectual capital and does not include increases in the fair market value of assets.



**Cash Flow Statement**

A financial statement showing the flow of cash in and out of a company for a set period.

**Board of Directors**

A group of individuals who are elected by stockholders to establish corporate management policies and make decisions on major company issues, such as dividend policies.

These are the people who make decisions on your behalf for the company in which you invest. Every public company must have a board of directors.

**Earnings (loss) per share**

Total earnings divided by the number of outstanding shares. Used to compare performance of companies.

**Expected Return**

The amount of income either in the form of interest, dividends or capital gains that you expect to receive from your investment after taxation.

**Government Bonds**

Usually referred to as risk-free bonds, because the government can raise taxes or simply print more money to redeem the bond at maturity.

**Income Statements**

The revenue and expenses of business operations for a set period, also known as an earnings report, statement of operations, and statement of profit and loss.

**Index**

A benchmark used as a reference marker to which financial performance is measured and compared against.

**Inflation**

The decreased purchasing power of the dollar usually expressed as an increase in the cost of goods and services over a period of time. It is usually measured by the Consumer Price Index.

**Interest Rates**

The monthly effective rate paid (or received, if you are a creditor) on borrowed money. Expressed as a percentage of the sum borrowed.

Borrowing \$1,000 at a 6% interest rate means that you would pay \$60 in interest.

**Investment**

An item of value purchased to generate income or to grow in value.

**Investment Horizon**

The expected duration of your investment, based on when you believe you will require the fund.

**Liabilities**

A business' debts to a lender, supplier or others.

**Marketability or Liquidity**

The ability to sell or redeem your investment quickly at or near the current market price.

**Portfolio**

All the investments an individual or institution holds which can include stocks, bonds, mutual funds, etc.

**Risk**

The possibility that you could lose some of, all of, or more than your principal investment, or that you could earn less return from the investment than you expected.

**Risk Tolerance**

The level of loss on your investment that you are comfortable accepting.

**Share**

An investment which gives you part ownership in a company. The ownership of shares gives the investor certain rights, including:

- a share of the profits in the form of dividends when declared by the directors
- the right to attend annual general meetings of the shareholders of the company
- voting rights, including voting for the directors of the company.

**Stock Market**

The market in which shares are issued and traded either through exchanges or over-the-counter markets. Also known as the equity market, it is one of the most vital areas of a market economy as it provides companies with access to capital and investors with a slice of ownership in the company and the potential of gains based on the company's future performance.

This market can be split into two main sections: the primary and secondary market. The primary market is where new issues are first offered, with any subsequent trading going on in the secondary market.

**Time Horizon**

The length of time for which an investment is made, or held, before it is liquidated. Time horizons can range from seconds in the case of a day trader and all the way up to decades for a buy-and-hold investor. There is no "right" time frame - it depends on the investor's individual objectives.

Knowing your time horizon is extremely important when it comes to choosing the type of investments you want and your asset allocation. All things being equal, you can afford to be more aggressive with a longer time horizon. For example, most advisors would recommend that the asset allocation of a 30 year old be more heavily weighted in equities than that of someone who is close to retirement.

That said, age is not the only determinant of time horizon. A 30 year old who is saving money for a down payment on a house in one year would be investing with a one-year time horizon, despite the fact that retirement is years away. Given the short time frame, it would be prudent to invest more conservatively because there is little time to make up any losses.

### **Volume**

The number of shares or contracts traded in a security or an entire market during a given period of time. It is simply the amount of shares that trade hands from sellers to buyers as a measure of activity. If a buyer of a stock purchases 100 shares from a seller, then the volume for that period increases by 100 shares based on that transaction.

### **Yield**

In general, yield is the annual rate of return for any investment and is expressed as a percentage.

With stocks, yield can refer to the rate of income generated from a stock in the form of regular dividends. This is often represented in percentage form, calculated as the annual dividend payments divided by the stock's current share price.

With bonds, yield is the effective rate of interest paid on a bond, calculated by the coupon rate divided by the bond's market price.

## **ABOUT THE BARBADOS STOCK EXCHANGE INC. (BSE)**

### **Barbados Stock Exchange (BSE)**

The Barbados Stock Exchange (BSE) is an association of Brokers/Dealers operating in a central marketplace for trading securities. It is self-regulating and operates under the Securities Act 2001-13 and Rules related generally to the affairs and business of the BSE. BSE is a privately owned (by its Members), non-profit organization. The affairs of the BSE are administered by a Board of Directors, through a General Manager.

On July 4, 2001 the BSE switched from the manual, open auction outcry method of trading, to electronic trading using the Order routing method.

## **MAIN INDICES**

### **Initial Index**

BSE 1000 - January 1, 1988 - September 1999

### **Successive Indices**

BSE 1000 Local Index - September 10, 1999

BSE 1000 Cross List Index - September 10, 1999

BSE 1000 Junior Market Index - September 10, 1999

BSE 1000 Composite Index - April 1, 2005

### **Securities Traded**

Ordinary Shares  
Preferred Shares  
Government Debentures  
Government Treasury Notes

## LIST OF REGISTERED BROKERS

### **Republic Finance and Trust (B'dos) Corporation**

Broad Street  
Bridgetown  
St. Michael  
Barbados  
Tel: (246) 431-1262  
Fax: (246) 429-8389

### **Caribbean Financial Services Corporation**

'Radley Court'  
Collymore Rock  
St. Michael  
Barbados  
cfsc@sunbeach.net  
Tel: (246) 431-6400  
Fax: (246) 426-1869

### **First Citizens Investment Services Ltd.**

Suite #11 & 12  
Hastings Plaza  
Hastings Christ Church Barbados  
Tel: (246) 426-2020  
Fax: (246) 426-2058

### **Capita Financial Services Ltd.**

Waldron Street  
Whitepark Road  
St. Michael  
Barbados  
Tel: (246) 431-4727  
Fax: (246) 426-6168

### **FirstCaribbean International Trust & Merchant Bank (Barbados) Ltd.**

FirstCaribbean International Bank  
Rendezvous  
Christ Church  
Barbados  
Tel: (246) 467-8735  
Fax: (246) 467-8900

### **Royal Fidelity Merchant Bank & Trust (Barbados) Ltd.**

Royal Fidelity House  
#27 Pine Road  
Belleville  
St. Michael  
Barbados  
Tel: (246) 435-1955  
Fax: (246) 435-1964

### **Sagicor Asset Management Inc.**

Sagicor Corporate Centre  
Wildey  
St. Michael  
Barbados  
info@sagicor.com  
Tel: (246) 467-7500  
Fax: (246) 426-8905

### **Signia Financial Group Inc.**

1st Floor Carlisle House  
Hincks Street Bridgetown  
St. Michael  
Barbados  
signiaclientservices@signiafinancial.com  
Tel: (246) 434-0090  
Fax: (246) 434-0057

## NON-SETTLING BROKER (DOES NOT SELL SHARES FOR THE PUBLIC)

### **Fortress Fund Managers Ltd**

1st Floor Carlisle House  
Hincks Street Bridgetown  
St. Michael  
Barbados  
invest@fortressfund.com  
Tel: (246) 431-2198  
Fax: (246) 426-6168

## PERSONAL DATA - STEP 1

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Business Phone: \_\_\_\_\_

Birth Date: \_\_\_\_\_

Email: \_\_\_\_\_

Employer: \_\_\_\_\_

Occupation: \_\_\_\_\_

Number of Dependants: \_\_\_\_\_

Ages: \_\_\_\_\_

Have you prepared a will? \_\_\_\_\_

Do you feel you have adequate insurance? \_\_\_\_\_

Do you have an accountant? Name: \_\_\_\_\_

Do you have a financial adviser? Name: \_\_\_\_\_

## HOUSEHOLD NET WORTH CALCULATION - STEP 2

ASSETS	YOU	SPOUSE
Cash	_____	_____
Chequing/Savings Accounts	_____	_____
RRSPs/RRIFs	_____	_____
Non-RRSP Investments	_____	_____
Life Insurance (cash value)	_____	_____
Employment Pension Plans	_____	_____

Personal Property Vehicles \_\_\_\_\_

Real Estate \_\_\_\_\_

Jewelry and Collectibles \_\_\_\_\_

Other Assets \_\_\_\_\_

Business Property \_\_\_\_\_

**Total:** \_\_\_\_\_

**Total Household Assets:** \_\_\_\_\_

### LIABILITIES

Credit Card Balances \_\_\_\_\_

Bank Loans \_\_\_\_\_

Investment Loans \_\_\_\_\_

Taxes Owing \_\_\_\_\_

Mortgage Balance \_\_\_\_\_

Other Debts \_\_\_\_\_

**Total:** \_\_\_\_\_

**Total Household Liabilities:** \_\_\_\_\_

**Net Worth** \_\_\_\_\_  
**(Total Assets - Total Liabilities)**

## SUMMARY OF MONTHLY HOUSEHOLD INCOME AND EXPENSES - STEP 3

Income \_\_\_\_\_

Employment \_\_\_\_\_

Self-employment \_\_\_\_\_

Investment Income \_\_\_\_\_

Rental Income \_\_\_\_\_

Private Pension Plans \_\_\_\_\_

Child support \_\_\_\_\_  
 Other Income \_\_\_\_\_  
**Total Monthly Income:** \_\_\_\_\_

Less Deductions  
     Income Tax \_\_\_\_\_  
     Other Deductions \_\_\_\_\_  
 Net Monthly Income \_\_\_\_\_

**EXPENSES**

Rent/Mortgage Payments \_\_\_\_\_  
 Property Insurance \_\_\_\_\_  
 Utilities \_\_\_\_\_  
 Property Taxes \_\_\_\_\_  
 Repairs \_\_\_\_\_  
 Interest on Loans and Credit \_\_\_\_\_  
 Groceries \_\_\_\_\_  
 Clothing \_\_\_\_\_  
 Furniture \_\_\_\_\_  
 Entertainment \_\_\_\_\_  
 Medical/Dental \_\_\_\_\_  
 Education \_\_\_\_\_  
 Personal Care \_\_\_\_\_  
 Gifts and Donations \_\_\_\_\_  
 Subscriptions \_\_\_\_\_  
 Transportation \_\_\_\_\_  
 Life/Disability Insurance \_\_\_\_\_  
 Other Expenses \_\_\_\_\_

Total Monthly Expenses \_\_\_\_\_  
 Monthly Surplus or Shortfall \_\_\_\_\_  
 (Net Monthly Income - Total Monthly Expenses)

**FINANCIAL OBJECTIVES - STEP 4**

The answers to these questions will help you and your financial adviser properly assess your financial needs and objectives, as well as your tolerance for risk.

**1** Today, I have \$\_\_\_\_\_ to invest, and plan to invest an additional \$\_\_\_\_\_ each month

**2** My major financial objectives include (e.g. buying a house, paying off a mortgage, buying a car, paying for a child's education, saving for retirement):

Objectives	Estimated Cost	Deadline?
1 _____		
2 _____		
3 _____		
4 _____		
5 _____		

**3** The likelihood that I have to withdraw a significant amount of my investment before the times estimated in questions 2 is:  
 Low       Medium       High

**4** My household income stream is: (Insert tick boxes below)  
 very secure  
 reasonably secure  
 somewhat uncertain  
 very uncertain

**5** I would feel comfortable if I had \$\_\_\_\_\_ that I could access quickly in case of emergency

**6** I would feel distinctly uncomfortable if, over the course of any one year, my overall investment portfolio declined in value by:  
 1 - 2%       3 - 5%       6 - 10%  
 11 - 15%       16 - 20%       over 20%

**7** For my overall investment portfolio, the largest decline in value (even if it was temporary) that I would ever be prepared to accept is:  
 no decline at all  
 5% of the total  
 15% of the total  
 25% or more of the total

8 When investing my priorities are:

**Preserving my capital**

- Very Important
- Fairly Important
- Not a Priority

**Earning a regular income**

- Very Important
- Fairly Important
- Not a Priority

**Having the value of my investments grow over time**

- Very Important
- Fairly Important
- Not a Priority

Speculating in high-risk ventures

- Very Important
- Fairly Important
- Not a Priority

9 I plan to retire in \_\_\_\_\_ years, and when I retire, my goal is to have an income of \$\_\_\_\_\_ per month (in today's dollars)

10 After retirement, I expect to receive monthly income from the following sources:

- Employment Pension
- RRSP/RRIF
- Investment Income
- Other
- Total

11 I have previously invested in:

- Mutual Funds
- Common Shares
- Bonds and Debentures
- Preferred Shares
- Stock Options

12 I would rate my investment knowledge of securities on:

Mutual Funds

- None
- Some Knowledge
- Quite Familiar
- Well Informed

**Common Shares**

- None
- Some Knowledge
- Quite Familiar
- Well Informed

**Bonds and Debentures**

- None
- Some Knowledge
- Quite Familiar
- Well Informed

**Preferred Shares**

- None
- Some Knowledge
- Quite Familiar
- Well Informed

**Stock Options**

- None
- Some Knowledge
- Quite Familiar
- Well Informed

13 On average, I spend \_\_\_\_\_ (how much time) monitoring my investments and researching other investment opportunities.

14 When it comes to making investment decisions:

- I rely entirely on the recommendations of my financial advisers.
- I consider the advice of my financial advisers, but often apply my own judgment and experience.
- I am comfortable making all of my own investment decisions.

15 I think a reasonable annual rate of return for my investment portfolio would be:

- I don't know
- 3 - 5%
- 6 - 8%
- 9 - 11%
- 12 - 15%
- more than 15%

Date: \_\_\_\_\_

Signature: \_\_\_\_\_



