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INVESTING

MONEY MATTERS BVI

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INVESTING

Investments help your money grow but, unlike savings, there can be risk involved; the money you put in is not guaranteed to grow or stay the same. Investing means putting your money to work for you but, when you invest, you take the chance that your money can increase as well as decrease. This is not gambling, though. True investing means doing a serious analysis of the pros and cons of a particular investment and determining if you can reasonably expect to make a profit. By investing your money you run a risk, but you also have a higher potential of earning a profit than in regular savings. Generally, the higher the risk, the higher the expected rate of return. Investing wisely is one of the keys to building wealth.

Why you should be interested in Investing

You might know a few people in the BVI who are very wealthy or who have worked for years and are entitled to a pension. These persons can retire without worrying about their financial future, but, for most of us, that is not the case. So you should be concerned about how you're going to survive in your elderly years when you are you are too old or frail to work, and no longer taking home a paycheck. It would be unwise to rely on Government, Social Security or family members to take care of you. Don't leave it to chance - plan for your future by investing to make your money work for you.

Starting to Invest

Everyone should start to invest as soon as possible. The longer you invest, the more likely it is that your investment monies will grow. Before you start investing, however, make sure you have enough savings in your emergency fund. With the financial crisis leaving more people unemployed for longer periods, experts are now suggesting that your emergency fund should cover at least eight months of living expenses.

Once you have enough money stashed in your emergency fund, you can start investing. If you are confident about investing and can do it yourself, then take the leap. If you want to invest, but feel clueless as to where to start, there are tutorials on the internet to help you get started. Financial

- Beware of investments that carry very high fees.
- Avoid so-called investment opportunities that could be considered "ponzi" or "pyramid" schemes.
- Beware of investments that promise guaranteed returns.

Basic Investment Types

When you buy stocks or shares, it means you own part of the company selling the stocks. This entitles you to a claim on the company's earnings and assets and allows you to receive your share of any profits (dividends) which the company allocates to its owners. Usually, you are also entitled to vote at shareholder meetings. A company's stock can increase (or appreciate in value) or it can decline (or depreciate in value). Stocks change value on a daily basis. You make money when the value of your stock appreciates. For example, let's say that one year ago, you invested $1,000 in a stock and bought 100 shares at $10 a share. A year later when the value of the shares rose by $1, your investment increased or appreciated by $100.00 and is now worth $1,100.

Another way to make money from stocks is to sell them at a profit. If the company does well, others might be willing to buy your stock at a higher price than you paid for it. Of course, if the company does not do well, you could lose your money.

When you buy a bond, you are loaning money to the government or corporation that issued it. When you purchase a bond you do not gain any ownership rights like those of shareholders. The bond issuer is borrowing money from you and agrees to pay you a fixed rate of interest at certain intervals (usually quarterly, semi-annually or annually) until they have repaid the original amount you loaned to them. Bond investments are also known as fixed income investments because, as a general rule, they are considered safer than stocks due to the fact that many bonds (secured bonds) are backed by real collateral (such as real estate or fixed assets). The term of bonds can be as little as a few months or as long as 30 years. Bonds have varying degrees of risk, so do your research. If you are buying bonds from a stable government, your investment is low-risk, but the returns will usually be lower.

A mutual fund is a professionally managed collection of money from a group of investors. A mutual fund manager invests your money in securities, which is a combination of various stocks, bonds and other products. The fund manager decides the best time to buy and sell the products in the fund. By combining your resources with other investors, you can diversify even a small investment, which should reduce your risk. As a shareholder, you will be free to sell your shares at any time, although the price of a share in a mutual fund can fluctuate daily. Mutual funds offer choice, convenience and the ability to convert into cash quickly, but charge fees and often require a minimum investment. As a professional manager does the work for you, this allows you to invest your money without the time or the experience often needed to choose a sound investment.

A variable annuity is an insurance contract that invests your premium in various mutual fund-like investments. It is usually sold by financial brokers and insurance agent as an investment toward retirement. The brokers and agents earn a commission on the annuity sold and may be motivated to sell you something that may not be in your financial best interest. Variable annuities can be very costly. You should hold the annuity for at least 10 to 20 years to justify the fees.

Your Investment Portfolio

Your investment portfolio is a combination of different investment assets, mixed and matched to meet your investment goals. For example, it could include a diverse mix of real estate, saving accounts, certificates of deposits, stocks, bonds and mutual funds. Each asset within your portfolio has different risks and potential returns. Most investment experts recommend that you diversify or do not put all your eggs in one basket. Your investment portfolio should be made up of an investment strategy that is right for you, taking into consideration your financial goals and your risk tolerance.

The Financial Services Commission is responsible for the regulation and supervision of all investment businesses and investment business service providers, including mutual funds, that operate in and from the British Virgin Islands. The FSC ensures compliance with the relevant BVI laws, as well as with international standards of regulation and supervision. Investors should inquire and determine whether the investment professional or investment product in or through which they will invest is regulated or required to be regulated in the BVI or elsewhere.

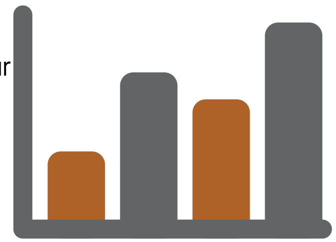
Tips for Investing

- Consult with an investment professional prior to making any major investment.
- Do your own research into the various forms of investment to choose the ones that are right for you.
- Ensure that you are investing your money with reputable firms.
- Determine whether the investment professional or investment product is regulated.
- Consider your risk tolerance and discuss options with your investment professional to avoid misunderstandings.
- Ensure your investment matches your investment goals.
- Always read and understand written documentation prior to making your investment. In particular pay attention to investment warnings and restrictions.
- Be aware that you are entitled to receive regular reports on your investments.
- Understand what fees are associated with your investment. Fees tend to erode any investment gains.

advisers and investment professionals can also help if you still feel timid about taking the leap. But, remember, it's important to familiarize yourself with the concept of investing and investment products before you actually invest. Make sure you understand the investment product you are going to invest in.

Investments can include, among many other things, starting your own business, owning rental property, or putting money into stocks, bonds and mutual funds. Through these and other types of investments, you put your money to work so you can make a profit. You make money on stocks, bonds and mutual funds by selling them for more than you paid for them, or by earning dividends or interest.

Taking Risks



All investing comes with some level of risk. Risk is the potential to lose some or all of your money. Before investing it is important to determine your risk tolerance or how much risk you can afford. You should engage an investment professional in order to help you determine this. It's important to understand what factors will contribute to your investment risk. As a rule of thumb, the younger you are and the more time you have before cashing-in on your investment, the more risk you can afford to take. If you are a little older and will need your money a little earlier, you should take less risk. You should also know your personality. Are you a risk taker who can afford to lose some of your money? Are you the type of investor who wants to follow and direct every detail or are you the type to just let nature take its course? Looking at factors, such as your financial goals, your age and your personality will help you determine how much risk you should take and what type of investment you should make.