Chapter 1: Investing Concepts

Video 1

Differences between saving and investing

Compound interest

Compound interest is the money earned not just on your initial amount but also on any interest that has accumulated over time. Compounding helps your savings or investments grow faster, since you earn interest on both the money you started with and also on the interest you have already earned.

Inflation

Inflation refers to the rate at which the prices of goods and services are increasing over time. This means that the purchasing power of your money decreases, and you need to spend more to buy the same things you could have bought for less in the past.

Investing

Investing is putting your money to work so that it can grow, with the goal that it can become more in the future than what you put away. Investing is generally associated with buying assets such as stocks or bonds.

Investment risk

Investment risk refers to the uncertainty related to investing. When investing, actual outcomes may differ from expected outcomes, and you may even lose some, or all, of your investment. Investment risk will vary with each type of security and asset class.

Liquidity

The ability of an investment to be converted into cash quickly and without loss of value.

Saving

Saving is putting money aside for when you need it in the future. Depositing money in your bank account or piggy bank and leaving it untouched for a period of time is considered saving.

FIC 1973869 07/24 1566906-v2024724