Introduction to Investing

Overview:

In this tumultuous world, we are constantly bombarded by people saying "Take my course to get rich quick!" or "this can make you a millionaire fast!" when in reality, most of these are pretty misleading or outright scams. Many people hear the word investing, and immediately think of some dude yelling at charts or flexing a Rolex, but that simply isn't the whole story. Investing is a very common thing that many people get into in order to grow their money over time without constantly stressing about it. The main goal of this guide is to help explain the core ideas of investing, and why you should start as early as possible.

Purpose of investing:

You might be wondering "Why should I begin investing?" or "I don't have thousands of dollars." Investing as early as possible is one of the smartest money moves you can make while you're young. It helps to build positive financial habits, and makes sure your money holds and increases its value. The easiest way to grow wealth without doing too much work is through investing, and what most beginners start with is using ETFS (exchange traded funds) to steadily increase their wealth. ETFs are one of the safest options as they track numerous large cap stocks and they tend to grow around 8-12% annually on average. That means that if you put $7,000 into an ETF, then by the end of the year, you will have made anywhere from $600-$900 just by letting it sit there. And if you add another $7,000 in the next year, you will have around $15,000 which will make you about $1,800 just from growth. You earn interest on both your original investment plus your gains. And this isn't even including dividends, which are small cash payouts you get just for holding some ETFs. Over years of steady investing, this number continues to grow and compound so that your money keeps working for you over time. The only way an ETF will really tank long term is if the whole market fails. If that happens, we got bigger fish to fry.

What is a stock?

A stock is essentially a piece of ownership in a company. A share is a piece of a stock, so imagine a stock as a pie and a share as a slice of the pie. Every time someone buys a slice, demand can push the price up of each slice. A company's stock price gives a rough idea of how valuable it is. Smaller "penny stocks" usually cost a dollar or less and have small market caps. Big name companies like Nvidia can cost hundreds per share and have huge market caps. Although just scratching the surface of what really matters. Lower cap or penny stocks are more volatile, as even small dime sized movements will net large percentage changes. Large cap stocks tend to be more stable and less risky in comparison. Stocks are more risky than something like ETFs, because your money is tied to a single company. If they do great, you do great, if they crash, your investment crashes with them

What is an ETF?

An ETF (Exchange-Traded fund) is a bundle of different investments, usually made up of individual stocks or sometimes bonds, grouped together into one. Instead of buying one stock at a time, you buy a collection of them at once. An easy way to imagine it is you are buying a box of chocolates with a bunch of different flavours, some might not be your favourite, but the variety balances it all out. Another way of seeing it is betting on a team rather than a single player. This is how an ETF can reduce risks.

Let's say you see the news and always see talks about Nvidia growth and other tech stocks and you want in, but you're not sure which one to pick or maybe you don't even have the capital. With a tech focused ETF like QQQ, you can get exposure to many top tech stocks in one purchase. If Microsoft does poorly, it's ok because the other stocks in the ETF will balance them out. This goes a little into the concept of diversification. You are no longer relying on a single company to have an amazing year to grow your money. Diversification means spreading out your risk so one company can't ruin your portfolio. There are loads of ETFs that track different things, some track specific sectors such as energy and some even track global stocks, allowing you to diversify and enter different sectors with smaller capital.

Another reason why retail investors like ETFs is that many of them pay dividends. Dividends are small cash payouts that you get for just holding an ETF or other stock (normally paid out every three months). You don't need to do anything else to earn them. Some people also build their portfolios around dividend paying ETFs, which can be reinvested to grow your portfolio faster, or just used as extra cash. You don't need to be an expert to start investing with ETFs, making them a great starting point for beginner investors.

Some types and examples of ETFs:
Index ETFs: These track a whole market index, like TSX (Toronto Stock exchange) or S&P 500
Some examples of these are VOO, SPY, IVV
Sector ETFs: These track specific industries like clean energy, tech, healthcare
Some examples of these are XHC, ICLN, ZCLN, VGT
Themed ETFs: Track certain themes such as emerging markets, mid-cap stocks, cybersecurity
Some examples of these are IEMG, VWO, EMXC, VOE
Bond ETFs: Made up of government or corporate bonds (often lower growth, very safe)
Some examples of these are BND, SGOV, TLT, AGG, BNDX
Dividend ETFs: Made up of companies that regularly pay out dividends

Some examples of these are VIG, SCHD, DGRO, SDY

Understanding ETF Costs:

ETFs are a safe and low volatile way to grow your money. That being said, they aren't completely free. Each ETF has its own expense ratio.

An expense ratio is the yearly fee the ETF charges to manage the fund itself. The management expense ratio will be shown as a percentage. For example, VOO is a popular ETF by Vanguard that has an expense ratio of 0.03%. This means for every $1000 dollars that you invest, you will be paying $0.30 dollars per year, or 30 cents per year. On average, index ETFs, like VOO, will have lower fees, but more actively managed ETFs, like GRNY having an expense ratio of 0.75%. Having a higher expense ratio is not necessarily a bad thing, it just means there's more active research and management involved. This could mean higher returns compared to an index ETF. When we compare these two ETFs I mentioned, as of writing this, July 26 2025, GRNY is up 18.53% YTD, while VOO is up 8.95% YTD. When comparing two similar ETFs, always remember to check the expense ratio.

Comparing ETFs and Stocks:

ETFs are a bundle of stocks grouped together in a single investment or share. Instead of choosing a single company, you're able to invest in a whole bundle of tens of hundreds and possibly thousands at once. This gives you instant diversification, lowering your risk and volatility. ETFs are easy to manage, require little research and time, and many pay small but steady dividends. There is a small management fee though, but it is usually very low. Something you might wonder is, "why can't I just build my own ETF by buying them all individually?" You could do that, but the time, effort, and money required is significant. To match an ETFs level of diversification and growth, you'd need to buy a large amount of companies across a variety of sectors, meaning doing tons of research and rebalancing. It also takes a lot of money to be able to do this, some stocks also cost hundreds of dollars per share like Costco or Nvidia, making it hard to build a strong and diverse portfolio without a good chunk of money. With an ETF though, you don't need to do any of that, all there is is a small management fee. However, ETFs do have its downsides. First, they often offer slower growth compared to individual stocks as you may not get the same explosive upsides as an individual stock like Nvidia. Second, you have little control over what stocks you are actually holding in the basket, meaning there could be stocks in there that you don't believe in or don't care about. On the other hand, individual stocks give you full control over what you own. You choose exactly what you want based on your interests, beliefs, and research. A couple upsides of this is if the company has crazy growth, your return can be significantly higher compared to an ETF as well as having no management fee. With potential for great returns however comes great risk. If you invest in a company that does poorly, it could drag your whole portfolio with it. Choosing individual stocks also require you to put in more time to keep up with what's going on.

What are Bonds and GICs?

Some people don't want to invest in individual stocks or in ETFs because it might look scary or it's too volatile, but still want to grow their money safely. This is where GICs and bonds come in.

Bonds are essentially loans. You lend money to a company or more often a government, and they will pay you in interest over the agreed upon time period and then pay the full amount you lent them back later. Government bonds are oftentimes safe, especially when purchasing bonds from governments with good history, but the interest rates are often quite low, offering very low returns. Corporate bonds, or bonds from a company, have a bit more risk to them as there is a slight chance they could default (not pay) on the loan, however there is usually better interest and results in higher returns. Bonds can be purchased individually, but another option is purchasing a bond ETF like BND.

GICs are Guaranteed Investment Certificates. It is basically putting your money away into a guaranteed safety savings account that you can't touch for however long you agreed on with the bank, but oftentimes at least a year. You simply just deposit a lump sum at a fixed interest rate for a set amount of time and it'll return to you only after the time limit is up. The downsides for GICs is that the interest rates are low, ranging from 2.5%-4.0% annually, and at the time of writing, averaging around 2.5-3.2%, as well as having your money locked up.. The current Canadian inflation rate is 1.9%. The obvious benefit is that the money is guaranteed, meaning there is no way you can lose money and although the interest rate is low, you will preserve the purchasing power of your money.

Types of Investing and its strategies:

There is no "correct" way to invest. It generally depends on how much time you are willing to spend and the amount of risk you're willing to take.

Long term investing: Long term investing is pretty much where people set it and forget it, people often do this so that they do not have to worry about their money and just leave it in lower yield investments that are less risky. You're not trying to time the market or sell things as soon as you can, you just let it accumulate and grow slowly. This is the least time consuming of them all as well as having the least risk.

Swing trading: Swing trading is a middle ground between day trading and long term investing. It's not like day trading, where you're making trades that last minutes or hours, or like long term investing where you hold for years. It involves buying a stock for a few days or weeks, trying to catch a fast uptrend, then selling as soon as you have made a good profit. It takes some time and learning some technical analysis, but you won't need to wake up early and keep an eye on the charts the entire day.

Day trading: It is considered a very hard skill to learn, it has the potential to earn you thousands of dollars a day but with you risking thousands yourself. This makes it the most risky of all trading styles. It involves a lot of chart watching, waking up early, learning chart analysis, and overall a lot of time.

Dividend Investing: Some people build their entire portfolio around getting dividend payouts. Certain ETFs or companies give you dividends every quarter, generating free cash for those holding the stocks or ETFs. Helps people build a simple way of getting passive income and oftentimes people use the extra money and invest it back in or just use the cash however they want.

Dollar Cost Averaging (DCA): This one is a general strategy for investors to enter into a stock or ETF without being too concerned about market prices and without worrying about timing the market. Instead of doing a lump sum purchase of shares or ETFs, you invest smaller amounts consistently. For example, every time you get your paycheck, you allocate some of it to investing, or you simply just put in some money every month consistently. The purpose is to spread out your purchases across different prices, this way you are less affected by market timings in case you lump sum a large amount at a poor time. It also helps avoid emotional decision making that timing the market might have.

News Trading: Some people do trades on world events or breaking news. Things like earnings reports, new product launches, mergers, change in CEOs, or current events like tariffs or interest rates can cause some stocks to be bearish (go down) or bullish (go up). If you catch news early and know how markets could react , you could make short term trades to get some quick money. A good recent example is when Trump was cutting back on defense spending on NATO. This meant that Europe would have to invest in their own military leading to a German military company Rheinmetall to have doubled in value. Another example is the rising increase of value in deep sea mining such as TMC, Vancouver based mining company, which has risen 5x its value since the beginning of the year due to Trump wanting to pivot away from China to get its rare earth metals. Some good places to start is just keeping up with the news like the Financial Times, CNBC, NYT.

How to actually start investing:

Now that you understand some basics of investing, where do you actually invest? The first step is to open a trading account on an online broker or trading platform. There's a lot of options like WealthSimple, WeBull, RobinHood, Questrade, and most banks will also offer their own platforms like BMO or TD. It is up to you to do research into the pros and cons of them, but a popular and beginner friendly one in Canada is WealthSimple which offers no fee trades. The next step is opening an account.

TFSA: A tax free savings account, any money you make in this account will be tax free, which is great for long term investing. You can withdraw money whenever you want without getting taxed. There is an annual contribution limit however which changes every year and it is best to check by yourself what your contribution room is on your CRA (Canadian Revenue Agency) account. US dividends will be taxed however 15%.

RRSP: A registered retirement savings plan. Money you put into the account does not get taxed, but gets taxed once you take it out. For example, if you made $100,000 and contributed your maximum of 18% or $18,000, the CRA will treat you as if you made $82,000 dollars. The money is tax deferred rather than tax free. This would mean you get taxed less that year. Similar to a TFSA, you can withdraw money whenever you want, but you will get taxed.

FHSA: First home savings account. This account is meant for Canadians to save for a down payment on a home and combine the tax benefits of a RRSP and TFSA. There is a yearly contribution limit of $8,000 with a lifetime limit of $40,000. Withdrawals from this account must be used to buy or build a home.

Non-Registered account: There are no tax benefits, but there are also no restrictions. You can put however much in and take however much out whenever and wherever, but you will be taxed on any gains (capital gains tax).

Once you pick an account that suits you, you transfer money into the account and you can start investing. All you need to do is search for whatever ETF or stock you want, how much of it you want, and hit buy. Remember, it’s time in the market that is most important, so invest whatever amount you are able to invest and stick with it. Even small amounts add up quickly, and if you need money in a pinch, you can always just sell your positions.

Common mistakes and misconceptions:

When starting out with investing, it’s normal to be scared or overwhelmed by it since there’s so much noise from social media and other such things. A lot of people, when beginning, fall into the same traps early on, often due to emotional decisions or misunderstandings. Being aware of these can help you avoid them early on.

1. **Thinking you need thousands to start:** One of the biggest lies is that you need a lot of money to begin investing. In reality, all you need is a single dollar. Fractional trading and low-cost ETFs make it easy to begin with whatever you're willing to invest with. Many brokers in Canada allow for fractional trading, meaning you don't need to spend a thousand dollars to own a bit of Costco, you can just buy half a share instead or even a hundredth of a share.
2. **Trying to time the market:** Many people fall into the trap of trying to wait for the perfect time to invest. This leads to people maybe buying at an even higher high or possibly just never investing. A nice way to think about it is time in the market is better than timing the market. If you are really concerned about investing because you think the market is at its peak, there is a better psychological approach. This approach is dollar cost averaging. This means invest small amounts gradually, regardless of market conditions, allowing you to average out your purchase price over time.
3. **FOMO:** Buying a stock or crypto just because it's trending on Instagram or Reddit usually ends poorly. Always ask yourself "what does this company actually do", "do I believe in its value". Don't buy something just because it's going up and everyone says it'll go to the moon.
4. **Expecting fast results:** Investing isn't a get rich quick thing. If it were, everyone would be a millionaire. Your portfolio won't double overnight and you shouldn't expect it to. The power of starting early, regardless of how much money you have, is the power of compound interest. It takes a lot of time, but as long as you stay consistent, over time, your money will work for you and you can reap its rewards when it really matters.
5. **Checking your account everyday:** This one's for long term investors. Although it's tempting to check your account every single day, especially when you're new, try not to. You might feel really happy when it's green and panicked and scared when its red, but checking every single day can make you more stressed as well as making bad, rushed, emotional decisions. The market always moves up and down, even in the middle of a strong year. Watching tiny dips will make you second guess your investments and might make you sell when you really shouldn't.

Basic Terminology:

At the beginning there might be words or acronyms you don't know. Here are some of the terms and acronyms you might encounter.

Market cap: market capitalization is the total value of a company's shares which is calculated by multiplying the company's current outstanding shares, by the price of their stock (really just perceived value of a company). NVDA has a 4 trillion dollar market cap, the largest in history. A large cap like NVDA will be more stable and overall less volatile and risky. Small caps like TMC or RR have more growth potential, but come with more risk and higher volatility

P/E Ratio (Price to Earnings): It's a way to tell how expensive or cheap a stock is relative to how much it earns. A high P/E ratio indicates that investors expect a lot of growth as they are willing to pay a premium for a company's stock, but it could also mean the company is overvalued. It means the stock price is high compared to how much they actually earn. A low P/E ratio means the opposite, it could mean a company is undervalued, or it could mean the company doesn't have high growth expectations. The average P/E ratio is around 20.

EPS (Earnings per Share): This is how much profit a company makes per share. It's a way to tell if a company is healthy and if it's rising, it's generally a good sign. Different industries will have a different "standard" EPS. The best way to get a gauge of a company's EPS is by comparing with a competitor.

Dividend Yield: If an ETF or stock pays a dividend, it'll tell you how much you earn annually based on the stock price at the payout time. If a stock is 100 dollars with a 4 percent dividend yield, you would get 4 dollars per year, or one dollar per quarter.

Some simple portfolio examples:

Very passive: An easy and passive portfolio is just simply 100% of your account into one super diverse ETF. There's no need for rebalancing, you simply just add money and let it grow.
Make more examples:

Rebalancing:

Once you've built a portfolio, just let it sit and grow if your goals are long term. This doesn't mean neglect it however, as over time some parts of your portfolio may outpace others. Maybe your emerging markets ETF did really great, but your clean energy ETF didn't do as well. Your planned 70/30 split has turned into an 80/20 by the end of the year and this is where rebalancing comes in. You have a variety of options to rebalance back to your original plan, from selling off a little bit of the high performing ETF or maybe directing some of the future investment money to rebalance. While rebalancing, you could also reconsider some things such as your risk tolerance or changing what you invested in. Maybe you have a higher risk tolerance and want to start adding more individual stocks, or maybe you really believe in a growth of cybersecurity, you can rebalance.

How to find stocks or ETFs:

A simple way of finding ETFs is starting off with the big name ones, like iShares by Blackrock, Vanguard, Charles Schwab, BMO, Invesco. Some sites like ETFdb.com, ETF.com, or even WealthSimple can help you compare fees, performance, as well as what is really in the basket of companies. For stocks, you can find them via word of mouth, companies you've heard of, or searching for sectors in TradingView and Yahoo Finance. You can use these as well to find its past performance, news and earnings reports, and other helpful metrics

Final thoughts:

At the end of the day, the hardest part is getting yourself to start and opening an account. You don't need to be an expert, have the perfect ideal portfolio ratio, or tens of thousands of dollars. You just need to be consistent and start as soon as you can. It doesn't matter if you have 100 dollars or 10,000 dollars, as long as you start and get in the habit of putting money away, the next time you check your account, you might have a few free dinners without you having to lift a finger.