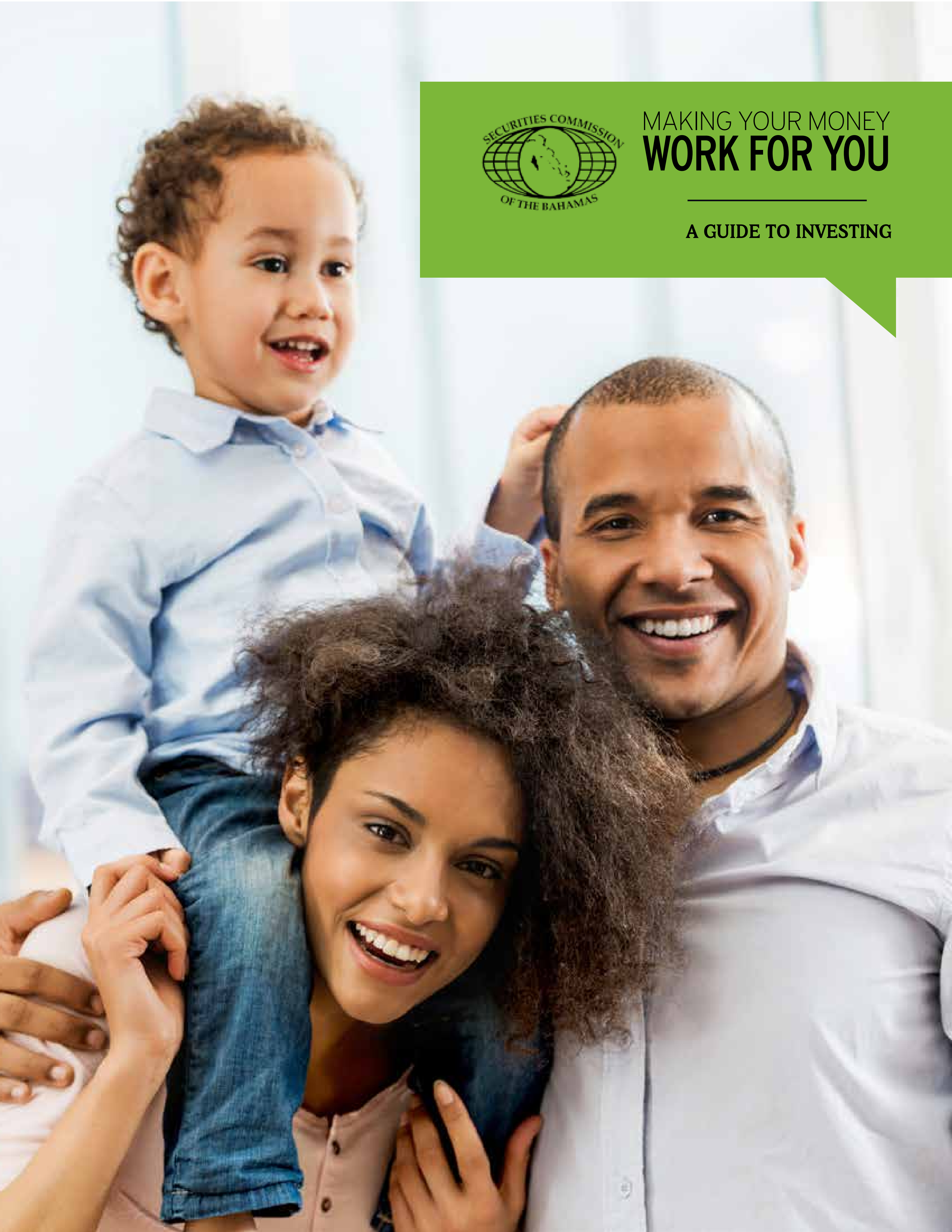

SECURITIES COMMISSION OF THE BAHAMAS

MAKING YOUR MONEY WORK FOR YOU

A GUIDE TO INVESTING

You may not know it, but you are already an investor.

In fact, you invest every day. Every time you pick up a newspaper, you invest in staying informed.

When it comes to financial investing, you may feel like it's a wise course to take, but you may be worried that you don't know enough to start **investing.** You may feel like you don't make enough money to be an investor. Maybe you feel shy about asking for professional advice, or you may be unsure about who you should speak to. There are thousands of Bahamians just like you who have the same fears.

There are also many Bahamians who are investing and earning **returns** on those investments. Like you, they were not born knowing what to do. They learned by reading, listening and taking it one step at a time.

Whether your dream is to ensure that your family is financially secure, upgrade your skills, build your dream home or prepare for golden retirement years, the steps outlined in the following pages will help you. As you begin, bear in mind that results don't happen overnight, but once you make the commitment you will be on your way to making your money work for you.

You have already taken the critical first step, just by opening and reading this booklet.

INTRODUCTION

Investing is a fundamental part of achieving your dream.

Making your money work for you

is designed to take you step-by-step through investing. When you have finished reading, you should be better equipped to make informed investment decisions. This booklet will provide insight into:

- Maintaining a **budget** to meet your living, saving and investing needs
- Understanding the relationship between **risk** and reward
- Identifying the common types of **securities** you can invest in
- Getting investment advice
- The role of the Securities Commission of The Bahamas *("Securities Commission"/"Commission")*

STEP 1:

PREPARE FOR YOUR FUTURE

Your future is an open book, waiting to be written. You may not know exactly what you will be doing, but there is a good chance that you know what you want and have an idea of what you will need.

Step One will help you to identify your goals and prepare and maintain a budget to achieve them.

SET YOUR GOALS

The first step in your investing journey is to set clear goals for your future. Do you want to save to get a car? To buy a home? Or are you looking long-term for a comfortable and secure retirement?

Regardless of how ambitious the goal may seem, write it down in the table below. Attaching a date by which you aim to accomplish each of your goals will help you establish priorities and set realistic timelines.

YOUR FINANCIAL GOALS

List your goals in order of priority

I want to save for:	Date I'd like to reach that goal:
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________

BUDGET

Most people have responsibilities like bills that they have to pay, but nobody has an unlimited source of **income.** A budget is a powerful tool that can help you manage your money so that your needs are taken care of, you can live a comfortable lifestyle, and you have savings set aside for emergencies and for specific goals you have set. It is also key to determining if, or how much, you can invest, so your money can get to work building wealth for you.

A budget is at the core of any financial plan. Simply put, a budget is an estimation of money you expect to receive and money you expect to spend over a period of time in the future.

For budgets to work, you need to be clear about what your goals and priorities are. You also need to follow your budget consistently and review it frequently to ensure that you update it as your circumstances change.

Here are a few tips:

1. *DETERMINE YOUR GOALS.*

   You should have written out your goals and target dates for achieving them already (See Step 1). Be sure to have an 'emergency fund' as a part of your goals, if you don't already have one set aside. Aim to set aside no less than 40% of your monthly salary.

2. *PRIORITISE.*

   Separate the things you need from those you want. It seems obvious but be sure to take care of your needs first. If you find that you are spending everything you make, you will have to find a way to cut back on your expenses or to earn additional income. See Tip 6 about watching for the 'little things' that eat away at your income and wealth.

Remember, you or your family will need money in the future, so make sure saving is a high priority for you. A strategy of many successful savers is to always "pay yourself first" by setting aside savings before addressing any other needs. To help them succeed, some people ensure that when they get paid, some of their paycheck is sent directly to a savings account. You may want to consider doing what many smart savers do – keep your money in a savings account that is not linked to a debit card, eliminating the temptation to make easy withdrawals.

3. *PAY OFF CREDIT CARD DEBT AS QUICKLY AS POSSIBLE.*

Aim to never spend more on your credit card than you can pay off in a month. When prioritising your goals, if you have balances on your credit cards, paying them off should be a top priority. Very few investments, if any, will ever generate sufficient returns to offset what a credit card will take out of your wealth through interest charges.

4. *REMEMBER IRREGULAR EXPENSES.*

For many people and families, budgeting is easiest to do on a monthly basis, as many bills come due on a monthly cycle. Be mindful of expenses that are not due during your regular budgeting cycle. For example, in your birthday month you may have to pay to insure and license a vehicle. Plan to have money set aside for events like these.

5. *TRACK YOUR EXPENSES.*

Keep a record of what you are actually spending. This will help you to understand your spending habits and provide excellent information should you need to adjust your budget to be able to save or invest more. Keep a notepad and pen handy, or download a mobile phone app that will help you to record your actual spending right away. Don't wait too long to record expenses either, or you may forget them.

6. *DON'T OVERLOOK THE SMALL EXPENSES.*

You might be surprised at how much you spend on "the little things", like "spinning" for a lucky number on a virtual gaming app every day, or paying for those extra data charges for the movies and music you download to your mobile phone. Cutting back on a cup of brand-name coffee every day could save you thousands of dollars in the long run. Now that you are tracking your expenses, look at where you can cut back so you can have more money to achieve your dreams.

7. *GET INTO A ROUTINE.*

Review your budget regularly and make managing your finances a matter of habit! For budgeting to help you accomplish your goals, you have to choose to make it a part of your life.

SIMPLE MONTHLY BUDGET

Category	Monthly Amount
Income	
Wages/Salary	______________
Other Income	______________
Total Income	______________
Expenses	
Savings	______________
Rent/Mortgage	______________
Utilities	______________
Gas *(for automobiles)*	______________
Food *(groceries, restaurants, lunch, etc.)*	______________
Phone *(cellular, landline, etc.)*	______________
Insurance	______________
Loans	______________
Education	______________
Credit Cards	______________
Child Care	______________
Health Care	______________
Entertainment	______________
Clothing	______________
Other Expenses	______________
Total Expenses *(The sum of each category except Income)*	______________
TOTAL *(Income – Expenses)*	______________

** Other expenses may include things like tithes and donations to charities.*

SAVE

What is saving?

Saving is an essential step to achieving your financial goals. Saving is not spending all your money now, but instead, setting some of it aside for a future point in your life. Saving is all about having something for later, when you may really need or wish you had it.

What keeps you up at night?

- Unexpected flat tire.
- Category 5 hurricane on the way.
- Car battery just died.
- School fees are due tomorrow.
- I need to relocate urgently (first and last month's rent, security deposit).
- The gas went out.
- I don't think that meeting with human resources will go well tomorrow.
- Jennie just graduated from high school and wants to go to university.
- I need to buy new shoes for work.
- Timmy is in the emergency room and needs an operation.
- The lights got turned off.
- My birthday is this month (car licence, car insurance, life insurance policy due, and I just keep getting older).

Oh, that reminds me, I have to retire in a few years …

Why save?

Peace of Mind

The primary reason to save is to be prepared for emergencies. Having savings can provide peace of mind, knowing you have a cushion against the unexpected shocks that are always lurking around the corner in our lives.

Having savings may be the difference between being able to cope with a financial emergency or not. It may mean not having to borrow money in an emergency and avoiding all the extra expenses involved with paying off a loan, and the restrictions on your budget that follow.

Flexibility

Having savings may open up possibilities that just would not be available to you otherwise. For example, a great investment offer may present itself, or something you were planning to purchase may suddenly be discounted. Having a few months' salary set aside as savings may allow you to take advantage of the opportunity. You can probably think of examples from your own life where you thought, "If only I had some cash saved I would be able to purchase that, take that trip, take advantage of that opportunity."

Be the Boss (of your money)

One of the opportunities that people without savings miss is the chance to be the boss of their money. Instead of working for your money, when you accumulate savings, you can start investing excess funds, and send your money out to work for you.

I want to save but...

Most people know what saving is and why it is important, still they struggle with saving. This is especially true for people who are attempting to save for the first time. Saving is like everything else, the more you do it, the easier it becomes so do not be discouraged if you slip up when you start. Keep trying and it will become a habit.

There are many reasons why saving may be a challenge. Many people, for example, simply do not believe they make enough money to save anything. For many, the challenge is resisting the need to spend everything they earn right away.

Despite these and other challenges, there are people from all sorts of backgrounds and in all sorts of different financial situations who commit to saving to make their lives better, and who find a way to do it, no matter what!

If you think you're not earning enough to save anything, go back to your budget and the budgeting tips in this booklet to see where you can change your spending habits, cut expenses, or earn more income to start saving. Remember when preparing your budget to always pay yourself first (set aside your savings first).

And remember, if you stick with it, you'll get better at it, and be better-off because of it.

How much should I save?

Many experts suggest setting aside 40% of your monthly salary for your emergency fund. In The Bahamas, remember that you may need a few extra dollars set aside during the hurricane season.

Where can I save?

Some of the more common savings options are listed below:

Savings Accounts/Deposit Accounts

These accounts allow deposits and withdrawals at any time, but do not allow the account holder to write cheques on them. They pay interest on deposits, though this is usually a small amount.

Chequing Accounts

This type of account allows deposits and for account holders to write cheques, which are instructions to the bank to pay another person from the funds deposited into the account. Some of these accounts pay interest while others do not.

Fixed Deposits/Time Deposits

Also known as certificates of deposit, these deposits pay interest for a specified period of time. The interest is usually paid at the end of the deposit's life (at maturity). The interest the deposit will pay may be fixed at a particular rate at the outset or may vary over the life of the deposit.

Commercial Banks and Co-operative Credit Unions

Many of the savings options above are available at both commercial banks and **co-operative credit unions.** Both types of financial institutions are supervised by the Central Bank of The Bahamas.

Remember Fees

Regardless of the tool you used to help you save (savings account, chequing account or fixed deposit), watch out for fees. Although financial institutions may offer interest on certain types of deposits, fees can quickly eat up all the interest you earn, and then some. Banks may charge for transactions like withdrawals, or even for not meeting a required deposit level.

Are my deposits insured?

Banks who are members of the Deposit Insurance Corporation (DIC) offer some additional safety for your deposits. The DIC insures savings accounts with member banks for up to B$50,000 per depositor in case the bank is unable to pay you back your deposit. Once a bank is licensed to accept Bahamian Dollar deposits, membership in the DIC is compulsory and you are automatically insured. You do not need to apply.

For more information, or to see if the financial institution you want to deposit funds to is a part of the DIC, visit the DIC's website at **www.dic.bs**

UNDERSTANDING INFLATION

Have you heard a story from a parent or grandparent about how inexpensive things 'used to be'? They are right. In your lifetime, you may have noticed an increase in the cost of everyday expenses, like bus transportation, for example. In 1986, the cost of a typical bus ride was 50 cents. Today, that cost has more than doubled. The 10-cent cup of coffee is a distant memory. Typically, money loses value over time because the price of goods and services generally increases over time.

This rise in price and subsequent decrease in spending power is known as **inflation.** To put it simply, inflation means that a dollar will not buy as much in the future as it does in the present.

As a result of inflation, even when money earns interest, it still may not be able to buy the same amount of goods or services it did before. Put another way, it loses its **purchasing power.** For example, if your savings account is paying 1 percent interest every year, but the inflation rate is 2 percent every year, your savings may grow but will actually be worth less and less over time, in terms of what you can do with that money.

Therefore, while savings are essential to financial planning and well-being, savings are not the ideal means for building wealth. Investments, while not generally as safe as savings, can offer a path to beat inflation and truly build your wealth.


for YOUR DAILY MONEY MANAGEMENT
DATE
ITEM
INCOME
EXPENSE
BALANCE
NOTE
15/2 Salary 15,000
19/2 Home loan
15,000
4,200
570 10,230
1,000 9,230
Interest 850
10,080

STEP 2:
PUT YOUR MONEY TO WORK

Most people understand what it means to ‘go to work’. They invest time with an employer with the expectation of getting a return, like a paycheck every week or month.

When people invest in stocks and bonds, they are sending their money out to work for them. They are expecting that their money will actually earn money, and help them to achieve their goals and realise their dreams.

WHAT IS INVESTING?

When you commit money to something with the expectation of receiving income, profit or some other gain, you are investing. Many Bahamians are familiar with investing in real estate, but there are many who invest in securities like shares and bonds as well.

UNDERSTANDING RISK & REWARD

Whenever you invest, there is a chance that your investment will not make money or, worse, will lose money or even become worthless. This potential for your investment to lose value is a concept known as risk, and how much of it you are willing to cope with as an investor is very important to the investment decisions you will make.

As an investor, if you expect a greater reward, then you need to be prepared to take on greater risk. The saying in investment circles is, “The higher the risk, the higher the potential return.”

Let’s look at an example of this.

Investing in a company generally carries a higher amount of risk than saving money in a bank account. After all, if the company does not do well, your shares may lose value or even become worthless, whereas when you save in a bank, you usually expect to get all of your deposit back. If both the shares and the savings account were offering the same reward, why would you choose the riskier option where you might also lose everything?

Investors may be willing to take on the extra risk involved with the shares, but only if they expect a better reward for doing so. There are untold numbers of persons who have benefitted. If they had not, there would be no market for investing, but it is all a matter of balancing potential risk and reward. To do that, you take your next step which is getting to know your risk tolerance.

RISK TOLERANCE

It is important for you as an investor to understand how much risk is appropriate for you. If you hire someone who is registered with the Commission to offer investment advice or to manage your securities, then understanding your risk tolerance becomes their responsibility too. How else could they recommend securities that are suitable for you?

There are a few things to consider when determining how much risk is right for you, including how you cope with risk emotionally, and what kind of financial position you are in to handle potential losses. Some investment professionals refer to these as risk appetite (emotional) and risk capacity (financial).

An investor's risk tolerance may change as circumstances change over his or her life. There are a number of factors influencing this, including his or her age, income level, current wealth and health. For example, younger investors generally have a longer time to recover from investment losses and, as a result, generally can tolerate more risk than older investors.

The table below compares the risk tolerance that many investment advisors would say is appropriate for various age ranges and the types of investments generally recommended based on the risk tolerance.

Age Range	Usual Appetite for Risk	Typical Investments
Under 35	Higher	Common shares, aggressive growth strategy mutual funds
36-55	Medium	Balanced mutual funds, preference shares
Above 56	Lower	Fixed income products, Bahamas Government Registered Stock (bond) and Treasury Bills

DIVERSIFICATION

One approach that investors use to decrease their risk is to avoid placing "all their eggs in one basket" or, put another way, to "diversify" their investments. This strategy involves spreading your money among various investments in the hope that if one investment loses money or fails, the other investments will make up for those losses.


Value 1597.11
N7K40
QEMX
--- Active List ---
Vol O
Close
Total V
21,780
36,421,000
115,000
10,800
358.75
1,020.32
30.50
9.90
1,923.00
318,920.00
3,624.30
755.50
18
Limit
Price :
Matched
Balance
Volume
15.00
5.00

STEP 3:
UNDERSTAND YOUR INVESTMENT OPTIONS

Once you are ready to invest, there are many investments for you to choose from. Some people may choose to invest in real estate while others may choose to invest in securities, like shares and bonds. Others will invest in both.

The remainder of this guide will focus on investments in securities.

Securities differ in terms of the types of assets they represent, and the associated benefits, risks and potential for reward they offer.

UNDERSTANDING SECURITIES

In investment terms, a security is an **asset** that can be traded. The security has value because it represents:

- Ownership in a company (shares/stock),
- A loan made to a government or public corporateion (bonds), or
- The right to buy or sell other assets or securities in the future (**options**).

For an asset to be considered a security, it must also be interchangeable with the same amount of the same security, regardless as to who owns it. This simply means that if John owns 100 common shares of ABC Company, it will be worth the same as Jill's 100 common shares of ABC Company. We'll discuss what a common share is in the next section.

TYPES OF SECURITIES

COMMON SHARES/STOCK

When you buy common shares or stocks, you purchase partial ownership of a company. As a result, you are entitled to specific rights as a part owner, such as voting rights. Your voting rights are directly linked to the amount of the company you own.

Voting rights allow shareholders/stockholders to vote on several important matters, such as the corporate directors who will lead the company. As owners of the business, however, shareholders are the last to get back any of their investment if the business fails.

Sometimes, especially when businesses are profitable, companies will make a decision to reward their shareholders with a payment out of the company's profits or **retained earnings.** This is known as a **dividend.** If the company declares that it will give a dividend to its common shareholders, the shareholders will receive the dividend declared for each share he or she owns.

While dividends may be an important factor in considering whether or not to invest in a particular common stock/common share, this type of security is not typically used for generating a consistent stream of income. Generally, people invest in common stocks or common shares because they expect that the business they become part-owners of will grow in value over time. If it does, then the value of their 'share' of the company will also increase.

PREFERENCE SHARES/PREFERENCE STOCK

Preference shares or stocks are a type of security that pays a dividend, so long as the company makes enough profit to pay the dividend. The dividend may be fixed, meaning that it does not change, or variable, meaning that it may increase and decrease over time.

Owners of preference shares (sometimes called preferred stock or preferred shares) receive dividends before common shareholders. They also have a higher priority than common shareholders do to get back some or all of their investment should the company issuing the shares fail. However, preference shareholders do not usually have voting rights.

Because preference shares/stocks offer a constant flow of dividend payments, people often invest in them to receive a regular stream of income.

BONDS

A bond is a security which represents a loan from the investor to the company or government issuing it. Bonds have a fixed life, representing the length of time the money was lent to the company or government for. The bond will earn a rate of interest, known as a **coupon,** over its life. At the end of the bond's life (at its "maturity") the owner of the bond receives the '**face value**' of the bond, which is the initial amount that was borrowed, plus the final coupon payment. A simple illustration follows:

On 1 January 2011, XYZ Co. issued a bond to raise some money for a new product it wants to produce. The bond earns a 5% coupon, which will be paid annually, and has a 5-year maturity. A simple table showing investor Jane's investment and what she expected to receive from it appears below.

Date	Activity	Investment Jane makes	Reward/ Expectation
1 Jan. 2011	Jane buys XYZ 5% bond, maturing 13 Dec 2015	$1,000	
31 Dec. 2011	XYX pays a coupon (5 percent of $1,000)		$50
31 Dec. 2012	XYX pays a coupon (5 percent of $1,000)		$50
31 Dec. 2013	XYX pays a coupon (5 percent of $1,000)		$50
31 Dec. 2014	XYX pays a coupon (5 percent of $1,000)		$50
31 Dec. 2015	XYZ makes final coupon payment and repays the bond's face value at maturity		$1,000 +$50

Sometimes the coupon will be fixed, meaning that the rate of interest it earns will not change over the life of the bond. Other bonds may carry a variable coupon which may change over the life of the bond. There are other features which may vary as well.

As an investment, bonds are often selected for a constant stream of income. They do not generally increase in value as the company or government that issued them grows, so investors in bonds are not usually looking to make the kind of profits selling them later as investors in common stock are looking to make.

An investor should understand all the aspects of how the bond he or she is considering will work, in addition to understanding how the company intends to generate the money to make all of the coupon payments and pay the face value of the bond on maturity.

Bonds are securities, so they may be bought and sold throughout their life. When bonds are bought and sold in-between coupon payment dates, the amount of coupon the bond would have already earned is factored into the price the buyer pays.

Characteristics of stocks and bonds			
Type of Security	Common Shares	Preferred Shares	Bond
Represents	Equity (ownership)	Equity (ownership)	Debt (loan)
Payments	Dividends *may* be paid	Dividend payments so long as company makes enough profits	Coupons (regular interest payments)
Voting Rights	Yes	No	No
Maturity date (Set life/duration)	No	No	Yes
Priority in case of business failure	Last	Before common stock holders	Before preferred & common stockholders

BAHAMAS GOVERNMENT REGISTERED STOCK (BGRS)

Although this security has the word "stock" in its name, it has the characteristics of a bond. BGRS is issued by the Government of The Bahamas.

Bahamas Government Registered Stock (BGRS) can have a maturity date of up to 30 years.

They have a minimum investment of $100, and carry interest rates which, if not fixed, are usually tied to the Bahamian Prime Rate. The investor then receives interest income, which is normally paid semiannually, and the principal investment at maturity.

This type of security (BGRS) is not regulated by the Securities Commission of The Bahamas. The Central Bank of The Bahamas functions as the official **registrar** for securities of the Government. You can get more information about BGRS from the Banking Department of the Central Bank of The Bahamas.

INVESTMENT FUNDS

Investment funds combine money from a number of investors. They invest this money to make a profit. Investment funds are sometimes referred to as mutual funds or collective investment schemes.

When someone invests in an investment fund, he or she is buying into the many assets that the fund is invested in. In fact, one of the goals of investment funds is to ensure that investors get the benefit of a number of different investments to spread the risk and the reward.

Investments funds are usually professionally managed. A fund manager is responsible for researching and selecting the fund's holdings and monitoring the activities and trends of all the businesses and assets the fund is invested in (its '**portfolio**').

Often, investment funds are priced so their units are affordable for investors who do not have a lot of money to invest.

There are certain things an investor will want to look out for when considering investing in an investment fund. First, make sure the investment fund is registered with the Securities Commission of The Bahamas. To do this, you can visit the Commission's website at **www.scb.gov.bs** or call using the numbers provided at the end of this booklet.

You should also be sure you understand the fund's investment strategy—how it intends to invest the money it accumulates from investors to generate profits. You should understand all of the costs involved with investing in the fund, such as annual fees, sales fees, **management fees** and **redemption fees.** These will vary from fund to fund and can significantly impact the returns you can make as an investor. This information should be contained within the investment fund's **prospectus,** so be sure to read it prior to investing.

With an understanding of the fund's investment strategy and the associated risk, you can decide if the investment is a good fit for you.

STEP 4:
SEEK PROFESSIONAL ADVICE

All securities carry some amount of risk. Staying on top of your investments by yourself will require a strong desire to research and select investments, and to keep up with the markets, industries and businesses you are invested in. This usually involves a lot of time and some degree of expertise.

Selecting the right professional to help you may be one of the most important investment decisions you can make.

WHO CAN HELP ME?

You may be wondering who you can turn to in The Bahamas to assist with making investment decisions. Companies and individuals that are approved by the Commission to provide investment advice use several terms when describing themselves and their activities, including investment advisor, investment manager, wealth manager or broker.

In order to offer investment advice as a business in The Bahamas, a firm must be registered with the Commission to do so. Such a business would be approved to "advise on securities". The firm's employee who actually provides the investment advice must also be registered as an "advising representative" by the Commission.

The Commission reviews applications to ensure the applicant has the appropriate academic qualifications, experience and skills. It also looks to see if there are bad reports about the applicant's previous conduct in securities matters. Based on its findings, the Commission will either approve or decline applications, so be sure to check that the individual and the firm he or she is employed with are in fact registered to do business with you.

You can also ask the Commission if it has ever taken any disciplinary action against the individual or firm. All firms registered to conduct securities business along with the type(s) of securities business they are approved to conduct appear on the Commission's website. Employees and other individuals who are registered with the Commission for certain functions are also listed. You can find these firms and individuals in the table named *"Licensees under the Securities Industry Act, 2011"* at: **www.scb.gov.bs**

Firms may be registered for various securities business, including managing securities or advising on securities. These activities are different. In the case of a firm that is registered to manage securities, the firm will be able to make investment decisions it thinks are best for its clients who have given them the authority to do so. However, in the case of a firm licensed to advise on securities, the firm can provide their clients with suggestions it feels are best for their circumstances, but ultimately must let their clients make the investment decisions themselves.

As you launch your relationship with your new **investment advisor,** bear in mind that you are ultimately responsible for your money. It is your responsibility to protect it and make it work for you. In addition to researching the advisor, be sure to find out if any investment funds they may offer you are registered with the Commission. Be sure that you fully understand all products you are considering before investing in them.

Sometimes, a simple phone call to the Commission or a visit to our website can help you to avoid becoming the victim of an investment fraud.

SELECTING YOUR ADVISOR

The obligation of an investment advisor is to offer the best financial advice for his or her particular client. To do this, it is the financial professional's job to thoroughly understand the client's goals, financial circumstances and risk appetite, as well as to investigate, monitor and analyze performance of industries and companies and provide that information to the client.

Before you select your advisor, be sure to ask certain questions. Don't be afraid to ask every question you seek an answer to. You have a right to know you are in careful, capable and licensed hands.

Among the questions you should ask are:

- What education and professional experience do you have? How long have you been in business?
- Describe your typical client. Can you provide me with the names of at least two references, preferably clients who can speak to your service?
- How do you get paid? By the number of transactions or a commission or salary?
- How would you describe your investment philosophy?
- How often will you monitor my investments (my portfolio)?
- How much in total will it cost me to do business with you?
- Are you on the board of directors of any of the publicly-traded companies I am considering investing in?
- How often will you be in touch with me? Every transaction? Every month? Every quarter?

Now that you have a list of questions to ask your investment advisor about himself or herself, here are a few questions to ask to help you ensure you understand the product he or she is advising you on:

- How will the investment make money?
- What must happen for the investment to increase in value?
- What are the risks involved?
- How does the product work?
- Where can I get more information?
- What is the dividend payment record of the company for common shareholders and preference shareholders?

KEEP YOUR EYES OPEN!

Be wary of promises of quick profits, offers to share important news with you that will impact the price of a security before anyone else gets the information, pressure to invest before you have an opportunity to investigate, and offers which sound "too good to be true".

These are all warning signs of fraud!

Investigate and research before you make any transaction and avoid making rushed decisions.

Check out the Commission's "Tips to Avoid Frauds and Scams" booklet to learn more. This can be found at **www.scb.gov.bs.**

MONITOR YOUR INVESTMENTS

How frequently you decide to monitor your investments should be based on your goals and investments. Expect trading prices to go up and down, and remember investing is not a 'get-rich-quick' scheme –the true rewards usually come over time.

It is not enough to simply check an investment's performance. You should compare the performance against a group of similar investments over the same period of time. If you have chosen a financial advisor to assist you with your investment decisions, you should also compare the fees and commissions that you are paying to what other investment professionals charge.

It is in your best interest to check your investments regularly to ensure that there are no irregularities with your account. Every time you buy or sell an investment, you should receive a confirmation slip from your **broker** who is the person that buys and sells securities for you. Make sure each trade was completed in accordance with your instructions. Make sure the buying or selling price was what your broker quoted. And make sure the commissions or fees are what your broker said they would be.

Watch out for unauthorised trades in your account. If you get a confirmation slip for a transaction that you didn't approve beforehand, call your broker. It may have been a mistake. If you have any concerns, call the Securities Commission.

WE ARE HERE FOR YOU

In The Bahamas, the Securities Commission oversees the **capital markets** where people buy and sell debt securities with a maturity of a year or longer (such as bonds) and equities (such as common and preference shares). The Securities Commission also oversees persons conducting securities business, like brokers and investment advisors.

We are here to protect investors in the capital markets from unfair, improper and fraudulent practices and to ensure the capital markets are fair and efficient. We protect investors by reviewing and approving/not approving applications from persons wishing to conduct securities business, monitoring the conduct of persons doing securities business, launching investigations and enforcement activity against persons suspected of breaking securities laws, and by providing information and education about investing.

It is important to remember that investing, by its very nature, always involves risk. The Commission cannot protect you or your investments from that. Investors should know how much risk they are comfortable with and make investment decisions accordingly. Investment decisions are always a balance between risk and reward.

Investor complaints are very important to the Securities Commission. An investor complaint may trigger an investigation that allows the Commission to identity and stop certain fraudulent activities. If you feel that you may be the target or victim of a securities related fraud, please let us know about it.

CONTACT US:

Securities Commission of The Bahamas
3rd Floor, Charlotte House
Shirley and Charlotte Streets
P.O. Box N-8347
Nassau, Bahamas

Tel.	1-(242) 397-4100 (Nassau)
	1-(242)-225-8171 (Family Island toll free)
	1-(360)-450-0981 (International)
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GLOSSARY

ASSET
Any tangible or intangible item that has value in an exchange. A bank account, a house, a vehicle and shares are all examples of assets.

BOND
A debt security, similar to an IOU. When you buy a bond, you are lending money to the issuer. In return for the loan, the issuer promises to pay you a specified rate of interest during the life of the bond and to repay the principal when it "matures," or comes due.

BROKER
An individual who acts as an intermediary between a buyer and seller, usually charging a commission to execute trades. Brokers are required to seek the best execution of trades they make for clients, and if they recommend investments to clients, those investments must be suitable for the client.

BUDGET
An estimate of income and expenditure for a fixed period.

CAPITAL MARKETS
Markets where long-term debt and equity-backed securities are bought and sold.

CHURNING
Excessive trading by a broker in a client's account largely to generate commissions.[1]

CREDIT UNION
A customer or member owned financial cooperative, democratically controlled by its members, and operated for the purpose of maximizing the economic benefit of its members by providing financial services at competitive and fair rates.[2]

COUPON
A feature of a bond that denotes the amount of interest due and the date that the payment will be made.

DISCRETIONARY INCOME
The amount of an individual's income that is left for spending, investing or saving after taxes and personal necessities (such as food, shelter, and clothing) have been paid [1]

DIVERSIFICATION
A risk management strategy that involves spreading your money among various investments in a portfolio. It can be neatly summed up by the old saying, "Don't put all your eggs in one basket."

DIVIDEND
A portion of a company's profit paid to shareholders. Public companies that pay dividends usually do so on a fixed schedule although they can issue them at any time. Unscheduled dividend payments are known as special dividends or extra dividends.

FACE VALUE
Face value is the nominal value or dollar value of a security stated by the issuer. For stocks, it is the original cost of the stock shown on the certificate. For bonds, it is the amount paid to the holder at maturity, generally $1,000. It is also known as "par value" or simply "par."[1]

INCOME
Money that an individual or business receives in exchange for providing a good or service or through investing capital[1]

INFLATION
The rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling.[1]

INVESTING
To engage in activity in which money is put at risk for the purpose of making a profit or gain.

INVESTMENT ADVISOR
An investment advisor is an individual or a firm that is in the business of giving advice about securities to clients. For instance, individuals or firms that receive compensation for giving advice on investing in stocks, bonds or mutual funds are investment advisers. Individuals and businesses must be licensed with the Commission if they are in the business of offering investment advice.

ISSUER
An issuer is a legal entity that develops, registers and sells securities to finance its operations.[1]

LIABILITY
An amount owed to a person or organisation for borrowed funds. Loans, notes, bonds, and mortgages are forms of debt. These different forms all call for borrowers to pay back the amount they owe, typically with interest, by a specific date, which is set forth in the repayment terms.

MANAGEMENT FEES
A fee paid out of fund assets to the fund's investment adviser for investment portfolio management. A fund's management fees appear under Annual Fund Operating Expenses in the fee table in the fund's prospectus.

OPTIONS
Contracts that grant the right, but not the obligation to buy or sell an underlying asset at a set price on or before a certain date.

PORTFOLIO
The combined holdings of stock, bond, commodity, real estate and other investments by an individual or institutional investor.

PROFIT
Financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs and taxes needed to sustain the activity.[1]

PROSPECTUS
A document that describes an investment offering to prospective investors. It should contain the facts needed for an investor to make an informed decision.

PURCHASING POWER
The amount of goods and services that can be purchased by a given unit of currency, taking into account the effect of inflation.

RETAINED EARNINGS
The percentage of net earnings not paid out as dividends, but retained by the company to be reinvested in its core business, or to pay debt.

RETURN
A return is the profit made on an investment consisting of changes in the actual value of the investment, and interest and dividends and any other cash flows paid to the investor by the investment. It may be presented in dollars, or as a percentage of the initial investment.

REDEMPTION FEE
A fee some investment funds charge investors when they sell or redeem their shares within a certain time frame of purchasing them.

REGISTRAR
An institution responsible for keeping records of bondholders and shareholders when an issuer sells securities to the public.[1]

RISK
In finance, risk refers to the degree of uncertainty about the rate of return on an asset and the potential harm that could arise when financial returns are not what the investor expected. In general, as investment risks rise, investors seek higher returns to compensate them for taking on such risks.

RISK APPETITE (RISK TOLERANCE)
An investor's ability and willingness to lose some or all of an investment in pursuit of greater potential returns.

SAVINGS
Income that is not spent on consumption but is put aside and accumulated.

SECURITY
An investment instrument such as a stock or bond.

SHARES OR STOCK
A stock (also known as "shares" and "equity) is a type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.[1]

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[1] Source: Investopedia.com
[2] Source: World Council of Credit Unions - www.woccu.org (TB: This is a global association of credit unions with a membership of over 60 countries. This association is referenced in Credit Unions Act.)

FUNCTIONS
OF THE COMMISSION

THE COMMISSION

The functions of the Commission are to:

- Advise the Minister of Finance on all matters relating to the capital markets and its participants;
- Maintain surveillance over the capital markets and ensure orderly, fair and equitable dealings in securities;
- Foster timely, accurate, fair and efficient disclosure of information to the investing public and the capital markets;
- Protect the integrity of the capital markets against any abuses arising from financial crime, market misconduct and other unfair and improper practices;
- Promote an understanding by the public of capital markets, how they contribute to economic growth by including shareholders to raise funds for capital expenditure such as expansion, industry development or other growth measures, along with providing information about how capital markets impact participants, including the benefits, risks, and liabilities associated with investing;
- Create and promote conditions that facilitate the orderly development of the capital markets; and
- Perform any other function conferred or imposed on it by securities laws or Parliament.

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