



# A beginner's guide to investing online

Managing your own investments online is simple, convenient and affordable. This guide explains the basics and shows you how to get started.

**Qtrade Direct Investing**

Write Your Own Future **QTRADE**

**You don't need to be a financial expert in order to join the ranks of self-directed online investors.**

You simply have to be serious about taking control of your investments.

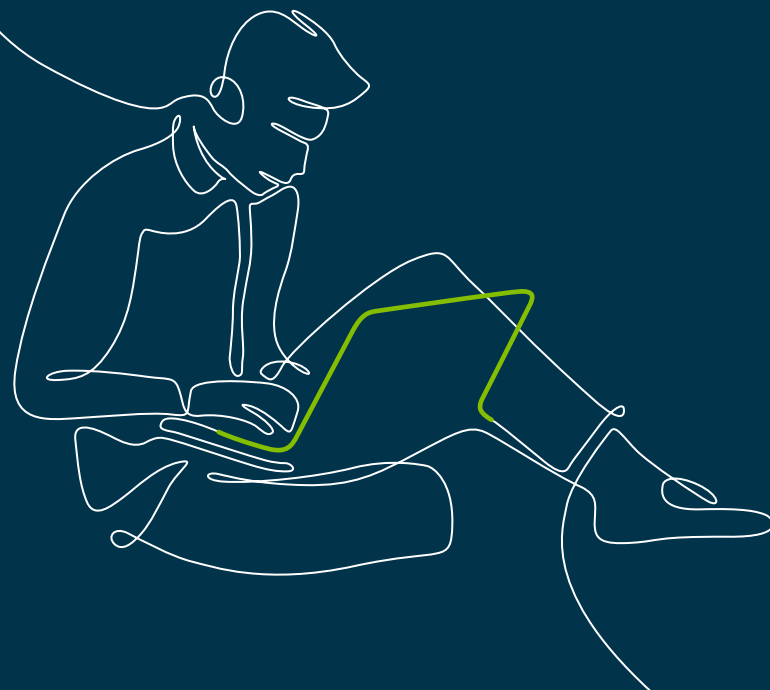
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For help with getting started with stock trading, please speak to one of our investment representatives. Call 1.877.787.2330 or 604.605.4199, or send an email to [info@qtrade.ca](mailto:info@qtrade.ca).

# A beginner's guide to investing online



Managing your own investments online is simple, convenient and affordable. The best of Canada's online brokerages offer low commissions, easy-to-use trading platforms, plus planning and research tools to help you make well-informed decisions.

You don't need to be a financial expert in order to join the ranks of self-directed online investors. You simply have to be serious about taking control of your investments.

You can learn the basics quickly, but start investing gradually. You could begin with a small portfolio, or transition a portion of your investments to an online account. Then, shift more of your investments online as you gain experience and confidence.

Although specific investing advice is not part of the service, online brokerages provide extensive educational resources to help you build your investing knowledge. And with a phone call or email, the brokerage's customer service representatives should be able to answer any question, or resolve any issues.

## Benefits of online investing

- **Low cost:** low trading commissions and fees, so you can keep more of your money invested and working on your behalf
- **Control:** you're in charge of your investments, which is a good thing, since no-one wants to see your money grow as much as you do
- **Convenience:** with just a few clicks or taps, you have immediate access to the markets and to your account details, any time; receive alerts to your smartphone or desktop email when stock market events or price changes occur
- **Speed:** your trade orders are executed and filled rapidly
- **Choice:** access to a wide range of investments to fulfil your portfolio goals, including U.S. and Canadian stocks, exchange-traded funds, bonds, options, mutual funds, GICs and more
- **Information:** access to research tools and analysts' reports, along with the latest company, market and economic news

## Costs

Online brokerages are the most affordable way to manage your investments. Competitive commissions and other fees help you manage your trading costs, and keep more of your dollars invested. For example, most brokerages now offer stock trades for under \$10. Depending on the broker, other value-added perks could include.

- Discounted trading commissions for those who trade often or have a larger account balance
- A selection of ETFs that you can buy commission-free
- Free mutual fund trades
- No administration fees when you maintain a minimum account balance
- Free eStatements and eConfirmations

## Types of accounts

You can open a wide range of self-directed registered and non-registered investment accounts to suit your needs.

Registered accounts provide valuable tax incentives to encourage Canadians to save. Popular registered accounts include:

- Tax-Free Savings Account (TFSA)
- Registered Retirement Savings Plan (RRSP)
- Registered Education Savings Plan (RESP)

Non-registered cash and margin accounts are trading accounts where earnings are taxable.

A cash account is a straightforward investing account for buying and selling stocks, bonds, mutual funds, and a range of other investments.

A margin account allows you to borrow funds from your broker, using the cash and securities in your account as collateral for the loan.

## Opening a new account

Opening a new online account is simple. Whichever brokerage you choose, you'll need to provide some specific information which regulators require all brokerages to collect for each new client:

- Government-issued ID (e.g., JPG, PNG)
- Social insurance number
- Investment e-Statements (e.g., PDF, JPG)
- Details of your income, assets and net worth

*(See pages 13–14 for a quick guide to opening an account with Qtrade Direct Investing or VirtualWealth.)*

## Planning and setting goals

Without question, up-front planning is the key to being a successful online investor. So the effort to create a written plan is worthwhile. Your plan will guide you towards your investing goals and help you avoid making decisions based on emotions.

Planning starts with self-awareness about your:

- Level of investing knowledge
- Available time to manage your investments
- Tolerance for risk
- Objectives
- Time horizon

### Investing knowledge

Beginner, expert, or somewhere in between? Whatever level of investing knowledge you begin with, if you're curious and ready to learn, your confidence will steadily increase.

### Available time

How much time you commit towards managing your own investments will depend on how much time you have available, as well as your level of interest in personal finance.

### Tolerance for risk

There is a degree of risk inherent in every investment. It's a fundamental principal that to earn a higher return over time, you have to be comfortable taking on more risk in the short term.

The three major asset categories have different risk/return characteristics:

**Stocks:** historically, the highest short-term risk but the highest long-term returns

**Bonds:** generally less volatile than stocks, but deliver more modest returns

**Cash** and cash-equivalents (for example, short-term GICs or term deposits, T-bills, money market instruments): the safest investments, but offer the lowest returns

How much market volatility can you tolerate? Imagine that the markets turn negative. How much would the value of your portfolio drop before you became truly concerned? Your answer will inform your goals, the strategies you pursue and the investments you choose.

### Your objectives

Another "fundamental" to address is: why you are investing? Is it for your retirement, your child's education or a major purchase? Are you focusing on long-term investment growth, or do you need to generate income right away? What rate of return are you aiming for? Being clear on your reasons for investing will help you determine the overall objective(s) for your portfolio.

- You are a **growth** investor if your primary objective is capital appreciation over time
- **Income** is paramount if you need your investment portfolio to help pay your expenses
- **Safety** is an appropriate objective for any portion of your assets earmarked for an important expenditure in the near future
- Your objective may be a hybrid, for example safety/income, or income/growth

### Time horizon

When will you need to access the funds in your investment account? The potential impact of market volatility is greater in the short term than it is over the long term. With a short time horizon, safety is paramount because your portfolio may not have time to recover from a downturn. With a longer time horizon, you can choose more growth-oriented investments, because your portfolio has time to recover from short-term volatility.

Definitions of time horizons vary, but generally, a time horizon of 10 or more years is long term, while five years or fewer is a short-term horizon.

Most brokerages offer free calculators and planners to help you discover how much you need to save in order to reach your goals, with various time-horizon and rate-of-return scenarios.

# Asset allocation

Once you've established the fundamentals, then you're ready to determine one of the most critical components of your investment plan. Your asset allocation strategy establishes the relative proportions of equities, fixed income and cash-based investments in your portfolio.

Your asset mix is personal to you, because it must be appropriate in relation to your tolerance for risk, time

horizon and objectives. Basically, your aim is to choose an asset model that is calibrated to meet your goals, while exposing you to a level of risk that you are comfortable with.

Depending on your level of knowledge, your available time and your tolerance for risk, as well as other considerations, you can choose the most appropriate asset allocation model.

For example:

## Conservative



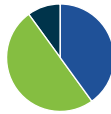
20% equities  
70% fixed income  
10% cash

## Income



20% equities  
80% fixed income

## Balanced



40% equities  
50% fixed income  
10% cash

## Growth



70% equities  
30% fixed income

## Aggressive Growth



100% equities



30% equities  
70% fixed income



50% equities  
40% fixed income  
10% cash



80% equities  
20% fixed income



60% equities  
35% fixed income  
5% cash

■ Equities  
■ Fixed income  
■ Cash

# Investor profiles and asset allocation



## Conservative

Preserving the value of capital is the priority. The conservative investor is willing to accept lower growth prospects in exchange for low volatility in their portfolio. They hold relatively safe assets, such as cash-based and high quality fixed income investments, in addition to a small percentage of equities.



## Income

The objective is to generate regular, dependable income from the portfolio. The income investor is focused on achieving a consistent rate of return, with minimal fluctuations in the value of the underlying capital. High quality fixed income investments comprise a majority of their portfolio.



## Balanced

Comfortable with moderate short-term fluctuations in the value of their investments, the balanced investor seeks a combination of capital appreciation and income. Their assets are a balanced mix of equities for growth potential, fixed-income and/or dividend-paying stocks for income, and cash-based investments for stability.



## Growth

Growth is the goal, and the growth investor is willing to take on more risk to get it. Their time horizon is long enough to give their portfolio a chance to recover from the impact of short-term market volatility. They have a high percentage of equity-based investments in their portfolio.



## Aggressive

The aggressive investor is looking to maximize growth. They are knowledgeable about investing in the stock market, trade frequently, closely monitor their positions, and have a high tolerance for market volatility. In fact, they seek to profit from short-term fluctuations in the market. Margin trading, short selling and options trading are among the strategies they deploy.



## Diversification

The practice of spreading money among different investments is called diversification. The basic idea is that different kinds of assets tend to respond differently in various market cycles. For example, historically, rising equity prices have been associated with falling bond prices. So by investing in more than one asset category, you can reduce volatility and give your portfolio a smoother ride.

Asset allocation and diversification are closely linked concepts, but they're not exactly the same thing. It's possible to choose an asset allocation model that isn't well diversified—all fixed income, for example, or all stocks.

There are diversification considerations within each asset class. For example, equities can be diversified in many ways, including:

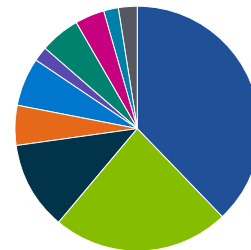
- Industry sector (for example: health care, energy, technology, consumer staples, industrials, utilities)
- Level of market capitalization (large cap, mid cap, small cap)
- Market or region (Canada, U.S., developed markets outside of the U.S., emerging markets, etc.)

Because markets are unpredictable, it's generally wise to seek diversification. A well-diversified portfolio will allow you to participate in the gains of the best-performing assets, while limiting your exposure to declining assets.

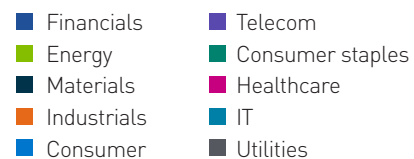
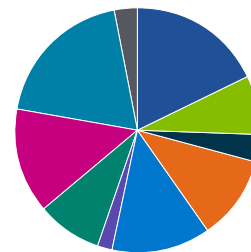
## Beware of “home country bias”

Canada's equity market represents just 3–4% of the world's equities. And over two-thirds of Canada's equity market is concentrated in just three of the world's 10 major sectors: financials, energy and materials. So a portfolio of Canadian stocks is heavily weighted in those three sectors. Investing in different regions of the world exposes your portfolio to broader opportunities while helping mitigate the risks associated with investing in a single country or region.

Canadian sector weights



Global sector weights



## Fulfilling your asset allocation strategy

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Once you have a solid investment plan, how do you decide which investments to choose for your portfolio in order to fulfill your asset allocation strategy and achieve your desired level of diversification? This is the part of online investing that many people find most interesting.

A lot depends on your level of investing knowledge, your available time and your level of interest.

As a general guideline, stick to investments that you fully understand, so you're aware of the potential risks and rewards. As you build your knowledge, you'll be ready to apply more sophisticated investing strategies.

If you have enough time, and you enjoy following the markets, researching companies, and learning investing strategies and techniques, then you can take a more active approach to trading. You can build a portfolio of individual stocks and bonds. And you can pursue more sophisticated strategies, such as trading on margin, or using options to try to improve your results.

If you have less available time, or simply prefer to spend your time on other pursuits, you can still maintain control of your self-directed portfolio. You can simply choose strategies and investments that require less attention. For example, you may want to focus on building your portfolio using a set of carefully chosen exchange-traded funds (ETFs), or professionally managed mutual funds. And a buy-and-hold strategy is much less time consuming than an active trading approach.

## Discovering investment ideas

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How exactly do you find investment ideas? Online brokerages provide tools and features to help you sort through thousands of stocks, ETFs, mutual funds, bonds, and other securities and find the ones that suit your goals and objectives.

Here are some of the free tools and resources you can expect as an online brokerage client:

- **Screeners** allow you to filter stocks, ETFs and mutual funds using prebuilt screens, such as undervalued stocks or high dividend yield stocks, or screen them using customized criteria such as sector or market capitalization.
- Curated **Daily news** packages give you the day's top headlines and insights, so you can scan the latest company, market, business, and economic news.
- **New issues** centre gives you access to IPOs (Initial Public Offerings), so you can be one of the first to invest in new securities when they start trading.

## Evaluating stocks

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Online brokerages also provide extensive information to help you evaluate stocks and other investments. Examples include:

- **Analysts' recommendations** provide well-researched, expert reviews of Canadian and U.S. investments, including top picks for growth, value and income stocks.
- **Value Analyzers** help discover stocks that are good candidates for value investing. They offer intuitive views of key metrics for a particular stock, allowing investors to screen stocks using filters like earnings and revenue consistency.
- **Fundamental research** for any company covers key performance metrics from its most recent financial statements, along with data on its performance history, ratings and more—everything you need to evaluate the company and compare it to its peer group.
- **Technical research** allows you to search and filter potential investments and evaluate entry and exit points based on bullish or bearish technical indicators.

## Stock trading

Online brokerages give you convenient access to the markets. You can trade stocks, ETFs, options, and other securities quickly and easily, from your computer or from your mobile device.

You can use simple market orders to buy and sell. Or you can set specific parameters that give you more control and help you reduce (but not eliminate) risk of losses. For example, you can create a sell order that becomes actionable only if the stock price falls to a pre-determined level. Or you can create a buy order that sets the maximum price you will pay.

- **Market order:** an order that you submit to be filled at the best price obtainable at the time the order is executed. Since markets are dynamic, the order may be filled at a price that is higher or lower than it was at the moment when you submitted it.
- **Stop-market order:** an order that becomes executable once a pre-determined price (stop price) is hit; at that point the order is filled at the market price.
- **Limit order:** an order that sets the maximum or minimum at which you are willing to buy or sell a particular stock.
- **Stop-limit order:** an order where you set a stop price and a limit price. Once the stop price is hit, the order converts to a limit order, to be filled only at the limit price or better.

## Monitoring the markets

Your online brokerage account will allow you to stay connected to news and developments related to companies, markets and the general economy, with features such as:

- Real-time **quotes** that allow you to follow companies and market indices.
- **News feeds** that detail company earnings and developments, augmented with economic, market and industry news from around the world.
- **Watchlists** that allow you to create a portfolio of stocks you would like to monitor.
- You can also set **alerts** to be notified when market events or stock price changes occur.

## Reviewing your holdings

As a self-directed investor, you need complete insight into your accounts, any time. You should be able to review the status of your portfolios and your holdings, compare performance against benchmarks, and switch easily among multiple ways of viewing your portfolio.

You should also be able to review all transactions on your account since inception including buys, sells, transfers, deposits, stock splits, and dividends.

## Five tips for successful online investing

### Keep emotions in check

1

As an investor, you may experience emotional highs and lows depending on whether your investments are currently exceeding or falling below your expectations. But don't let emotions like fear and greed dictate your investment decisions—if you do, you're likely to sell low, and buy high. Instead, have a plan, and stick to it. And do the necessary research about your investments so you understand and accept the short-term risks.

2

### Maintain a diversified portfolio

To smooth out volatility and mitigate risks in your portfolio, stay diversified across and within asset categories.

3

### Stay informed

As a self-directed investor, the more curious and willing to learn you are, the better. If you follow developments with your investments, the markets, and the economy, you're better able to make well-informed decisions and to become aware of potential investment opportunities.

4

### Think globally

Investing in different regions of the world exposes your portfolio to broader opportunities while helping mitigate the risks associated with investing in a single country or region.

5

### Review regularly and rebalance when necessary

Review your portfolio regularly—say, quarterly, or at least annually—to ensure it remains in line with your planned asset allocation and risk tolerance. Asset allocation can drift if certain assets have outperformed or underperformed. Don't be afraid to sell positions from overweight asset classes, in order to add to positions in underweight asset classes.

## Qtrade Direct Investing: Write your own future

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You've got goals. For your future. For your family's future. Pursue them with the confidence that comes from expanded investor knowledge and expert insights. And from tools that help guide your investment decisions.

With Qtrade Direct Investing, you'll have the confidence to buy and sell stocks, bonds, ETFs, and mutual funds - with low trading fees.

**Execute with ease on an award-winning [trading platform](#).** Qtrade has consistently been ranked among the top online investing platforms in Canada.

**Realize opportunity with [industry-leading tools](#).** Whatever your level of investment experience, build, evaluate and test your portfolio with calculators, and tools like Portfolio Creator™, Portfolio Score™ and Portfolio Simulator™, which feature the industry's most advanced risk analysis and portfolio-building technology.

**Move forward with Canada's best online trading support.** You can count on Qtrade. Friendly and responsive client service. Online self-help. How-to videos. An extensive library of articles and [learning resources](#). And more.

## How to open a Qtrade Direct Investing account

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There are three steps to get your account up and running, so you can start investing:

- 1 Complete our online application** from your desktop or mobile device.
- 2 Fund your account** using an Electronic Funds Transfer or bill payment from your banking account; or by transferring assets from another investment account.
- 3 Start investing!** [www.qtrade.ca/apply](http://www.qtrade.ca/apply)

You can move money into your brokerage account from your banking account via electronic funds transfer, or by using your credit union's or bank's bill payment functionality.

### Transferring other investments to your new online account

It's easy to move your investments from another brokerage to your new online investing account. At Qtrade, you can complete a Transfer form as part of your new account application, then print it and send it in along with your application. If you transfer \$15,000 or more from another brokerage to Qtrade Direct Investing, we will reimburse up to \$150 of your transfer-out fees.

The sooner you start, the more time you will have to reach your investment goals. Open an account at [www.qtrade.ca/apply](http://www.qtrade.ca/apply).

### Not quite with us yet?

Before you commit to a trading account, you can still get a closer look at how Qtrade helps you invest with confidence. Take us for a spin with a trial account and check out the features that our community of Qtraders enjoys.

Sign up for a free 30-day trial account and see where investing confidence comes from.

- Access a wide array of **research**, including sample analyst reports
- Use **screeners** to discover investment ideas
- Read current market and economic **news**
- Manage **watchlists** to track stocks
- Try out **calculators** and other investment planning tools.

Sign up today [qtrade.ca](http://qtrade.ca)

## VirtualWealth: Hands-free investing

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Qtrade Direct Investing's sister company, VirtualWealth, is another option if you are time-strapped and prefer to leave the investment decisions and rebalancing to others.

It only takes three simple steps to open a VirtualWealth account;

- 1 Complete a goals-based questionnaire
- 2 Review a recommended investment portfolio to match your goals.
- 3 Open and fund your account!

Learn more about VirtualWealth and open an account at [VirtualWealth.ca](https://VirtualWealth.ca).



For questions about self-directed investing accounts, speak to one of our knowledgeable investment representatives. Call 1.877.787.2330 or 604.605.4199, or send an email to [info@qtrade.ca](mailto:info@qtrade.ca).

**We're here to help →**

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