



Brainy's Articles on Share Trading**

The investment options

Article No:
ST-2150
page 1 of 5
Jan 2013

This article
is NOT free

Introduction

Okay, so you have some money to “invest”, and you are thinking about where to invest it, and perhaps wanting to take more control of your own finances. You might be wondering which investment to choose from a variety of alternatives. This Article in Brainy's series on Share Trading and Investing (number ST-2150) offers some important considerations.

This Article is written for the average *retail investor*, but is also useful for other investors. See the section below on **Investor types** for an explanation.

Investor types

Firstly, it will be useful to briefly explain that some investors are regarded differently to other investors, based on some seemingly strange criteria. Many of the people who regard themselves as *investors* are classified as *retail investors*.

However, if an investor meets certain criteria, they can be declared either a *sophisticated investor*, or a *wholesale investor*.

Within Australia “...ASIC is Australia's corporate, markets and financial services regulator”¹. To be considered a *sophisticated* or *wholesale* investor, one needs to meet at least one of the following criteria²:

- Have proof of net assets of more than \$2.5m;
- Have proof of income of at least \$250k over the last two financial years.

For an investor who satisfies at least one of these criteria, an authorised accountant can complete a declaration certificate³ to this effect.

What does it matter? Well, theoretically, an investor who meets one or both of these criteria is considered to be more knowledgeable with investing. This can give the investor access to a broader range of investment options, such as private placements and private equity funds, as well as exemptions from some requirements (such as the need to receive a Product Disclosure Statement).

There is one more type of investor that is worth mentioning here — the *institutional investor*. This term generally refers to the large professional investor companies such as managed funds, banking institutions, insurance companies, superannuation bodies and the like, which have large sums of money under management. Especially where the funds under management are pooled from a number of clients. These investors tend to invest with a very different approach to the *retail investors*. *Institutional investors* also tend to be classified as *wholesale investors*.

Asset types (classes)

The term *asset class* is in common use, but there is some degree of disagreement about the finite list of asset classes. So to keep things simple in this Article we will loosely refer to different “types” of assets as *asset types*, and not weigh into any debate about *asset classes*.

In general terms, the types of assets that are generally available to the average *retail investor* include the following (in no particular order):

- property (residential, commercial);
- shares (in public companies listed on a stock exchange, versus private companies);
- cash (bank deposit accounts, everyday savings account, term deposit accounts, etc.);

Table of Contents

Introduction.....	1
Investor types.....	1
Asset types (classes).....	1
Some considerations.....	2
Enjoyment factor.....	2
Property versus shares.....	2
Low risk versus high risk.....	2
Shares or derivatives?.....	3
Leverage.....	3
The sceptic's view.....	3
Share market pros and cons.....	3
Summary.....	5

1 <http://www.asic.gov.au/asic/asic.nsf/byheadline/Our+role?openDocument>

2 According to the Corporations Act 2001.

3 <http://www.asic.gov.au/asic/asic.nsf/byheadline/Certificates+issued+by+a+qualified+accountant>

** - The two words *trading* and *investing* are often used somewhat interchangeably.

File Name: st-2150_the-investment-options.odt

Printed: 31 Jan 2013

Note: This information cannot be relied upon. It is only a guide. There is no guarantee of success.

© Copyright 2013, Robert Brain. These Articles are available by subscription: www.robertbrain.com



Brainy's eBook (PDF) Articles

This article
is NOT free*

Unfortunately,
the remaining pages of this article
are not available for free.

Some of the eBook Articles are available for free,
including the Table of Contents pages,
and the Introduction and Overview pages.

These articles take a lot of time, experience,
knowledge and expertise to compile.

However, there is some good news.

You can subscribe as a Toolbox MEMBER
and have unlimited access to all Articles,
plus a whole lot more.

Visit: www.robertbrain.com

Robert writes and updates Articles on three topics:

- ✓ Share Trading & Investing
- ✓ Technical Analysis
- ✓ BullCharts (charting software)

See a list of Articles in the free section of the Toolbox:
www.robertbrain.com/members-area/articles.html
(the green shaded articles are free)

* — Brainy's eBook (PDF) Articles are only available to **Share Market Toolbox** members.
Visit www.robertbrain.com/articles/ for more information.
The first page of every article is free, and some of the articles are completely free (eg. shorter ones and Table of Contents).