

13.1: Introduction

Introduction to Investing

Saving to build wealth is investing. When people have too much money to spend immediately, that is, a surplus of disposable income, they become savers or investors. They transfer their surplus to individuals, companies, or governments that have a shortage or too little money to meet immediate needs. This is almost always done through an intermediary—a bank or broker—who can match up the surpluses and the shortages. If the capital markets work well, those who need money can get it, and those who can defer their need can try to profit from that. When you invest, you are transferring capital to those who need it on the assumption that they will be able to return your capital when you need or want it and that they will also pay you for its use in the meantime.

Investing happens over your lifetime. In your early adult years, you typically have little surplus to invest. Your first investments are in your home (although primarily financed with the debt of your mortgage) and then perhaps in planning for your children's education or for your retirement.

After a period of just paying the bills, making the mortgage, and trying to put something away for retirement, you may have the chance to accumulate wealth. Your income typically increases as your career progresses. You have fewer dependents (as children leave home), so your expenses decrease. You begin to think about your investment options. You have already been investing—in your home and retirement—but those investments have been prescribed by their specific goals.

You may reach this stage earlier or later in your life, but at some point, you begin to think beyond your immediate situation and look to increase your real wealth and to your future financial health. Investing is about that future.

Getting Started with Investing:

Once you have developed your investment philosophy and have determined your goals, risk tolerance, and constraints, it is time to choose a strategy and act. Whether you entrust a professional advisor or you do it yourself—or both—depends on your confidence, knowledge, and the time and effort that you want to devote to your decisions. As is true of any personal finance decision, the ultimate responsibility for and consequences of your decisions are yours alone. Whatever you decide, the more you know about the practice of investment, the better an investor you will be.

There are four broad areas to take into account:

1. How to find and evaluate the information you need.
2. The agents and fees involved in securities trading.
3. The ethical standards and regulatory requirements of the securities industry.
4. The special considerations of investing internationally.

13.1: Introduction is shared under a [CC BY-NC-SA 3.0](https://creativecommons.org/licenses/by-nc-sa/3.0/) license and was authored, remixed, and/or curated by LibreTexts.