



INVESTBANK's Bites Of Financial Advice

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Money may be tight, but building your family's financial security is all about knowing how to invest the money you do have. Read on for ideas on ways to invest and manage your money.

1. Hold your money in a bank account that earns yearly interest

Do this now: Put aside a set amount of money in the bank that you won't touch for some time, earning yourself a small amount of interest simply for allowing the bank to keep your money.

Why it's important:

This type of investment is pretty straightforward and the return is practically guaranteed.

2. Buy a company's shares (equity investments)

Do this now: Heard good reviews about a specific company? Buy some of its shares if it is a public shareholding company. Assuming the price is JD10 per share, an investment of JD5,000 would buy you 500 shares.

Why it's important: When buying company shares or stocks, it means you have partial ownership in the company. You have the flexibility to cash out at any point of time by selling your investment and make a decent return (see 3 and 4).

3. Make money on your equity investments through dividends

Do this now: Wait for your dividends! Once the year-end financial results are announced, the company's board of directors may decide to distribute dividends to the shareholders. If they distributed JD0.5 per share, this would entitle you to JD250. At the same time, of course, you would maintain ownership of the 500 shares.

Why it's important: The money you make from your dividends can be reinvested or put toward household bills and university fees for a child, starting a business or donating to charity. The more shares you own, the more money you can make from dividends.

4. Make money on your equity investment by selling your shares at an increased value

Do this now: Assuming the share price rises to JD11 per share, you can decide to sell the 500 shares and make a profit of JD1 per share.

Why it's important: Equity investments are considered risky and long-term, but they might offer higher returns and higher liquidity. Assuming you collect the dividends and sell the shares in a year's time, your annual return would amount to 15 per cent $(JD250+JD500)/JD5,000$.

5. Invest in a company's bonds (fixed income investment) and make money on your investment

Do this now: Invest in bonds issued by a company; this makes you a company creditor and entitles you to interest payments in addition to your money back at the end of the credit period.

Why it's important: This type of investment carries less risk than the equity investments since the interest rate is predetermined (though the company's risk is a factor to be considered).

6. Invest in funds

Do this now: What if JD5,000 can buy you shares in 20 different companies? What if you can invest this money in a combination of shares, bonds and bank deposits? Diversifying your investments among different companies investment strategies reduces your risk and improves your return potential.

Why it's important: In addition to offering a high degree of diversity that matches your specific needs and expectations, funds are managed by professionals who implement well-analysed financial strategies to increase your return potential. 

