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12 questions to ask before investing

What is your investment objective?

“An investment without an objective is like travelling without a destination”

- Ralph Seger

The story is told of a beautiful young girl who leaves one of her glass slippers at a ball as she leaves in a rush. The prince, enchanted by her, goes on a search of the lady whose feet will

perfectly fit the slippers. Many ladies try fruitlessly to fit their feet into the shoe – until it gets to Cinderella. As the rightful owner, her feet slip in effortlessly and it all ends happily for her. The story of Cinderella teaches us the importance of matching a shoe to the right foot so that there is a perfect fit. Similarly, in investing, it is important to find the investment product that is the right fit for you. Knowing this depends on a mix of several factors. One of the foremost that you need to consider is your investment objective.

Why are you investing? Is it for retirement, education, financial emergencies or, perhaps, to start or grow your business? To help you discover your investment objective, some of the questions you can ask yourself are: “What is the purpose of my money?, What do I want it to do?, Do I want the money to grow or just to preserve its current value?” Everyone has a different reason for investing and so it is important to let your objective for investing guide you to select the right investment product.

One size does not fit all

From retirement to paying termly school fees, your investment objective gives you a clear idea of which investment could work for you. It is important to note, however, that your objective alone should not be the basis for selecting an investment. Your time horizon and risk tolerance are equally important factors that you should consider along with your objective before you can finally select an investment.

For example, if your investment objective is retirement, you need to ask yourself how long you intend to invest or how long you have left to retirement. This will guide you to choose between a short, medium or long-term investment. Then, you need to ask yourself how much risk you can take as an investor. This will also guide you to know whether to go for a low-risk investment, like fixed income, or a higher-risk investment, such as equities. This is why it is possible for two investors who are both investing towards retirement to be recommended two different investment products – one may be best suited for bonds while equities may suit the other.

We will discuss risk tolerance and time horizon in our subsequent articles. But as a takeaway, remember that although your investment objective isn't all you need to select the right investment fit for you, it is an important starting point.

How Databank can help

As Ghana's leading investment bank, we provide a range of solutions to help meet all your financial goals. We have licensed financial advisors who can explain which product best suits you once they match your investment objective with the appropriate time horizon and your risk tolerance. We also have the broadest range of investment products in Ghana to ensure that you will be able to invest in the product that best suits you. At Databank, we know that one size does not fit all in investing. Invest wisely. Invest with Databank.

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