



New Year's Resolution: How to Start Saving and Investing

Description

As we start the new year, now is a good a time as any to set new goals. Whether you want to start saving or you have savings but want to start investing, this is a great New Year's resolution.

It's never too late to start to save your money and invest. However, with that being said, the earlier that you get started, the better.

Giving yourself a longer timeline not only allows you to have more time to save and invest, but compound interest can make a big difference. Plus, over time, you will gain invaluable experience, which will allow you to make better decisions, as your investing knowledge grows alongside your portfolio.

So, here's how you can get started.

Start saving and investing asap

Even if you have no savings, and the thought of investing seems a little intimidating to you, it's crucial to start saving as soon as possible. This isn't always as easy as it seems, especially with rising living costs and a struggling economy amid the coronavirus pandemic.

With that being said, any little amount helps. One tip to try is paying yourself first. That means every time you get paid, before you spend any money on discretionary items, you take some off the top and transfer it to a savings account.

Eventually, you will need to invest your money to help it grow a lot quicker. However, if you have little or no savings, that's a great place to start this year and build up a nest egg for when you're ready to start investing.

How to start investing

If you have the cash and you want to start investing, or you're ready to save and invest at the same time, it's actually pretty easy to get started.

First, you'll need to open a brokerage account, which you can do with your bank, or you can find a discount broker. Discount brokers won't offer the same level of service; however, commission charges will be significantly less.

You'll also want to consider what type of account you're going to open. If you're a Canadian citizen, you should strongly consider opening a registered account first, such as a [TFSA](#) or RRSP. These accounts allow Canadians to invest in securities tax-free, which is a major advantage.

Once you have your account set up and you have added your savings to the account, it's time to start investing.

Canadian stocks for beginners

The best option for investors just starting out is to buy index funds. This is something [Warren Buffett](#) recommends almost every investor should do, but especially if you are just starting out and only want to get your feet wet.

Index funds are ideal, because they give investors exposure to the broader market. This helps you track the market and gain exposure to hundreds of stocks, and only for a fraction of a percentage point in fees.

For example, a great choice is **iShares S&P 500 Index Fund (CAD Hedged)** ([TSX:XSP](#)), an ETF that tracks the S&P 500 index — a collection of 500 of the largest stocks in the United States. The S&P 500 is one of the most popular stock indices in the world.

If you had invested \$10,000 in the XSP five years ago, that would be worth over \$18,500 today. If you had invested \$10,000 10 years ago, it would be worth more than \$33,000 today. Plus, if you had continued to add savings to your investments, these amounts would be much more significant.

Bottom line

Buying index funds is a straightforward way to get started with investing. The best way to grow your money is through long-term investing, which is why index funds are ideal. Buying an index fund allows investors to invest and forget about it, only adding savings every few weeks or every month.

In time, you may feel more comfortable with investing and may decide to add some of your own stock picks alongside the index funds. This can be another great way to learn about investing, while having the majority of your portfolio still invested in the resilient S&P 500.

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