**Financial Education Animated Video Series**

**"An introduction to Investment Concepts"**

**Transcript**

It is widely understood that developing a habit of saving from an early age is very important.

So, do you prefer to keep your money in a piggy bank, or to deposit it into a bank?

Bank deposits usually earn interest, though the current interest rates are not very high.

So some people opt for other investment methods to grow their wealth.

There are various types of investment options available in the market, and you may have heard people talk about investing in stocks or bonds.

So, what exactly are stocks and bonds?

Let's start with stocks.

Simply put, when you purchase stocks or shares of a company, you become one of the company's "owners" and are formally referred to as a "shareholder."

This means you own a portion of the company.

When the stock price rises, it means the value of the shares you hold increases.

If you sell the shares at a higher price, your wealth naturally grows.

On the other hand, if the stock price falls, your wealth decreases.

As for bonds, they can be understood as loans issued by governments or companies to borrow money from individuals.

If you buy bonds issued by a company, it's like lending money to that company.

As a bondholder, the company has the responsibility to pay you the interest regularly.

When the bond reaches its maturity, the company is obligated to repay the principal in full.

Generally speaking, investing in bonds offers a more stable return compared to investing in stocks.

However, if the company unfortunately goes bankrupt, you may not be able to recover the principal and might face losses.

Apart from stocks and bonds, there are many other types of investment products available in the market.

Before making investment decisions, it is crucial to consider the features of the investment products, such as their risks.

So, what exactly is risk?

In the world of investments, the expected returns you anticipate may not necessarily equal the actual returns you receive.

The actual returns can be higher or lower than expected, and there is even a possibility of experiencing losses.

The uncertainty associated with these outcomes is what we refer to as risk.

Different types of investment products come with varying levels of risk.

Let's take bank deposits as an example.

When you deposit money into a bank, you can already determine the amount of principal and interest you will receive in the future.

As long as the bank doesn't go bankrupt, you can retrieve your money.

Therefore, depositing money into a bank is generally considered to have minimal risk.

Stocks, however, are a different story.

Stock prices can go up or down, and some stocks can experience significant fluctuations within a single day.

There is no guarantee of making a profit, and it is possible to incur losses.

Nobody can provide absolute assurance in the stock market.

As a result, investing in stocks carries higher risks compared to investing in bonds or bank deposits.

Furthermore, everyone should be aware that although high-risk investments can potentially yield high returns, they also come with the risk of substantial losses in the end.

It is crucial to understand that high-risk investments do not guarantee high returns.

So, what types of products should we invest in?

First of all, it is crucial to understand our own investment needs and risk tolerance.

You can ask yourself, can you withstand significant losses within a short period of time?

Would it have a major impact on your emotions or even your livelihood?

Additionally, it is essential to understand the nature of the investment products and the risks involved.

Don't blindly believe claims that guarantee easy profits based on rumors.

Moreover, be cautious of those who claim to offer "low-risk, high-return" investments, as they often turn out to be investment traps.

Remember, always do thorough research before making any investment decisions.

Be a smart investor!