# Are you a saver or an investor?

## Canadians are hoarding cash. Here's why that's a bad idea

by Julie Cazzin
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When most Canadians think about investing, they often picture one of two things: either a wealthier individual who spends hours sitting in front of a computer trying to pick the right stocks, or the bank manager they see a couple of times a year when they make an annual RRSP or TFSA contribution, with the money often going into a mutual fund they know little about.

A recent survey of 2,000 Canadians by BlackRock Asset Management suggests that investing remains unfamiliar territory for most Canadians, and while many of us are putting money aside, we're not actively looking for ways to help it grow. Why the disconnect? "Mindset is part of it," reads the BlackRock survey. "And saving rather than investing remains Canadians' most frequently mentioned financial priority." In fact, according to the 2015 BlackRock Global Investor Pulse Survey, a full 72% of Canadians identify themselves as "savers" while only 28% identify themselves as "investors."

What does a saver do differently from an investor? Hoard cash. According to the BlackRock survey, Canadians have double the cash investments they feel they should have—60% of all savings and investments are in cash versus what they believe is the right amount, which is closer to 30%. "Many people have reached paralysis," says Heather Franklin, a fee-for-service planner in Toronto. "What they fail to realize is that cash sitting in bank accounts—or investment accounts—is dead money. In many instances they are actually losing money due to inflationary pressures and even low rates of inflation like we have now can leave their money exposed to loss of purchasing power."

The truth is that investing is a topic that is relevant to all Canadian adults, regardless of age or net worth. It's simply the act of taking your money and making it grow, year over year, by picking investments that are right for you—and we can all use some help doing that. Here are three things we learned from BlackRock's survey that could help us all become smarter investors.

### We start young

Studies have shown that if people don't start investing early, they seldom get around to it. The good news is that close to 7 in 10 investors start investing by age 35. In fact, according to the BlackRock report, by age 25, 27% of Canadians have already started investing and by age 35, 68% have done so. "Just recently, a young couple in their 30s with a young baby contacted me because they wanted a roadmap for their money and investments," says Janet Gray, a certified financial planner in Ottawa. "This couple wanted investment suggestions for their newborn's RESP as well as tax planning for their money and investments in general. Their investments are the tool to help them achieve their short and long term goals." Apparently, young people realize this more than ever these days, mainly because the majority know that they don't have the excess cash and company pensions to fall back on that their parents did.

## We start at work

Many Canadians start investing at their workplace. Often it comes from enrollment in workplace plans. In fact, according to the BlackRock survey, 22% were introduced to investing by their employer. Once Canadians are actively saving and investing, their vehicle of choice is the Tax-free Savings Account (TFSA), currently owned by 42% of Canadians, second only to Registered Retirement Savings Plans (RRSPs) at 47%. This is good news, but there's room for improvement: Just over 52% of Canadians participating in savings and retirement plans don't know the maximum contributions to their workplace plans, which highlights a need for greater financial literacy.

## And we don't know what to do with our excess cash

Changing habits is difficult, especially because less than half the people BlackRock surveyed felt that investing is for them. In fact, 50% of Canadians said that "investing is on par with gambling," and only 44% of respondents said they felt comfortable making their own investment decisions. As a result, it seems Canadians are hoarding cash."Saving is not investing," says Franklin. "Don't make the costly mistake of staying in cash. To beat inevitable inflationary pressure, money in the market—even conservative blue chip stocks—are necessary," says Franklin.

"Start small," says Franklin. "Inactivity is very costly." The key to good investment portfolio growth is not to invest all your cash reserves at once but instead, start investing them slowly over the course of a year or two. Then, mitigate the risk by selecting a diversified portfolio of investments that will offer the potential for not only capital appreciation but also provide growing investment yields. (I think of my own 25-year-old daughter Laura, who opened a TFSA four years ago and set up an automated monthly deposit to a balance fund when she had her first solid part-time job). It's small steps like these that will reap big investing rewards over your lifetime.