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Part 13 – Educating the New Online Investor

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For many, the decade that economist Paul Krugman has aptly labelled 'the Big Zero' is best forgotten. But that era – encompassing the implosion of the dot.com boom, the most wrenching market declines since the crash of 1929 and the soaring gains of 2009 – has left many investors with new a resolve.

"People are realizing that they can't just leave everything to their advisor," says Sheila Walkington, a certified financial planner and money coach in Vancouver. "They feel like they weren't really paying attention. Now they don't know where they're at and why they're not making money."

While recent headlines tend to focus on last year's record-breaking market gains, the hard truth is that many investors have experienced a lost decade. A common refrain, says Ms. Walkington, is "'I invested $50,000 and I'm still at $50,000.' It's disheartening."

Among the signs investors are seeking to take charge of their finances is the boom in online investment accounts.

"You could once categorize the online investor as 20- or 30-something, typically male, fairly investment savvy and looking to turn a quick profit in equities, but that has really changed," says Jason Storsley, president and CEO of RBC Direct Investing. "Our investors now cover the full range. More women and individuals, young and old, are taking control."

It's no longer a demographic or life stage that defines online investors, he says, but an attitude. "It's someone who wants to take control of their financial future and take an active role in managing their own investments."

For many new online investors, says Mr. Storsley, it's not about leaving their advisor behind, but about educating themselves to a higher level of competency when making decisions with their advisor or independently.

"There will always be people who choose to delegate to investment advisors, but we are finding that more and more people are interested in managing at least some of their investments on their own. Many are using an online provider and an advisor at the same time, educating themselves to become comfortable managing money on their own."

As a result, the need for education has never been greater. "We've responded to that," he says. "Our clients are surprised at how much free information is available to them. We have an entire section of our website devoted to learning for every investor, whether they're sophisticated or just starting out."

Tools available for RBC clients, for example, include guidance and planning tools that help clients learn everything they need to know about how to save for a home, retirement or a child's education, with specific step-by-step processes. Other RBC web tools educate investors about investment products – from mutual funds and exchange-traded funds to more sophisticated products such as derivatives and options. "We continue to evolve alongside technology, with tools and resources to make it easier for online investors to set up a well-balanced portfolio," says Mr. Storsley.

Education is the key to successful investing, says Ms. Walkington. "Before you jump in, have a clear plan and educate yourself so you're familiar with your options. Many of the women we work with say that advisors, friends and family are telling them what's right for them, but they don't have a way to understand if it is good information or not. With education, it becomes easier to take that next step."

With more investment products than ever available to online investors, new tools can also make it easier to align individual products with overall investment objectives. At RBC Direct Investing, for example, clients have access to a full range of federal, provincial and municipal government bonds – along with quality ratings and tools that make it easy to create a 'laddered' bond portfolio (a portfolio of bonds with staggered maturity dates).

Another example of the new technology available to investors is the practice accounts introduced by RBC Direct Investing late last year. "Even after our clients understand the products available to them and how to go about setting up a long-term investment portfolio, they sometimes still lack confidence," says Mr. Storsley.

Practice accounts are a great opportunity for investors to test what they've learned without having to put their money on the line, he says. "The way we like to describe it is 'real investing without the risk of having to use real money.' It's a way of test-driving our online investor site without having to make that commitment."

Step 1: consider your investment goals

Certified financial planner and money coach Sheila Walkington, co-founder of the Women's Financial Learning Centre, says women, in particular, are eagerly embracing resources that can ease the investment learning curve.

For many, that process begins with a step back, she says. "People are so excited about finding the best investment, but it's essential to first think about what they want their money to do. Produce an income? Grow over the long-term?"

It's common to have many investment goals, she says, from saving for a down payment for a home to saving for retirement. "That's when asset allocation comes in – it may be different for each goal."

Only then, she says, is it time to think about what to invest in. "Often we see someone who has opened a tax free savings account and then realized they wanted to buy stocks, for example. They haven't thought far enough ahead."

For more information on the personal financial planning classes and tele-classes offered by the Women's Financial Learning Centre, visit womensfinanciallearning.ca.