

Inspired Investor[®]

BY RBC DIRECT INVESTING[®]

MAKE THE MOST OF

2021

LEARN:
WHAT
CANADIAN
INVESTORS
WANT TO
KNOW NOW

LIVE:
FOCUS
ON WHAT
MATTERS
MOST

+
LEAD:
TESTED
“OLYMPIC”
PERFORMANCE
GOAL-SETTING
TIPS





“This year feels abuzz with possibility. How to make the most of it, in and out of our portfolios? We asked three elite athletes to offer their most winning ideas. And we also asked you – we recently surveyed nearly 2,000 of Canada’s online investors, and here’s what we discovered: Investors are eager to learn more, specifically about strategies, stocks, ETFs, options and diversification. So we’ve created a primer on these top five areas of interest. We also learned more than half of you are finding it a challenge to manage your physical and financial health, and 64 per cent are facing anxiety. For that, we’ve got seven tips to help you focus on what you can control. Here’s to a better year ahead.”

— LEIGH FELESKY, EDITOR-IN-CHIEF

1

What Canadian
Investors
Want to Know

2

“Olympic
Gold” Tips for
Investors

3

How to Focus
on What
Matters Most



Find out more about the *Inspired Investor* team



What Canadian Investors Want to Know: Top 5 Insights from Our Survey

We asked almost 2,000 online investors what they want to learn about investing. Here are their top responses — and our take.

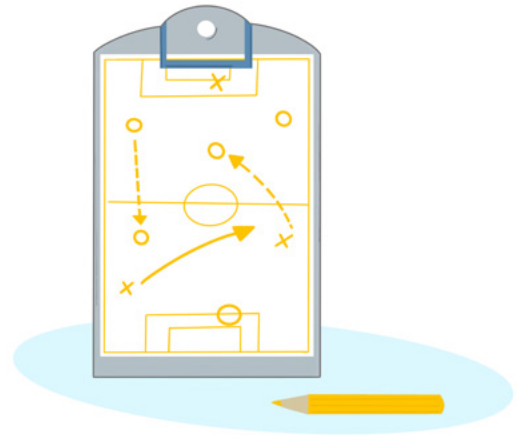
■ **WRITTEN BY THE INSPIRED INVESTOR TEAM**
■ **PHOTOGRAPHY BY RONALD TSANG** ■ **ILLUSTRATIONS BY MICHELE PERRY**

In 2020, Canadians started self-directed investing in record numbers, looking for opportunities — and to take charge of their financial future. We asked Canadian online investors about their investing journeys and, in particular, what they want to know more about.

The number one topic of interest? Investing strategies, chosen by 41 per cent of poll participants. Stock trading was a close second at 40 per cent, followed by exchange-traded funds (ETFs) at 35 per cent, options at 30 per cent and diversification at 24 per cent. Short selling wasn't far behind, with 23 per cent of respondents wanting to know more about that specific strategy, so even though it didn't make the top five, we are offering the scoop. Here we break down all six areas of interest.

1 INVESTING STRATEGIES

Investing strategies guide your portfolio choices. Think of your strategy as your [game plan](#) (which is what investors like [Brandon](#)¹ do). It will largely be based on your goals, how long you plan to invest and how much risk you're comfortable with — all of which will help determine what investments are the right fit for you. Some investors may choose to focus on safety and comfort, accepting a lower rate of return from investments in exchange for more predictable earnings. Others may be looking for regular income through dividends or a combination of income and capital growth, and still others will focus on maximizing growth opportunities.



There are a number of specific strategies you'll often hear about. Here are some of the common ones:

Value: [Value investing](#) is based on the belief that buying stocks at a discount can be a sensible approach to growing wealth. Value investors are interested in stocks that appear to be undervalued based on research and fundamentals. They believe that over time a stock's market price will move up to match its fair value price.

Growth: [Growth investors](#) tend to look for companies that offer strong earnings growth. These companies tend to be relatively new or in rapidly growing industries, they don't tend to pay dividends and they are often characterized by very high price valuations and increased volatility. One quick way to differentiate growth and value stocks is to compare their

[price/earnings \(P/E\) ratios](#). (Learn Linda's² take on P/E ratios in [Investing Truths: Linda on How She Retired Early](#).)

FAST FACT

You might also hear about [dollar-cost averaging](#) as an investing strategy. This involves investing a set dollar amount on a regular basis regardless of current market prices, rather than investing a lump sum all at once.

Buy and hold: A buy-and-hold strategy is much like it sounds: a long-term passive plan in which one buys investments and holds them.

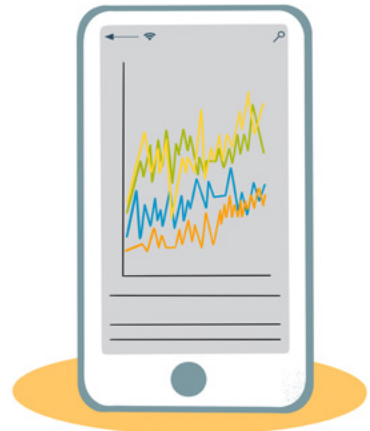
In addition to these strategies, investors are increasingly choosing to build their portfolios around the principles of [responsible investing](#), combining financial considerations and environmental, social and governance issues that are important to them.

There's no one-size-fits-all when it comes to investing strategies — finding what works for you is what's most important.

2 STOCK TRADING

Stock trading is often one of the reasons why investors decide to take control of their investments. Stocks — or equities, as they're often called — can be a valuable part of your investment portfolio. Owning stocks in different companies can help you build your savings, protect your money from inflation or maximize income from your investments. But it's important to know that there are always risks

when investing in the stock market. Once you understand the [risk-return relationship](#), it's good to explore the different features of [common and preferred shares](#), as well as key trading basics such as [bid and ask](#) and [order types](#). Find out more in our [Guide to Investing in Stocks](#).



FAST FACT

When you buy a stock, you own a share (think: small slice) of a company.

3 EXCHANGE-TRADED FUNDS (ETFs)

ETFs have been gaining in popularity over the past number of years, so it's no surprise investors want to understand them better. Similar to a mutual fund, an ETF is a pooled investment vehicle that owns a basket of underlying securities and divides ownership of those securities into shares.



FAST FACT

You may have heard of ETFs in the context of mutual funds — or vice versa. The two types of investment funds have some similarities but also key differences. Learn more in [How Do ETFs Compare to Mutual Funds?](#)

Shares or units of ETFs can be bought and sold on a stock exchange throughout the trading day, like stocks. An ETF's underlying securities are largely determined by its investment objective. Common underlying assets are stocks, bonds, commodities and currencies.

Like all investments, ETFs present a number of [benefits and risks](#) for investors. Buying and selling ETFs is similar to trading stocks. You'll want to look at things like volume, liquidity and the bid/ask spread, all of which you can find in a Detailed Quote. To learn more, explore the full [Guide to Investing in ETFs](#).

4 OPTIONS TRADING

Many investors (like [Orion](#)¹) consider diving into options trading a natural progression after dipping their toes into stock trading. While some [options trading strategies](#) can be very complex, options themselves are relatively straightforward. An option is a contract between a buyer and a seller that speculates on the future price of an asset, like a stock, for example. Since it's a contract, buyers and sellers have certain rights and obligations to the other party.



There are two main types of options: [calls and puts](#). Calls give buyers the right to buy a security at a predetermined price; puts give buyers the right to sell a security at a predetermined price. Unlike stocks, options come

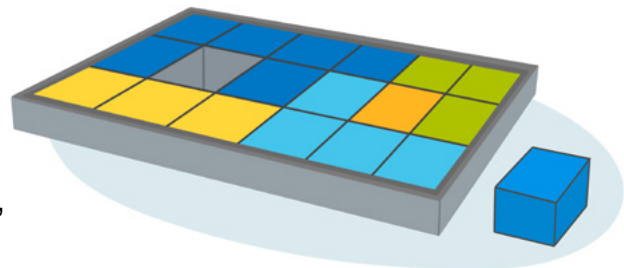
with an expiration date and an exercise price (learn the lingo in our [options glossary](#)); they don't come with shareholder rights or pay dividends; and they generally cost only a fraction of the price of the underlying asset.

To explore the options available for a security you may be interested in, click the options tab on its Detailed Quote. Remember, options can be [high-risk instruments](#), so it's important to closely monitor your investments and understand how much risk you're taking on at any given time. Find out more about options in the [Options Trading Guide](#).

“An option is a contract between a buyer and a seller that speculates on the future price of an asset, like a stock.”

5 DIVERSIFICATION

As its name denotes, diversification refers to the degree of variety in an investment portfolio — generally, the more variety, the more diversified it is. Your mix of investments, also known as [asset mix](#), is considered by many to be key to successful long-term investing. Since financial markets typically don't move in the same direction at the same time, investing in different types of investments, or “asset classes,” may help you ride out [market fluctuations](#). The idea is that if some of your investments are performing poorly, stronger performers elsewhere in your portfolio may help balance things out.



Diversification can mean different things to different investors. While some consider a balance of major asset classes such as fixed income, equities and cash right for them, others view holding stocks in various industry sectors as sufficient diversification. You can learn more about diversification in [Pleasing a Dinner Crowd Can Be Surprisingly Similar to Diversifying a Portfolio](#).

FAST FACT

Studies, including the landmark paper “Determinants of Portfolio Performance,” published in 1986, suggest that your asset mix is the most important decision you can make in investing — even more than choosing specific investments like stocks or mutual funds.

BONUS: SHORT SELLING

Thanks to Hollywood blockbusters, even brand new investors may have heard of short selling. In a nutshell, short selling is an investing strategy that aims to profit from a tumbling stock price. Investors borrow shares from a brokerage and sell them immediately, in the hopes of buying them back later at a lower price. If the short is successful, the shares are purchased at that lower price, and returned to the brokerage, and the investor keeps the difference in price (minus costs, of course).



Short selling, also known as taking a short position in a company's stock, is a more complex process than traditional stock trading. In order to short sell, investors are required to have a non-registered margin account, rather than the more typical investment cash account.

It's important to know that short selling's potential losses are limitless, and its potential gains are limited. When you short a stock, you lose as the stock price rises. Because a stock's price can, in theory, rise indefinitely, you could lose much more than your initial investment. Conversely, when you short a stock, you gain as the price falls. Because a stock's price can only fall to zero, your gains are limited to the difference between the original price of your short and zero. Find out more in [What is Short Selling and How Does it Work?](#)

To explore other investing topics, visit the [Investing Academy](#) at RBC Direct Investing. ■

**The results come from a poll, conducted by DIG Insights for RBC Direct Investing, of 1,836 of Canada's online investors (including 848 RBC Direct Investing clients) between October and November 2020.*



“Olympic Gold” Tips for Investors

What investors can learn from the world of competitive sports – three elite Canadian athletes share winning ideas.

■ WRITTEN BY MARY LEVITSKI

What do investors have in common with top athletes? More than you might have thought. We spoke to Olympic hockey player Brianne Jenner, Olympic sprinter Gavin Smellie and former Para alpine skier Erin Latimer about setting and tracking goals – as well as managing them through uncertainty – and discovered that their approaches translate well to investment portfolios.

Here's what we learned.

PURPOSE IS POWER

Goals can give you a sense of purpose, ownership and structure, whether you're after Olympic gold or market returns. While Smellie, 34, admits to never having been the studious type, when he put his mind to pursuing track and field professionally, he buckled down and brought his grades up to qualify for the scholarship he needed. "I zoned in," he recalls. "I jotted down what I needed to do and I just did it."

“I zoned in. I jotted down what I needed to do and I just did it.”

- GAVIN SMELLIE, SPRINTER



Another key factor for success, says 24-year-old Latimer, is to feel like the goals are your own. When she started training in the Canadian Para-Alpine Ski Team program, there were so many structures in place and professionals working to set her up for success that she says she just went with the flow. Often, she felt like things were “have-tos” rather than “want-tos.” When Latimer started to own her goals and become more accountable, her perspective shifted.

“If you want someone to meet their goal, the key is for them to come up with it, because then there's buy-in, an understanding of everything behind that goal,” she says. Latimer adds that she has more energy and interest when engaging with goals she helped author, “even the stuff that's kind of monotonous, because I can tie it into that greater purpose.”

Self-directed investors definitely know a thing or two about setting their own goals and forging their own path. Learn more in [Know Yourself: 5 Qualities Direct Investors Share](#).



SET SUB-GOALS

Jenner was six or seven when Team Canada won its first women's hockey gold at the 2002 Winter Olympics.

"I remember being inches from the television screen, in awe, and thinking, 'oh my gosh, wouldn't that be the coolest thing in the world to be one of those women someday,'"

she recalls. From that point, says Jenner, making it to the Olympics became her dream.

Jenner's big idea slowly crept toward reality as she progressed from local to provincial and then national hockey. "The Olympics is such a big goal that you have to break it down into the steps that it takes to get there," she says. "So the next big training camp was always what my focus was on."

In other words, as Jenner (who is now 29 and has her own Olympic gold medal to be proud of) navigated toward her big-picture goal, she set sub-goals – like motivational pit stops – along the way. It's a roadmap investors may learn and possibly benefit from. As former competitive skier Latimer says, "Setting micro-goals allows me to make them more flexible and also makes the bigger goals less daunting."



FOCUS ON WHAT YOU CAN CONTROL

One point that all three athletes agreed on: There are many things you can't control. Every ski run is different from the last, even on the same hill, even on the same day, says Latimer.

"The snow conditions are going to be different, the wind, the visibility," she explains.

The list of things out of your control extends far beyond the sport itself, say the athletes. At a competition, aspects like sleeping arrangements, available foods, the media and the fans can all impact performance.

"There's stuff that's outside your control that's going to throw a curveball at you," says Jenner. Her approach? "You have to tune out those things and just focus on what's 100 per cent within your control. And most of the time, a lot of that is your mindset."

For ideas on focusing on what you can control, read [How to Focus on What Matters Most](#)

In investing, what happens in the markets is outside of your control, but [having a plan](#), doing your research and knowing [what type of investor you are](#) could be the best ways to handle a curveball.

KNOWING YOURSELF IS KEY

The difference between making it to the podium and not is miniscule, says Jenner. “Everyone at the Olympics is prepared, is in the best shape, is extremely talented,” says the hockey player. “It’s the tiniest of things that can move the needle for you.” For her, understanding herself is the difference-maker, which is why she keeps a detailed training journal. “I’m always keeping an eye on what worked in the past and what could help me in similar situations in the future,” she explains.

“I think it’s very easy for us to get caught up in what’s working for other people. But there is no universal answer.”

- ERIN LATIMER, FORMER
PARA ALPINE SKIER



For sprinter Smellie, too, what makes all the difference is knowing what does and does not work for him. That’s what compelled him to move from Toronto (“a very distracting city,” he says) to Ottawa, where he was could better focus on training for the 2012 Summer Olympics. His approach to diet is another example of how he forges his own path: Even though carbs are touted by many for helping an athlete recover, he knows eating protein and “just straight veggies” is what gets him into top-notch shape.

At the end of the day, “everybody is the expert in themselves,” says former competitive skier Latimer. “I think it’s very easy for us to get caught up in what’s working for other people or what successful people do. But you

have to remember that you're an individual and you have to really adapt these things to work for you. There is no universal answer."



THERE'S ALWAYS MORE TO LEARN

Jenner has been on the national women's hockey team for nearly a decade, but she's still learning about her potential, how hard she can push her body and what she's capable of. "As you become an older athlete, you really search and turn over every rock to figure out how you can continue to develop."

As in investing, no matter how experienced you are, there is always something new to learn, from strategies and tactics to [controlling emotions](#).



EMOTIONS CAN GET IN THE WAY

Tracking progress toward your goals is critical, say the athletes. Think: everything from your heart rate after a drill to your daily nutrition, sleep and mood. But over-tracking can trigger an emotional response, which in turn can impact your mental state and sway your decisions.

For example, Smellie has identified his ideal running weight as 175 pounds, "so if I go on the scale and I'm at 185," he says, "mentally I'm like, 'oh, my God, I'm so heavy. How can I perform as well as I want to?'" Instead of carrying the weight of self-doubt onto the track, Smellie saves his weigh-in until after a race.

Jenner shares similar sentiments from the ice: "I can learn from tracking numbers, but if I let those numbers affect my confidence, then I can actually take away from what I'm able to accomplish that day."

This is not unique to athletes. Investors, too, can be affected by negative emotions or circumstances when making decisions. Find tactics to combat emotional decision-making in [Can You Trick Yourself Into Better Investing Decisions?](#)



PROGRESS IS NOT ALWAYS LINEAR

As an athlete, says Jenner, you should always keep the end goal in mind, but you have to understand the process. She offers the pre-Olympic training of the national women's hockey team as an example. It happens in phases, she says, so ups and downs are to be expected. "There are weeks and months at a time in an Olympic year when you're playing games fatigued, you're not feeling all that energized and it's a bit of a grind," she says. "But you have to keep that perspective that this is part of the process."

Jenner, who is also a self-directed investor, sees a parallel to investing here, especially in terms of long-term investments: "It's easy to be thrown off track when you see a bad day in the market or if you have a really bad day in the gym," she says.

STAYING MOTIVATED THROUGH UNCERTAINTY

What to do when your goals get derailed? Like many other things right now, the next Olympics hang in the balance. "We don't know if this is going to happen, but you want to be physically prepared, mentally prepared that it's going to happen," says sprinter Smellie.

“What am I capable of doing today? How can I maximize that?”

– BRIANNE JENNER,
HOCKEY PLAYER

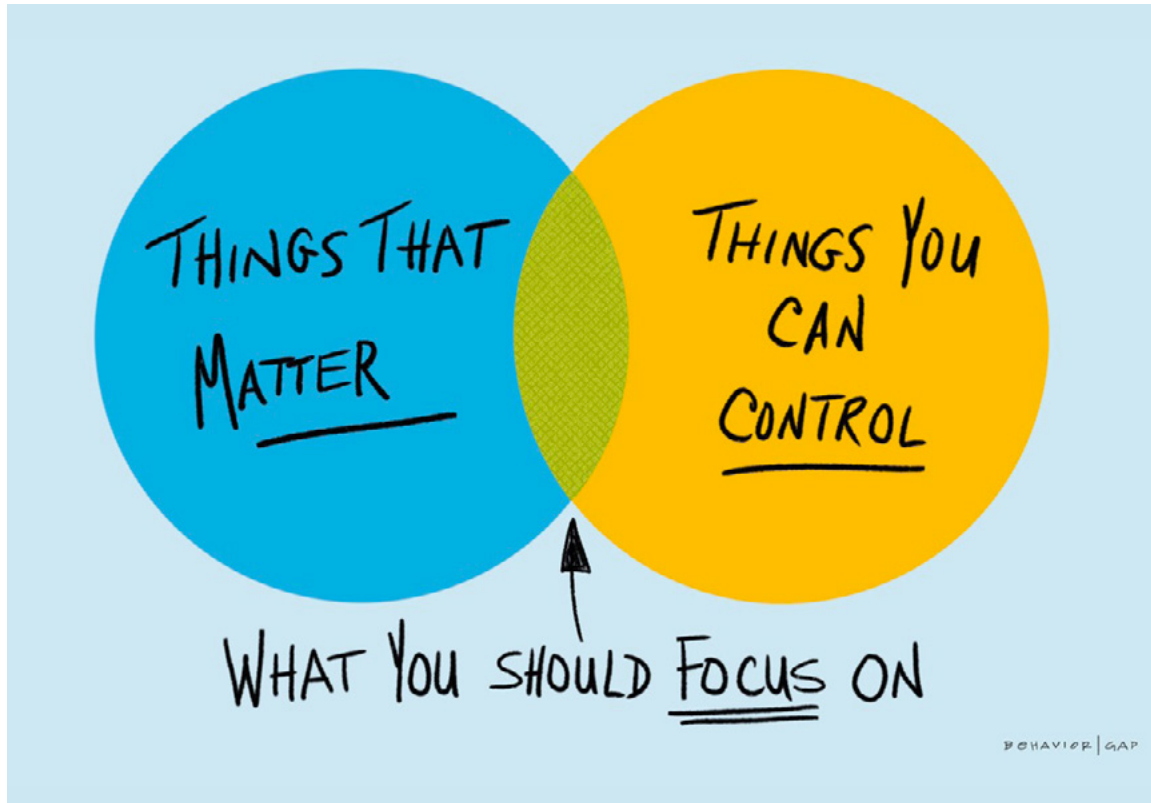


Hockey player Jenner, too, is putting the uncertain out of her mind. "If I worry about the future, that's an enormous waste of time, because I don't know what the future looks like – none of us do," she says. Instead of

thinking about, say, what an ice hockey training session would have looked like were it not for the current disruption, she reframes her approach to: “What am I capable of doing today? How can I maximize that?”

Latimer, who has retired from competitive sports, has seen other areas of her life change dramatically. In response, while her big-picture goals remain the same, she’s building flexibility into her micro-goals. As she strives to continue achieving, she also remembers to practice self-compassion. Says Latimer, “I’m doing my situational best, every day.” ■

Special thanks to the RBC Olympians program, which offers financial support and career resources to athletes like Jenner, Latimer and Smellie.



How to Focus on What Matters Most

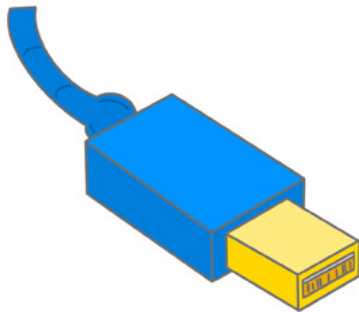
Seven simple ways to stay tuned in to what's important, even amid endless distractions and ongoing uncertainty.

- WRITTEN BY SARAH TRELEAVEN
- ILLUSTRATIONS BY THE BEHAVIOR GAP & MICHELE PERRY

Our current reality might have you more than a little on edge. Between the pandemic and uncertain economic conditions, many Canadians now feel like they have adrenaline coursing through their veins 24/7. It's a recipe for fatigue, burnout, anxiety and unfocused decision-making — which is never a good mix for an investor. Here are seven tips to help slow down your racing thoughts and calm your nerves, so you can focus on what really matters to you.

1 BE A LITTLE MORE “STOIC”

Ancient Stoic philosophers believed that life is less about what happens and more about how we respond — and one of their basic principles is that you shouldn't spend too much time worrying about things you can't control. Marcus Aurelius famously said that he could “choose not to be harmed.” That might sound a little glib in the context of so much upheaval; so instead spend some time thinking about how you can channel any frustration into actionable goals — in other words, the things that can be changed. Can you help ease a burden for someone in your community? Can you involve yourself in a local campaign that feels like positive change? Or can you simply do something nice for someone else who might be feeling defeated right now?



2 STOP “DOOMSCROLLING”

At a time of great uncertainty, you might feel like constantly refreshing your social media feed will help you find whatever answers you're looking for. But this kind of frantic activity — deemed “doomscrolling” — can actually end up elevating anxiety. So relax your thumbs, step away from the screen and only check for updates during occasional, set intervals.

3 BUILD A BETTER HABIT

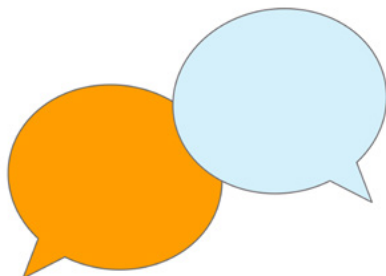
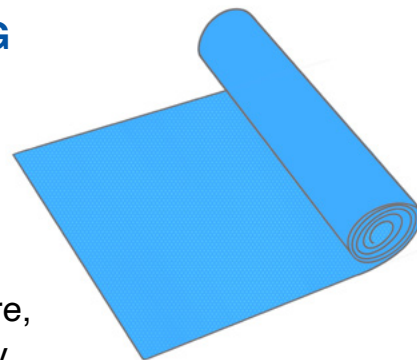
What to do with your hands if they're not doing the aforementioned doomscroll? One easy answer: Reach for a book. It can be a paper book, an e-book or even an audio book. What's important is that you occupy your mind with what you have predetermined as worthy subject matter, instead of letting the internet lead you down the rabbit hole of its algorithmic choice. Want to learn more about the French Revolution? The human microbiome? Astronomy — or astrology? Investing strategies? Or maybe you're looking for a good laugh or a good cry.



There are countless books to feed your interests. As you build this new habit, remember to have patience. [It can take time.](#)

4 PRACTICE SELF-CARE BY EXERCISING SELF-CONTROL

“Self-care” has become a ubiquitous term that conjures up images of languid yoga sessions, lying in a bubble bath for hours or melting cheese over every edible thing in the house. Whatever works, right? Well, not exactly. In practicing self-care, don’t neglect self-control. Before you decide to bury your anxiety by binge-watching the latest reality TV hit, consciously prioritize the commitments that actually make your life function more smoothly. That way, you won’t compound any anxiety with the guilt or shame of evading responsibilities.

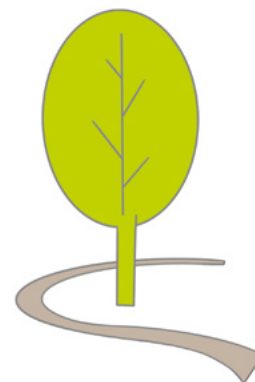


5 FIND WAYS TO CONNECT

When you’re overwhelmed by what’s going on in the world, it’s tempting to wall yourself off and wallow. But that instinct rarely makes you feel better. Instead, try turning to your social contacts for mutual support – the issues of the day likely impact them too. There are plenty of ways to practice this, including taking a walk with a good friend, calling the sibling you haven’t spoken to in a while or setting aside time to catch up (like, a real conversation) with your spouse. And hey, if no one is available when you reach out, a little [self-talk](#) might do the trick.

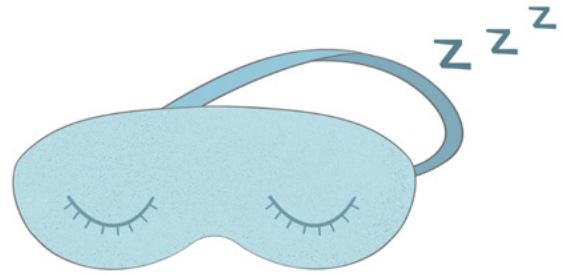
6 SEEK OUT EVEN A SMALL SLICE OF NATURE

At a time when we’re regularly encouraged to stay at home, cooped up and fretting over our various devices, now is a good time to take advantage of the healing power of the natural world. Get outside and take in the sights, whether it’s a nearby frosted forest or a lone evergreen in the city. Leave your phone in your pocket; you’ll feel calmer and breathe easier.



7 BACK TO BASICS

This is the most obvious advice, but it's also the first thing many people forget when they're stressed: Take care of your body. That is, eat three nutritious meals a day, do some form of exercise, drink plenty of water and get enough sleep. (Get science-based ideas for investors in [*How to Sleep, Move and Eat Your Way to Savvier Decisions*](#).) These simple acts won't change the world, but you'll feel more energized and be better prepared to cope with challenges. ■



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