



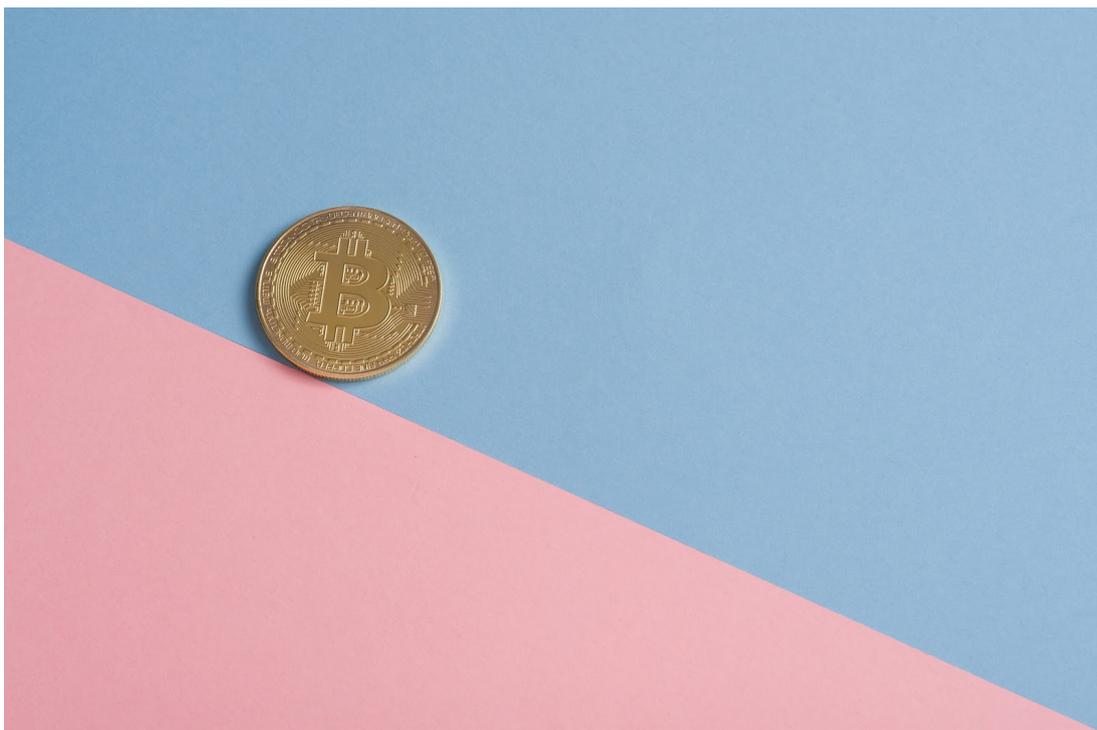
Why Invest?

Estimated time: 3 minutes / Difficulty: Basic

Why should you invest?

Because you can make your life better. Wait, wait, wait! Money doesn't make you happy. We're not saying that.

But investing is a way to make more money, and money can give you the freedom to take care of the ones you love and do the things you want to do, no matter what they may be. In fact, you already are an investor. It's just that you might not be investing in the stock market. Let us explain. It'll make sense we promise.



What is an Investment?

If you ask a dictionary, and it happens to be a talking dictionary, it'll say that an investment is "the outlay of money usually for income or profit." If the dictionary were kind enough to put it simply, it would say that investing means putting your money somewhere and hoping that it grows.

Assuming you have a bank account, then, like we said, *you're an investor*. When you put money in your bank account, you're delaying using it, and expecting to earn more in the form of those tiny interest payments you barely notice.

Yet even if you don't have a bank account, which you absolutely should, you invest in many other ways every day. Because besides investing money, you can *invest* energy, time, and even emotion, and *profit* in many forms as well, from money and gifts to friendships and love!

Basically anytime you "give" and expect to "receive" something back in the future, you are investing. That means that when you stayed late on a Thursday to please your boss, you were investing time. Although in this case, instead of earning the raise you hoped for, you probably received a high-five.



So if I'm already investing, why should I invest in the stock market?

Because you can earn more money than you would leaving it in the bank.

Remember how we talked about your bank account only about 10 lines ago, and we reminded you that it doesn't pay much interest? If you're in the EU you probably earn less than 1% per year on your money, which means if you *invest* by saving 100€ you'll only earn 1€ in a year.

In fact, in a later lesson we'll tell you how inflation means that you may actually *lose* money by putting it in your bank account.

By comparison, in any given year the stock market can increase more than 10%, although over time it averages around 7%! That means you could earn more than 7€ on the same 100€ you left in your bank account.

Careful! As we'll show in the next lessons, the stock market, and the investments you make, can go up and down. In general however, the market earns more than deposits. This can make a huge difference over time! Let us show you with a super complicated chart:

Say you put your 100€ in a bank and 100€ in the stock market. Let's also assume you don't do very well on your investing (pay attention to these lessons) so instead of 7% you earn only 3% per year. What will that look like?

Years	Bank Account	Stock Market
0 (Right now!)	100€	100€
1	101€	103€
3	103€	109€
5	105€	116€
7	107€	123€
9	109€	130€

We hope the takeaway is clear: Within 5 years you will be happy because the extra 11€ is enough to pay for lunch!

In all seriousness, though, our point is that by putting some of your savings in the stock market, you can increase your wealth faster. We know it doesn't look like much, but imagine investing a little more, and earning a little more than 3%!

What other reasons are there to invest?

Well, we obviously think it's fun! As you begin investing, you start to see the world differently. You start to listen more closely to the news, talk to your friends about cool ideas, and think about the companies that affect your life.

Because as an investor, if you like a product, you can not only buy the product itself, you can also become an owner of the company.

You're a big fan of McDonald's breakfast after going out all night? Well if you buy a share of their stock you can be a proud owner of their *very healthy food*. You believe in sustainable energy? Well you can buy stock in a wind turbine manufacturer and support the mission.

We'll talk about what it means to own a stock, what you can do with them, and how the world around us affects the market in the coming lessons.