

Williams Financial
group



Manulife Securities



INVESTING 101

TRAINING GUIDE

MODULE 4:

BUYING GOOD COMPANIES

JON WILLIAMS
PORTFOLIO MANAGER
WILLIAMS FINANCIAL GROUP
MANULIFE SECURITIES INCORPORATED

WELCOME TO MODULE 4

In the book Rich Dad/Poor Dad, Robert Kiyosaki talks about how rich people get their money to work for them by buying assets. He refers to this as “Minding your own business.” You need to not just mind the business of your employer, but also your own business. This business is the accumulation of assets that you continue to buy over time as well as the growth in the value of the owned businesses.

As you learned in the last module – having assets work for you and build your wealth is the key to building wealth. So how do you buy these assets and how do you buy businesses that will earn you profits while you sleep?

The simplest and easiest way to buy a portion of a profitable businesses is to do it on the public stock markets and buy stocks. So what is a stock? Let's explore what a stock is and explore what may be good companies to invest in.

Jon Williams

Portfolio Manager,
Williams Financial Group
Manulife Securities Incorporated



COURSE OUTLINE

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MODULE 1: PAYING YOURSELF FIRST

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MODULE 2: ASSETS VS LIABILITIES

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MODULE 3: COMPOUNDING INTEREST

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MODULE 5: CHOOSING A PORTFOLIO MANAGER

BUYING GOOD COMPANIES

STOCKS EXPLAINED

Let's talk about one of the best income generating assets - Stocks! If you're new to investing or even if you've been investing for a while, the thought of a stock may still be a bit unclear.

So what is a stock?

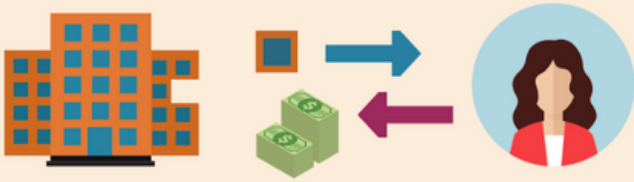
A stock is simply a share or a small portion of a businesses. The simplest and easiest way to buy a portion of a profitable businesses is to do it on the public stock markets.

Owning a stock doesn't mean you carry a lot of weight within the company, or that you get to rub elbows with company bigwigs. It also doesn't mean that you own a piece of the company's assets - you aren't entitled to a parking spot in the company lot or a desk at the company's headquarters.

What you own, essentially, is a share in the company's profits - and, it should be said, its losses. The goal, of course, is for the value of the company - and as a result, the value of its stock - to go up while you're a shareholder.



THE STOCK MARKET EXPLAINED: INFOGRAPHIC



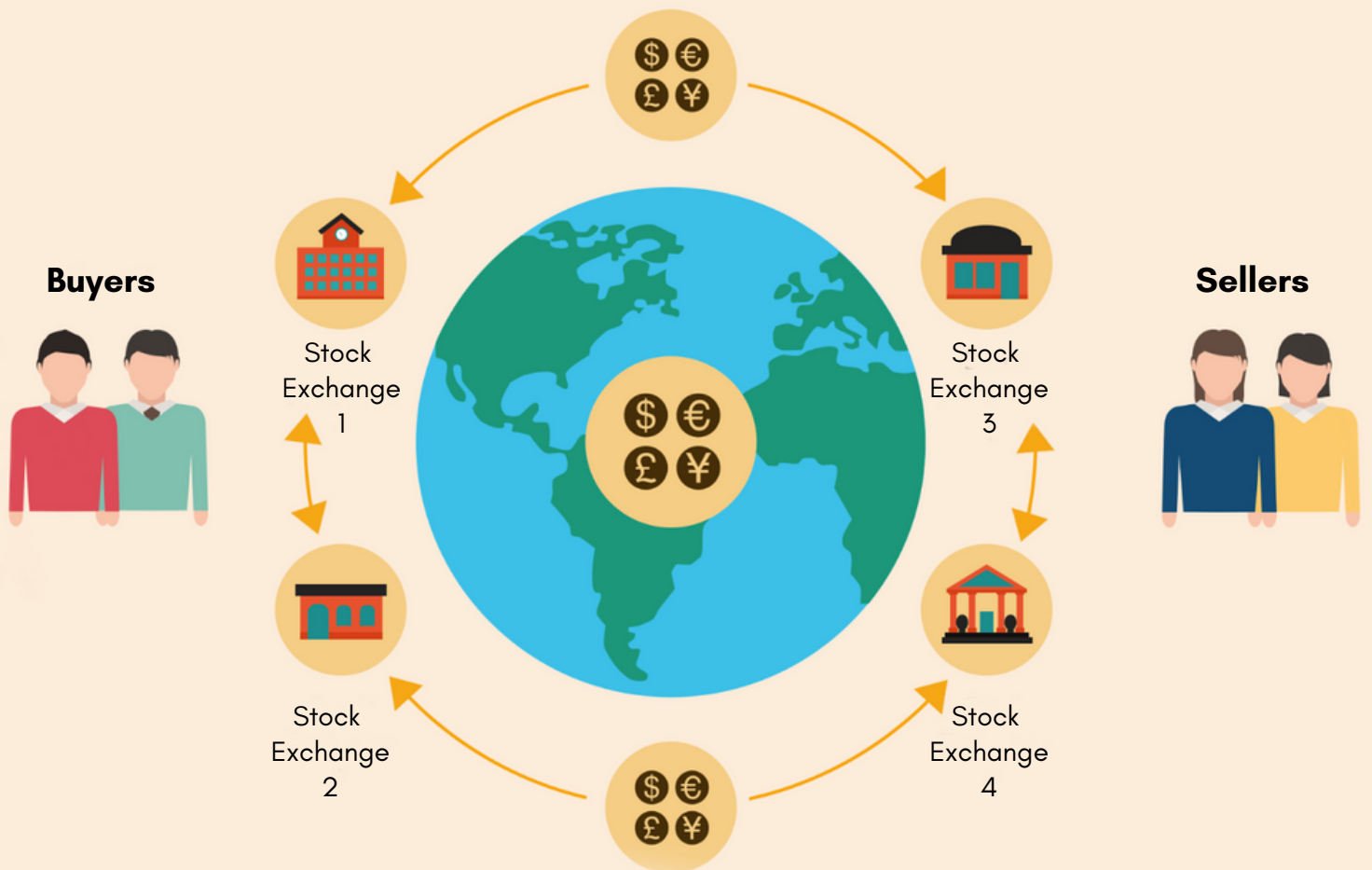
Investors purchase stocks from a company which make them part-owners. In exchange, the company gets more capital.



Stockholders can earn in 2 ways

Trade these stocks in the stock market

Earn dividends from the company's profits



BUYING GOOD COMPANIES

How does it work?

To explain how you can own a stock, let's look at an example:

Let's say that I own a medium size grocery store. As a company, we are doing well, and after paying for our staff and other business costs, our company is valued at \$500,000.

Now I want to expand, because I believe that a second store will do well on other side of town, but I don't have the funds to open another store. In order to expand my business, I would need approximately \$150,000 of new capital which is simply cash money. To raise this capital I have two options.



Option 1:

I can sell off a portion or "share" of my business to one or multiple investors. I could issue 5 shares, and say that each share is worth \$100,000, if you take 5 times the \$100,000 we get our valuation of \$500,000 for the business. Now I can choose to sell 2 shares and keeping 3 for myself. I would now own 3/5ths or 60% of the business. Selling 2 shares would give me \$200,000 of capital to build our second location.

Option 2:

I also could also issue 5000 shares, each being worth \$100. 5000 times 100, equals \$500,000. I can then sell 1500 shares keeping 3500 shares for myself. With the smaller value of shares, I can sell off only exactly how much we need to expand. I've sold off in this scenario 30% of the business and kept 70%, either way I will raise enough capital to expand. Now if I issue \$100,000 shares - it may be very difficult for me to find individuals that have that much money readily available, but if I issue them at \$1,000 - there will be a lot more people who would be able to buy one or more shares.

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**Never invest in a
business you
cannot
understand.**

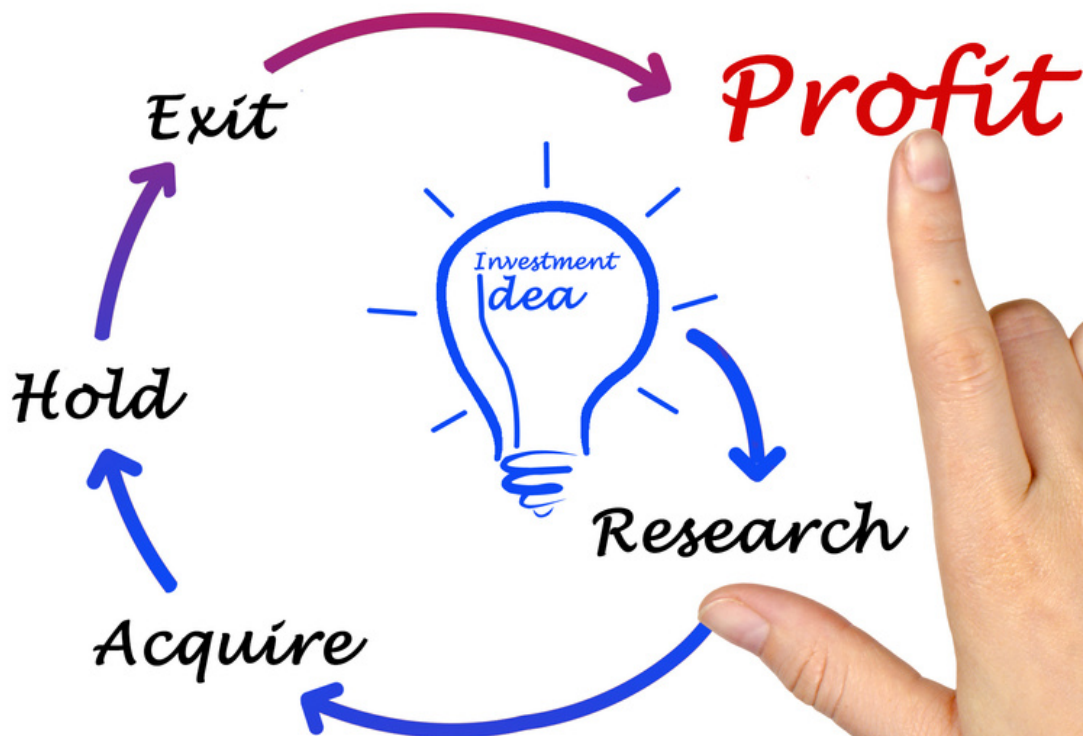
-WARREN BUFFET

BUYING GOOD COMPANIES

The stock market is simply the market – that puts buyers and sellers of companies together. It's a regulated exchange of small pieces or shares of businesses, and allows people looking to sell, find buyers and buyers find sells.

From one side of this transaction, the shares are issued to raise capital (or money) generally for expansion of the business. Shares allow businesses to chunk off little pieces, and sell them to individuals that want to own a small piece. From the other side of this transaction, investors want to own or buy shares, to get their piece of a profitable business, without you having to run the business.

This is why stocks, depending on your situation, have the potential to be a wonderful vehicle for you to accumulate your “nest egg” in –you have professional managers running the business, and all you have to do is decide which companies you want own a portion of.



MODULE 4

COMPANIES I WANT TO INVEST IN

Owning shares in profitable business' is the easiest way to build your asset area in your balance sheet and participate in long term compounding.

Based on what you've learned in this module, list 5 businesses you would love to own a part of and why. Keep these handy and in the next module we'll help you finalize your plan.

Company 1:

Why I Want to Invest:

Company 2:

Why I Want to Invest:

Company 3:

Why I Want to Invest:

Company 4:

Why I Want to Invest:

Company 5:

Why I Want to Invest:

MODULE 4 CHECKLIST

- Learn What A Stock Is**
Learn the true definition of a stock and how it works

- Complete the "Companies I Want to Invest In" Worksheet**
Think about which companies would be good to invest in and why

- Module 5**
Be on the lookout for the fifth and final video in our series



NOTES

NEXT UP:

MODULE 5: THE PORTFOLIO MANAGER DIFFERENCE



You're successfully learned about Paying Yourself First, saving for wealth generating assets, the power of compound interest and you now know what a stock is and how it works! Next we will discuss which generating assets you should invest in to build your wealth!

CONTACT US

JON.WILLIAMS@MANULIFESECURITIES.CA
519-646-1010 | WWW.WILLIAMSFG.COM



400 QUEENS AVE SUITE 100B
LONDON, ON N6B 1X9

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