



Highlights from the AACI program – 15 October 2018 - 19:00

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**What is investing?** Investing is an active attempt to “make money.”

**What is the definition of “yield?”** Yield is a return on your money. A yield is income return on an investment such as interest (bank deposit), coupon (bond) or dividends (stock) expressed as an annual percentage rate based on investment cost. Example: Rent on an apartment = income (return/yield) If property doubled without rent adjustment, the yield has been cut in half.

**Five timeless rules for investors:**

- 1) For individual investors, the lesson is clear – make a plan and stick to it
- 2) Tax efficiency is essential to maximizing returns – tax efficiency is a measure of how much of an investment’s return is left over after taxes are paid. Always consult with a tax professional and ask him/her to help you build a tax efficient structure.
- 3) Avoid emotional responses
- 4) When the experts are talking about an investment opportunity in the media, it is usually too late
- 5) The worse things seem in the market the better the opportunities are for profit. This is called contrarian investing. Baron Rothschild, in the 18<sup>th</sup> century said “the time to buy is when there is blood in the street.”

There are many types of investments: bank deposits, bonds, stocks, mutual funds, hedge funds, and ETF’s, These investments can be structured in three types of ways.

- 1) Taxable – pay taxes on investment income in the year the income was received
- 2) Tax deferred – investments are sheltered from taxes as long as they remain in an account, for example in the U.S. – IRA’s 401k’s In Canada – RSP’s
- 3) Tax Exempt – Canada’s tax-free savings account (TFSA), investors do not need to pay taxes even at withdrawal.

In conclusion, tax efficient investments should be made in a taxable account and investments that are not tax efficient should be made in a tax-deferred or tax-exempt account.

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Another important principle is to recognize your time frame. Long-term investors should own more equities which over time will outperform bonds and deposits. Also, you should have an investment plan and stick with it, try not to be a trader who usually buys high and sells low, thus often losing money.

When investing in stocks, one should continue to buy the stock as the price drops and when the stock goes up; one should start to sell some of the stock as the price rises. An example: if you have 5000 shares of Company X that was bought at \$10 per share, when the price goes to \$ 20 per share, you could sell a portion of your holdings. As the price continues to rise, you can continue to sell a portion of your holdings thereby realizing the gains you have made.

For the beginner, buy an index (thru an ETF = electronically traded funds) and avoid individual stocks. When you buy an index, there are lower fees and there is no need to micromanage. You also get the best results. There are hundreds of index funds in every imaginable sector, not just stock-based, i.e. bonds, property, commodities and by geographical area.

Below are some of the terms used in the program and their Hebrew equivalent:

Interest - ריבית

Investment Income - הכנסה מריבית (פירות)

Dividend - דיבידנד

Yield - תשואה

Effective Yield - תשואה אפקטיבית (נטו)

ETF - תעודת סל

REIT (real estate investment trust) - קרן נאמנות נדל"נית

Principle of diversification - עקרון פיזור סיכון

Buy when there's blood on the streets (attributed to Baron Rothschild) - קונים כשיש דם ברחוב, משמע כשכולם בורחים, אז נכנסים

Don't buy falling knives (to avoid sucker's rally) - כשמנייה קורסת, תן לה ליפול -

Tax Efficiency - תיכנון יעיל של תשלום מס

Taxable account - חשבון ללא הטבת מס

Tax-Deferred - דחיית מס

Tax-Free Account - פטור ממס

Main Israeli Insurance companies = מגדל, כלל, , מנורה, פניקס, הראל

Main Israeli brokers = אלטשולר שחם, אנליסט, אקסלנס, ילין לפידות, מור, סיגמא, מיטב דש, אייבי.איי, אינפיניטי, פעילים, איפקס, הלמן אלדובי, תכלית (מתמחה בתעודות סל) ל