

Why Invest?

We all use it every day, we cannot live without it and it is widely considered as the greatest invention of mankind, yet many people know so little about it.

I am talking of money, of course.

What is money?

Money is an object that is used to for the exchange of goods and services in a society.

Each society has their own money. In the past money has been shells, gold, silver but now we are all accustomed to paper money, also called fiat money. Most of the money on this planet are actually in digital form.

There's a lot of money on this planet and in a capitalist system, there's an infinite amount of money that can be created. As civilization evolves, more money grows.

Where is all the money?

When most people think of money, they think of bills, notes and coins.

Did you ever noticed something written on a dollar bill?

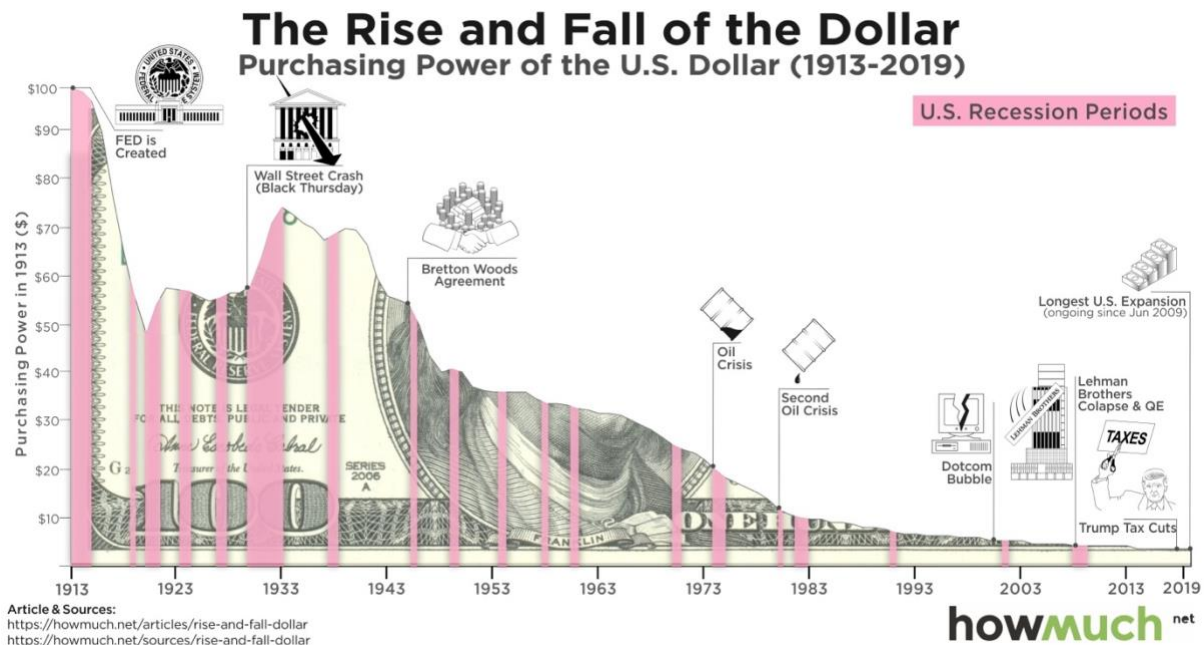


This note is legal tender for all debt, public and private

This is the most important sentence on any banknote. Actually, all this paper money has zero intrinsic value. This is just a piece of paper (or a number on a number on a computer screen) telling you that this note can be exchanged for a certain amount of goods or services. In other words, it can be used to repay a debt. You need a cow, I have a cow, I give you the cow, now you owe me something equivalent of a cow, you can give me an amount of money equivalent to that cow.

Most people prefer to save money. If money can be exchanged for goods and services, it won't be a bad idea to save some for the future. In reality, it is not such a good idea. You should have an emergency fund but beyond that, saving money is bad.

Money doesn't have any intrinsic value but because governments can always create more money, it loses its value over time. This is called inflation.



In 1900, you could buy a pound of coffee with \$1. Today, you need much more than that and, in the future, you will need even more.

Inflation is unavoidable. Right now, the inflation rate in the US is around 2%. It means every year; the dollar loses its value by 2%. If a candy costs \$1 and you can afford to buy 100 candies with \$100 today. In one year, \$100 will buy you only 98 candies.

How can you beat inflation?

You should invest in real or financial assets. Ever wondered why the rich keeps getting richer. That's because they own financial assets.

Let's say that you are able to grow your investments by 10% annually. Today, you can buy 100 candies with \$100. After one year, you'll have \$110 and you can buy 108 candies (Don't forget inflation)

With the right investments, you can grow your fortune. Investing is making your money work for you. With more money, you can live a better life, you can provide a better life to your family, you can have better vacations, you can help more people, protect the environment, create jobs. Why invest? To make the world a better place.

In the next lecture, we will talk about the different types of investments you can do.