

Common Investment Mistakes

Are you investing wisely? Knowing about some common investment mistakes, can help prevent them from happening to you.

1. Investing without a clear plan of action. Many people neglect to take the time to think about their needs and long-term financial goals before investing. Unfortunately, this often results in their falling short of their expectations. You should decide whether you are interested in price stability, growth, or a combination of these. Determine your investment goals. Then, depending on your timeframe and your tolerance for risk, select mutual funds with objectives similar to yours.

2. Meddling with your account too often. You should have a clear understanding of your investments so that you are comfortable with their behaviour. If you keep transferring investments in response to downturns in prices, you may miss the upturns as well. Even in the investment field, the "tortoise" who is more patient, may win over the "hare". While past performance does not necessarily guarantee future performance, your understanding of the behaviour of various investments over time can help prevent you from becoming short-sighted about your long-term goals.

3. Losing sight of inflation. While you may be aware of the fact that the cost of goods and services is rising, people tend to forget the impact inflation will have on investments in the long-term. You have to keep in mind that inflation will eat into your savings faster than you can imagine.

4. Investing too little too late. People do not "pay themselves first". Most people these days have too many monthly bills to pay, and planning for their future often takes a backseat. Regardless of age or income, if you do not place long-term investing among your top priorities, you may not be able to meet your financial goals. The sooner you start, the less you have to save every month to reach your financial goals.

5. Putting all your eggs in one basket. When it comes to investing, most of us do not appreciate the importance of diversification. While we know that we should not "put all our eggs in one basket", we often do not relate this concept to stocks and bonds. Take the time to discuss the importance of diversifying your investments among different asset categories and industries with your financial advisor. When you diversify, you do not have to rely on the success of just one investment.

6. Investing too conservatively. Because they are fearful of losing money, many people tend to rely heavily on fixed-income investments such as bank fixed deposits and company deposits. By doing this, however, you expose yourself to the risk of inflation. Consider diversifying with a combination of investments. Include stock funds, which may be more volatile, but have the potential to produce higher returns over the long term.