

The Top Ten Investing Mistakes

Here are some of the most common investment mistakes that even the most experienced investors make. Knowing and avoiding them will increase your investment advantage.

1. DESTINATION UNKNOWN

Are you planning for retirement, buying a house or saving for your child's education? Different goals may require different investment strategies. Failing to plan is planning to fail.

2. BEING SHORT-SIGHTED

Investing is a long-term process. Attempting to buy and sell with perfect timing is not only impossible - it can also cost you a lot of money. Long-term strategies may not make you a millionaire overnight, but they won't bankrupt you either.

3. BUY FIRST – LEARN LATER

Investing first, then learning about your investment, is putting the cart before the horse. The results can be hard to swallow. Check First - there are many sources of information to help you learn about the investing process and specific investment vehicles.

4. THERE'S NOTHING TO IT!

If it were possible to consistently beat the market, analysts and brokers would all be millionaires (they aren't). Don't overestimate your abilities or those of your adviser.

5. TOO MUCH OF ONE OR TOO LITTLE OF EVERYTHING

Trying to eliminate risk by choosing too many investments can destroy opportunities for good returns. Conversely, having too few investments or focusing on one industry sector will significantly increase your risk.

6. FOLLOWING "HOT" STOCK TIPS

Building wealth takes time, patience, and discipline. "Hot" tips are often from uninformed sources and based on misinformation. By the time you get a tip, it's often too late and the opportunity has passed. NEVER buy a stock based solely on a tip.

7. THE "I LIKE THEIR PRODUCTS" PHILOSOPHY

They may make your favourite beauty product, snack, or vehicle, but that doesn't mean they are a well-run, profitable company. Research is the only way to find out how good a company really is.

8. DOING THE WRONG THING AT THE WRONG TIME

Buy low. Sell high – it's sage advice for making money. If you have a good investment plan, there's no need to panic when markets fall. Spend the time to make a plan and stick to it through the downturns – they're often a great time to buy rather than sell.

9. TAXES? WHAT TAXES?

Taxes play an important role in investment planning. Different investments are taxed differently. Involve a qualified professional to speak about Canadian taxation in your financial planning process.

10. RISK? WHAT RISK?

There are many types of risk that can affect an investment. Even guaranteed investments have some risk. Your investment objectives will help you determine how much risk you should take.

Visit our website at www.albertasecurities.com and you'll find a range of timely, practical and non-promotional information, including more factsheets on the basics of investing, avoiding fraud, choosing an adviser and our parent/teacher resources for helping young people learn about money management and investing wisely.

SOURCES

For further information or assistance:

Alberta Securities Commission(ASC):
www.albertasecurities.com

Canadian Securities Administrators:
www.csa-acvm.ca

Canadian Banker's Association:
www.cba.ca (click "resource centre")

The Financial Advisors Association of Canada:
www.advocis.ca

WORTHY WORDS

Rational Investing in Irrational Times

Swedroe, Larry E. Truman Talley Books. 2002
ISBN# 0312291302

Investment Madness: How Psychology Affects Your Investing . . . And What To Do About It

Nofsinger, John R. Prentice Hall. 2001.
ISBN# 0-13-042200-2

Why Smart People Make Big Money Mistakes - And How to Correct Them

Belsky, Gary & Thomas Gilovich. Fireside. 2000
ISBN# 0684859386

Investing for Canadians for Dummies, 2nd Edition

Tyson, Eric & Martin, Tony. John Willey & Sons, Ltd., 2004.
ISBN# 0470833610