

5 Investing Mistakes

 wiseinvestments.ca/5-investing-mistakes/

September 24,
2018



Everyone wants to be an investor these days but some don't know the first steps to invest. Everyone makes mistakes, even the top investors. However, our goal is to help reduce the number of mistakes you will make while investing!

These investing mistakes are ones that I've personally learned from. Although, a lot of these mistakes I was able to avoid due to some form of mentoring. So, here are 5 investing mistakes that happened to many people, including myself. Avoid these and it will help you become a **wise investor**.

Contents

1: Investing In What You Don't Know

I cannot begin to tell you how much money I've personally **LOST** from doing this. When you invest in something you don't know, it can be seen as gambling, another concept I'm fond of. My first run-in with this would have been when I first invested in the stock market.



I put \$3000.00 on a stock without knowing what it was and within a few weeks, it declined. However, this was no small decline, the stock decreased from \$2:20 to \$0.86. This means I lost \$1820.00 on my very **FIRST** investment at 18 years old, quite the introduction to investing, right?

The biggest factor in this was that I didn't know anything about the company. I knew it was some sort of oil company. However, I did not know where it was located, what they or what bad news even was the website. It turns out there was some sort of legal issues that caused the stock to eventually plateau at \$0.66.

What To Look For?

When investing in **ANYTHING** always learn everything you can about the company. Where they are located, their CEO, what the cash flow is used for, P/E ratio and much more. One website I use for all of this is [Value Line](#). However, different companies and different industries require a certain type of due diligence. Please don't make the mistake I did and learn everything you can about the investment. As well as the difference between good and bad news for the company.

When listening to interviews with Warren Buffet, one of his rules is that you should not be investing in things you don't know. Let's relate it to roulette, in roulette the ball is spinning but you have no idea where it'll land. You hope it lands on red but there are so many different options, you simply do not know.

This concept is the same in the stock market in a sense. This is because if you know nothing about the company. You won't know what is going to happen with your money or what they'll do to affect your money negatively.

2: Lack Of Diversity

Having a lack of diversity can be a huge problem. This can cause a huge amount of volatility in your investment. This is called **'diversification'** and is often used to mitigate risk, along with providing different avenues for investing. However, some investments follow trends that correlate with each other.



As stated by Silverman + Associates

"Typically, when stocks go down, bonds do quite well. A spread of cash, bonds, stocks, and real estate can keep your investment portfolio healthy." This is essentially saying that if you have a good mix of bonds and stocks when one goes down, the other mitigates the risk.

We will use stocks for this example but a lack of diversity can cause a drastic shift in your investment. If you were to invest in one company and it decreases by 50% (similar to my previous example) you'll lose half of your investment. However, if you were to invest in another company that had growth, suddenly that loss isn't so jarring.

Diversifying also help save on fees because certain investments have fewer fees than others. A great example of this is a mutual fund. These have only a couple of fees but when you invest in them, they take your money and diversify it for you! Effectively **removing** buy and sell commissions on the individual stocks you were planning on investing into!

3: If Something Is Too Good To Be True, IT IS!

Binary Options

Another investing mistake I have personally gone through. Since we want to keep this interesting, we will do exactly that with my (or others) misfortunes. The first mistake I made was with binary options. This isn't to say options aren't a worthy investment tactic. It's just that I was sold on the concept of making thousands of dollars easily!

The website my friend and I used was called Boss Capital and the concept was to bet your money.

You would bet \$100 that the conversion rate between two currencies would either go up or down. This means you can wager that in 15 minutes, the conversion will go higher than at what you bet it at.

If this is true you will be awarded (depending on currencies) pay out of 80% (\$180.00). What made this too good to be true wasn't the concept, it's that my friend claimed to have this program that was foolproof. It wasn't foolproof because even though I made some money, my friend lost much more due to the system only work sometimes.

Bitcoin

The second time I got coerced into a trend was **Bitcoin**. I know that some people made a lot of money from it but I was many who did not. When it was on its rise I thought it would be a great time to invest. As soon as invested it dropped by \$7,000! After that I thought it would bounce back, I invested more and it dropped by another \$10,000!

My lack of knowledge, the hype of bitcoin and constant exposure to people making millions was enough to make me drop money on it. This was a huge mistake because I lost so much money following something that was thought to be on a constant rise.



Pyramid Schemes

Lastly, any get rich quick scheme! Yes, there are ways to make you money relatively fast but none will by any means make you rich! Having that certain type of wealth comes with an abundance of knowledge and dedication. Therefore, anything promising you that you'll get rich quick most likely will not work (as it's advertised on the surface).



My last example for this would be when I joined an MLM company. This would be something that I am still, to this day, wondering why I joined them. It worked by paying \$500.00 initially and \$150.00 monthly to stay a member. All you had to do was get people to join and when they did, you'll get a commission off of that. Furthermore, you'll get a commission based off of what your recruits get as well.

They targeted young, naive kids like me with promises of cars and retiring your parents at a young age. Learn the lesson from my mistakes, nothing is free and wealth does **NOT** come easily.

4: Never Feel Pressured

Never feel pressured to ever do an investment. Often times your gut feeling is all you need! If something is telling you to not do investment and you can't shake the feeling, don't do it. Becoming good at investing is something happens over time, it takes skill, dedication, and luck.



To put it simply you need to know when to hold em' and when to fold em'. This is one reason why I joined the pyramid scheme, I felt like I was missing out on an opportunity and all of my friends were trying to get me to join. I brushed off all the skepticism I had and dove head first into the concrete.

I remember watching a Jay-Z interview and him saying one of his main advantages that got him so far was listening to his intuition. The richest rapper in the world followed his intuition and made it this far. Now, I'm not saying you'll be the next Jay-Z because you could be bigger. However, don't underestimate yourself, educate yourself first and then make a calculated decision.

5: Not Investing In Yourself

I did touch on what you can do to investing in yourself on [5 Ways To Invest \\$100](#). However, I never really explained in depth why you should make this your number one priority. Often times, people neglect themselves and try to do a million things at once, I definitely have. The most classic way most people go about investing in themselves is through school.



While I don't have anything against school, it does not teach you everything and in my opinion, it isn't enough. There is a lot of self educating and personal development needs to take place before you can be what you want. This can be through working out, reading books, attending seminars, surrounding yourself with success driven people and experience.

Learn About Yourself

You will never learn about yourself if you haven't experience enough things. When my friends used to tell me they didn't know what they want to do in life, I truly believe its because they have not tried enough things. I first thought I wanted to become a soccer player, then went to university for law/sociology.

I had an interest in finance but I never would have thought it would be my career choice until I agreed to take that opportunity. Take opportunities that you thought you'd never take, you may be surprised by the outcome.

What Happens When You Don't?

Your mind and ethics are your biggest advantage. The thing that will separate you from everyone else the most isn't just your degree, but who you are and what you know. I know people who haven't finished university but are **MILES** ahead of those who did. This may be anecdotal but eating properly, reading books and developing skill-sets are all assets that can help you progress.

If you fail to invest in yourself you'll stay stagnant in many aspects of your life, especially financially. Even those who choose to move up in companies have to take time to develop new skills.

Staying still is a huge deterrent for me personally and I want anyone who reads this to achieve **EVERY** goal they have. My suggestion is to find a hobby, develop it and find a way to make a little extra money from it. Once you start receiving money or some sort of traction you'll know that you're moving forward, even if its a bit.