The 5 Mistakes Every Investor Makes And How To Avoid Them

Getting Investing Right

PETER MALLOUK

PETER MALLOUK is president and chief investment officer of Creative Planning, an independent advisory firm which manages more than $10 billion in investments. In August 2013, *Barron's* magazine named Mr. Mallouk as the "#1 Independent Financial Advisor in America." He has appeared on CNBC, CNBC Worldwide and Fox Business News. He has also been interviewed by *The Wall Street Journal* and other newspapers and magazines. He is a graduate of the University of Kansas and a certified financial planner.

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MAIN IDEA

While it is true the stock market averages a 10 percent growth in value over the long run, most investors never get anywhere near that level of return from their investments. Why? Many investors go out of their way to make mistakes which dilute their returns.

Specifically, most investors assume:

Mistake #1 -- You can make money by timing the market correctly – by buying when it is about to rise and selling when it is about to fall.

Mistake #2 -- To make money, you have to be actively buying and selling stocks all the time.

Mistake #3 -- The financial media exists to help you make money by making smarter decisions.

Mistake #4 -- That if you dive into research, read stock pick letters and watch the financial new shows, the less likely you are to make a mistake.

Mistake #5 -- That once you have enough assets, you absolutely need a financial advisor.

If you are at least aware of these pitfalls, you're better equipped to recognize and avoid them. Keep your investment strategy simple and uncomplicated.

"When it comes to investing, much of the game is simply not messing things up. So what keeps investors from earning the market return? Quite simply, investors prevent themselves from participating in the returns the market wants to give them so easily. Investors go out of their way to make mistakes that keep them from getting the market return. The first step to moving forward is to rid yourself of the misconceptions you may have about what works, to be aware of the most common mistakes and to avoid them. Recognizing the mistakes to avoid can dramatically improve your investment performance, reduce your stress level, substantially increase the probability you will achieve your investment goals, and even improve the quality of your life."

– Peter Mallouk

"Risk comes from not knowing what you are doing."

– Warren Buffett

The 5 Mistakes Every Investor Makes

1. It's possible to make money by timing the market
2. Active trading of stocks generates healthy profits
3. Financial news is actionable and the media want to help you
4. The better informed you become, the more money you make
5. Once you have enough assets, you need a financial advisor

It can't be done over and over without any mistakes. Instead of trying to time the market advantageously, invest for the long run. Make stocks and bonds your long-term wealth investment vehicles. That definitely works.

When you buy and sell stocks all the time, all you end up doing is generating money for your broker. Buy mostly passive investments and you avoid this mistake altogether.

Don't fall for the myth the financial press was formed, funded and now exists to make you money. Tune out all the background noise. They have their own agendas and they most definitely aren't there to help you.

The problem here is you have too many behavioral biases. In other words, you can be your own worst enemy when it comes to investing. The best you can do is recognize your biases and control or guard against them.

If you build an investment portfolio which makes sense for your situation, what is left for a financial advisor to do? It isn't rocket science. Match yourself to a portfolio which will accomplish your goals and move forward. That's it.

Being a good investor

1. Have a clearly defined plan
2. Avoid the wrong asset classes
3. Invest in stocks and bonds
4. Take a global approach
5. Use index-based holdings
6. Don't sell everything at once
7. Get your asset allocation right
8. Stay with your allocation
9. Rebalance sparingly
10. Revisit your plan annually

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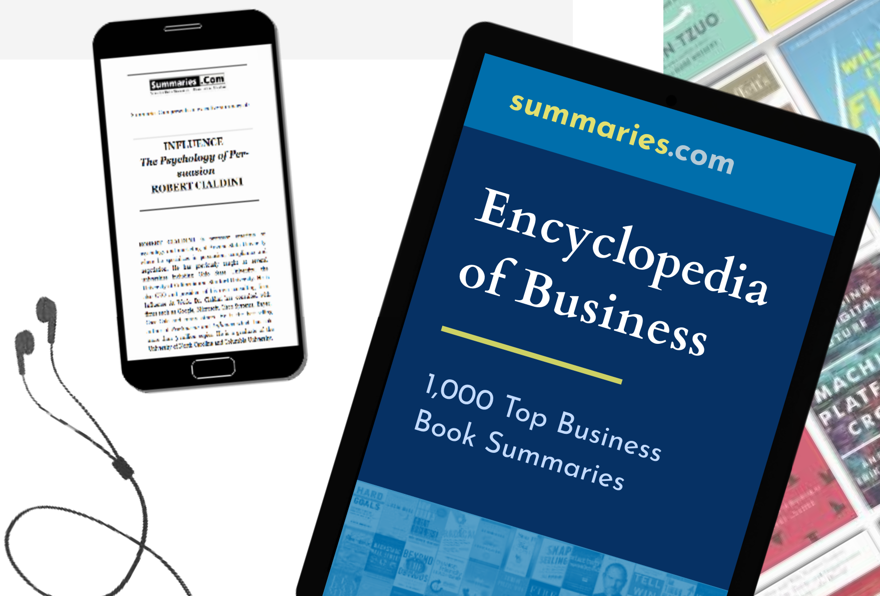

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