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The Three Mistakes to Avoid in your Investments

I hope this email finds you well and enjoying the lovely summer. With all the craziness in the world today, it is easy for one to make mistakes with their investment portfolio. So, I thought I would share with you what I think are the top 3 mistakes that you should avoid. Here goes:

Mistake #1: Trying to time markets

It's time, not timing, that matters in investing. Taking your money out of the market on the way down means that if you don't get back in at exactly the right time, you can't capture the full benefit of any recovery.

Consider this example of a hypothetical US$10,000 investment in the S&P 500 Index made on July 1, 2013 and held for 10 years. Staying invested through the two bear markets during that period may have been tough, but this patient investor's portfolio would have nearly tripled. If that investor had instead tried to time the market and missed even some of the best days, it would have significantly hurt their long-term results — and the more missed "good" days, the more missed opportunities.

Investors who are more hesitant to put all their excess capital to work at once may want to consider dollar cost averaging in volatile markets. Dollar cost averaging during a decline allows you to purchase more shares at a lower average cost, and when markets eventually rise, those extra shares can enhance your portfolio's value.

Mistake #2: Assuming today's negative headlines make it a bad time to invest

Today's economic and geopolitical challenges may seem unprecedented, but a look through history shows that there have always been reasons not to invest. Despite negative headlines, the market's long-term trend has always been positive. In fact, great investment opportunities often emerge when investors are feeling most pessimistic.

Consider a hypothetical investment in the S&P 500 on the day Pearl Harbor was bombed on December 7, 1941. Someone who stayed invested for the next 10 years would have averaged a 16% annual return. Likewise, a hypothetical US$10,000 investment in the S&P 500 on the day Lehman Brothers declared bankruptcy on September 15, 2008, would have grown to over US$30,000 10 years later. History has provided numerous examples of this

Mistake #3: Focusing too much on the short-term

Market volatility is especially uncomfortable when you focus on short-term ups and downs. Instead, extend your time horizon to focus on the long-term growth of your investments and the progress you've made toward your goals.

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