My 3 Biggest Money Blunders of 2016

Description

Overall, 2016 was a good year for me. It was a great year for my finances.

Things were a lot different a year ago. The TSX Composite Index was melting down, falling to new lows seemingly every day. Canadian stocks increased a bit to end 2015, only to fall significantly to start 2016. In January, we set lows not seen since 2013.

We then rallied sharply off those lows, and now stocks are headed for a great year. Investors are happy and feeling rich.

Barring a major collapse in the last couple of weeks of the trading year, my family's net worth is projected to grow more than our 10% annual goal. If December ends well, we could even end up 15% wealthier than a year ago. I'll take that performance anytime.

But not everything was good. Here are three mistakes I made in 2016.

Sold too early

I'll admit it. I panicked. I sold **Penn West Petroleum Ltd.** (TSX:PWT)(NYSE:PWE) at the bottom.

It was not a good time to own energy stocks. Crude oil was trading at just over $30 per barrel. Penn West needed to sell assets to stay alive. Who was going to buy assets when crude was so low? Oil producers were hoarding money. They weren't about to spend it.

Penn West was staring a debt default in the face. The company had managed to negotiate relaxed covenants on its debt, but there was no way it would be able to meet those conditions at $30 per barrel.

So I hit the sell button, cementing a huge loss.

We all know what happened next. Crude rallied, bringing up Penn West shares with it. Then the company announced a huge asset sale, enough to eliminate most of its debt. A year ago, Penn West owed creditors $2.2 billion. These days, net debt is under $500 million. It can easily handle that much debt today, especially now that crude is at $50 per barrel.

Lesson learned: stay the course. Things may look bad today, but they'll get better.

Too timid

There were several times in 2016 I did research on a stock and decided I liked it. I would just wait until it fell a few percentage points before I jumped in. This didn't work so well.

One company that particularly sticks out in my memory is **Information Services Corp.** (TSX:ISV), a company I discovered in April trading at about $15 per share. It was selling at approximately 12 times free cash flow, and the company has a monopoly over Saskatchewan's land titles registry. It also paid a nice dividend. It looked like a nice business to own for a very long time.

I decided I'd be happy paying $14.50 per share. It promptly went up to $18. I'm still waiting for $14.50. Something tells me I'll be waiting awhile.

Real estate

After years of renting, my wife and I decided to buy a moderate house of our own. I enjoy my house immensely; there's nothing like having your own space.

But like Warren Buffett, I consider buying my house a financial mistake. Renting is cheaper once we factor in all the maintenance costs. I know my down payment could have been put to better use in the stock market. And the amount of interest I'd have to pay over the life of a standard mortgage just depresses me. Good thing we plan to pay off our loan early.

We look at buying a house like this: buying a house to live in isn't really an investment. It's more like buying an Xbox than buying a stock. Real estate might be a good store of value, but I'm certainly not counting on it to increase in value any faster than inflation.

The bottom line

All in all, 2016 was a good year for me. My wife and I managed to increase our net worth despite going on vacation several times and spending way too much money on dumb cat toys. My big financial blunders were mostly missing out on opportunities. And I don't think I'll regret buying a house even if it wasn't the best financial move.

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