3 Things Every Young Investor Must Do

Description

As young investors know, it can be intimidating and scary putting your hard-earned money into the market. However, young investors have the greatest asset in investing on their side: time. By continually putting money into the market and buying and holding great companies, young investors can realize the true power of compounding interest.

Here are a few tips for young investors to ensure they can obtain financial freedom.

Invest internationally

A common mistake investors make is taking the advice "invest in what you know" too literally by only investing in Canadian equities. Canada is only the 10th-largest economy in the world and is top heavy in banks, energy, and materials. Therefore, it's difficult to properly diversify by investing in Canada when its economy has such a narrow focus.

The easiest way to solve this issue is to invest in our neighbour to the south. The U.S. economy is the largest in the world and accounts for 24.5% of the world's GDP. Therefore, investors should either invest directly in U.S. equities or buy Canadian equities with significant exposure to the U.S. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) falls under this category as over 40% of its net earnings came from the U.S. in the latest quarter of 2017.

Stay patient

A history has shown, the market generally yields a return of 7-8% over the long-term; however, the ascent is not linear. There will be many bulls and bears during the investing journey, and an investor's success will be contingent upon their ability to manage these highs and lows. It's critical that a long-term view and emotional discipline be maintained. This isn't a "get-rich-quick" strategy, but being patient will create the best chance of investing success.

Never stop learning

Complacency is a major threat to investing success. The world is rapidly changing, and it's critical that you continue to increase your knowledge base and are aware of the market conditions. The work has just begun once you purchase shares in a company, as you'll have to continue to monitor the company's performance, and ensure that its long-term prospects still align with your initial hypothesis.

Other than the Fool's stock advisory services, I highly recommend reading the annual reports of potential stock picks and its competitors. There is a wealth of knowledge in these reports, and they can help ensure all the available information is considered before purchasing a stock. As Warren Buffett says, "Risk comes from not knowing what you're doing." Therefore, it's critical that investors continually educate themselves.

Foolish bottom line

If stock picking and investing were easy, then everyone would be piling their money into the markets. However, human beings aren't wired to invest for the long term, and it's critical that investors keep an even keel and think logically rather than on emotion. By implementing and adhering to the three tips above, young investors will improve their chances of success!

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