



Are You a New Investor Who's Interested in Marijuana Stocks? Read This!

Description

As a newbie, your goal shouldn't be to get rich quick. It should be to learn how the markets work and learn more about yourself as an investor. How much risk are you really willing to take on? The answer is different for everyone, and there's no shame if you're a risk-averse investor. You can still get rich over the years as your wealth snowballs to the next level.

I'm a firm believer that younger investors should be willing to take risks with growth stocks, but that doesn't mean speculating on whatever's deemed "sexy" at a given point in time. Chasing such hot stocks is a sure way to get burned, especially if you're a beginner.

Right now, cannabis stocks are among the "sexiest" of plays, and while the opportunity is real, they offer volatility and risks that are akin to that of bubbly asset classes like cryptocurrencies or tech stocks during the late 1990s. You can get rich pretty quick, but you could also lose your shirt, so it's important that you're conditioned for what to expect before you place your bets.

How should a beginner investor grow?

In the first year as a do-it-yourself investor, you should be diversifying your portfolio across a broad range of sectors, which will cut down on your vulnerability to unexpected sector-specific sell-offs. Diversification is the only free lunch in investing, as prize-winning economist Harry Markowitz once said.

Don't try to whack the market as a beginner; that'll lead you down the wrong path, and you'll end up chasing returns. Think long term and be sure you don't scare yourself out of the markets forever! That means keeping cash on the sidelines should a correction roll around the corner. If you're fully invested, you'll feel pain, and you won't be able to capitalize on sales that come with market sell-offs.

When it comes to risk tolerance, don't lie to yourself. If you're risk-averse but wish you could handle more risk, don't go out and buy speculative securities like **Canopy Growth Corp.** ([TSX:WEED](#)) because you heard it's the best way for a young person to kick-start their portfolio. With such a volatile and risky stock, you're pretty much guaranteed to be frightened out of the game, since double-digit percentage movements are the norm in the emerging cannabis industry.

When should you jump into higher-risk plays as a fresh investor?

I'd only recommend investing in such stocks if you've got a core investment portfolio that you're not going to adjust at the expense of your "Mad Money" portfolio, which is where you'll put cannabis stocks and other speculative securities. In addition, you should have at least managed a "mockfolio" of high-risk stocks in the past, so you're somewhat familiar with the magnitude of day-to-day or week-to-week movements that you're signing up for.

Be sure you're willing to lose every penny of the money you're putting into such [speculative securities](#), because in the end, that's ultimately what may end up happening, especially with pot stocks, which could see a majority of their value wiped out because of unforeseen events that may rear their ugly heads in the latter part of 2018. Cannabis legalization may be delayed further or even cancelled altogether should Justin Trudeau not keep his promises before the possible end of his mandate following the 2019 election.

Bottom line

If you're new to the investing world, and you want to [bet on cannabis](#), just make sure you spread your bets incrementally over time and keep ample cash on the sidelines, so you're able to average down your cost basis.

Stay hungry. Stay Foolish.

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TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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