Canadian Investors: Are You Making These 3 Massive Investing Mistakes?

Description

After spending decades analyzing my own investing behaviour, I've come to a revealing conclusion.

The key to investing well isn't analyzing the tiniest details of a financial statement or figuring out the next sexy growth stock. Sure, those things help — as do a million other tiny minutiae — but they pale in comparison to some of the massive mistakes investors make.

These miscues are what investors should be paying attention to. Minimizing mistakes might not be as sexy as the alternatives, but it really does make a difference.

Let's take a closer look at three big errors many investors make and how you can avoid making these missteps.

Selling too early

Many investors take a position in a great company and vow to hold forever. The stock promptly returns 50% in a year and the same long-term investor punts the company, content to take their profits and move onto the next opportunity.

MTY Food Group Inc. (TSX:MTY) is a great example of this principle in action. In 2015, the owner of fast food brands like Manchu Wok, Jugo Juice, and my personal favourite, Mucho Burrito (among others, it owns dozens more), rallied from approximately $30 to $50 per share based on strong operational results and growth from acquisitions. If investors had sold after that rally, they would have missed an additional 40% upside, as shares trade close to $70 each today.

Despite shares rallying almost 800% over the last decade, MTY Food Group is nowhere close to finished. The company has strong operations in both Canada and the United States, and now has the clout to acquire much larger restaurant chains. There's also the potential to expand some of its Canadian brands into the United States.

Selling at a bottom

Many investors can't stand seeing a loss in their account, so they punt losing stocks quickly, especially after they've declined by a large amount.

But that's not the ideal way to go about it. Selling after a big decline often means you're getting rid of shares at the worst possible time. They subsequently rally, and the impatient investor loses out on a nice gain.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is a terrific example. Many investors loaded up on shares when the stock was trading in the high-$40 range to the mid-$50 range on the TSX, liking the long-term health of the pipeline business, the company's moves to re-acquire undervalued subsidiaries, and the expansion into renewable power generation.

Shares started to fall as the market became nervous about long-term interest rates. Many bulls sold their shares when the company bottomed under $40 per share, convinced the sky was falling.

We all know what happened next. Shares rallied off those lows and currently trade at more than $47 each at writing. Investors who were buying during the darkest times got rewarded, while those who sold took an unnecessary loss.

Sitting on your hands

I used to be guilty of this, only investing when stocks got incredibly cheap; I thought my patience would eventually win out.

Fortunately, I've realized the error of my ways and I take a much more balanced approach to investing these days. I contribute to my accounts each month and then put that money to work. The cash might accumulate a bit, but I'm still over 95% invested at any given point.

I can't tell you where the market will go next week, next month, or even next year. But I am certain it'll be higher a decade from now and much higher in subsequent decades. Once I got this through my thick skull, investing even when the market didn't seem so attractive became much easier.

Besides, there's always a value opportunity somewhere. If you can't find it, I'd argue you're not looking hard enough.

The bottom line

Avoiding investing mistakes will never get the attention it deserves. Everybody would rather talk about the next ten-bagger. It's a huge opportunity to improve results that doesn't require any research or hard work. Embrace the concept and you'll end up richer over time.

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Author
nelsonpsmith