3 Simple Tips to Help Make Your 1st Investment Profitable

Description

Making an investment in the public stock markets can be an intimidating experience for many Canadians, even those who may already hold a degree in business training or with years of experience as a working professional.

But don't sweat it. After making your first few trades, a lot of those "newb" jitters will go away, and the entire experience of becoming a part-owner of a businesses will become more a lot more familiar and sometimes even enjoyable or even exciting.

The important thing is to take the first step, get your feet wet so to speak, and grab your first bite of the markets.

Understanding exactly what your buying

When you make an investment in the stock market, you're really buying a "share" or a percentage of an ownership stake in that company.

That company could, for example, be a household name like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). It could be a upstart technology company like Canada's own **Shopify**. Or maybe you even want to try your hand investing in a cannabis company like **Canopy Growth**.

At the most basic level, however, you're going to want to have a fairly solid understanding of what type of day-to-day business your company is involved in.

It isn't so important to know every detail of the ins and outs of the business when you're first starting out, but you'd certainly want to know that TD has different lines of business in retail banking, commercial banking, capital markets, and asset management, and that the bank tends to make more money when the economy is growing and interest rates are on the rise.

Know the value of a dividend

Some companies pay dividends while others don't.

TD is currently paying a $0.74 quarterly dividend to its shareholders.

That means if you were to buy the shares right now, you'd be getting the benefit of a 3.92% annual yield on your investment that would consist wholly of the company's regular quarterly dividend payments.

Other companies like Shopify and Canopy Growth, meanwhile, aren't currently paying their shareholders any dividends at all.

There can be a variety of reasons why a company, at the direction of its board, would elect not to pay a regular dividend.

It could be because its preference is to reinvest any surplus funds back into growing the business, but as a shareholder, you're going to want to have a reasonable idea of what your company is doing with the hard-earned money that you've invested with it.

Be picky and be patient

Investing is certainly a "long" game, and one that requires careful patience and discipline.

When you are first starting out in your investment career, you might be tempted to make a big investment in your very favourite company or investment idea.

But as time wears on, you'll inevitably learn there are literally thousands of companies out there to choose from. Moreover, it's critically important not to assign any emotional attachments to a particular company or investment idea.

You also want to be patient when it comes to making an investment.

In the same way that time will teach about the sheer breadth of opportunities that are out there waiting for you, time will also teach you that just when you thought an investment opportunity simply couldn't get any more "perfect," there's often an even better opportunity waiting for you right around the corner.

So, be willing to wait for the right opportunity to make your move.

Bottom line

Being a DIY investor can be an incredibly rewarding and fulfilling process.

Not only does it afford you a greater say in terms of how and in what avenues your money is being invested, but it can also offer you a fresh perspective on how the economy and capitalism really works — not to mention gaining control over your ultimate financial destiny.

But the first step, of course, is just that — taking the first step.

Follow these three simple tips, and hopefully your first investment in the capital markets will prove to be a profitable one.

Stay Foolish.

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