Investors Over 50 Keep Making These Mistakes

Description

When we covered the number one retirement mistake Canadians are making today, we discovered something troubling: Canadians over 50 are hundreds of thousands of dollars short of their savings goals.

If you're worried about retirement, pay close attention to the three tips below—they can turn a stress-filled retirement into a comfortable, enjoyable few decades.

Forgetting the world

Here's something millions of 50-plus savers are forgetting to do: maintain a global focus. If you're not looking abroad, you're missing out big time. Even the simple act of investing throughout North America can pay off.

Since 2006, the **S&P/TSX Composite Index**, the most widely-cited metric for Canadian equities, has risen by roughly 40%. The U.S.-focused **S&P 500 Index**, meanwhile, rose by more than 110% over the same period. If you weren't invested in the U.S., your portfolio suffered.

There are plenty of other exciting opportunities outside North America. India and numerous countries in Africa, for example, are experiencing rapid population and GDP growth.

The growing middle classes are pushing these economies to become the largest in the world. Meanwhile, population and GDP growth in the U.S. and Canada are trending toward multi-decade lows.

If you want to gain direct exposure to the fastest-growing economies on the planet, consider **Fairfax Africa Holdings** and **Fairfax India Holdings Corp.**, both of which are managed by one of the best investors of the last 35 years.

Mistaking safety

Another classic mistake is blindly investing in “safe” stocks. This includes well-known banks like **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), which supposedly offers reliable dividends and earnings.

The reality is far worse, however. For some reason, the dividend community has labeled this a low-volatility stock, yet in 2008, shares fell by 50%. There’s a chance the next market downturn could cause a similar collapse.

Famous short-seller Steven Eisman thinks Canadian banks like Bank of Nova Scotia aren’t prepared for even a slight normalization in the credit cycle. “Canada has not had a credit cycle in a few decades,” he told *Bloomberg*. “I don’t think there’s a Canadian bank CEO that knows what a credit cycle really looks like.”

Don’t expect all “safe” stocks to maintain their value during a bear market. Do your research and understand *why* any particular stock could avoid a market-wide rout. As a global financial services company, it’s tough to see Bank of Nova Scotia sidestepping any troubles.

Avoiding big gains

Investors over 50 are likely closing in on retirement. That causes many to shift their allocation from higher-risk to lower-risk assets, which that retirement can often last decades, is a mistake. That’s plenty of time to trade-off higher risk investments for greater long-term reward.

Guyana Goldfields Inc. (TSX:GUY) is a perfect example. The market cap is just $200 million and the share price is incredibly volatile. On the surface, this is a terrible stock selection for a retiree.

On a risk-reward basis, however, the stock is incredibly attractive. The present value of its assets could be worth more than *twice* the current trading price. This is a high-risk, high-return bet, but there’s still room in your portfolio for a small allocation.

Even if it makes up just 2% of your portfolio, a doubling in price could be the difference between underperforming and outperforming the S&P/TSX Composite Index.

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