3 All-Too-Common Investing Mistakes

Description

Whether or not you're new to investing there are a number of mistakes you've likely already been warned about. Buy low and sell high, meet with your banker before investing, diversify, do your own research.

All of these warnings are definitely ones to pay attention to, but there are other common mistakes that almost every investor falls prey to.

Mistake 1: Niche markets

Let's face it: a lot of us tend to get into investing because there's a new and exciting industry that is just dying to be taken advantage of. Take the cannabis industry today. Shares of cannabis companies skyrocketed last year as investors clambered to get on the marijuana train before it left the station.

Well, that train has certainly left the station recently, with many large companies seeing share prices cut in half as investors now become wary ahead of a recession. Frankly, they're also impatient, with many marijuana companies not putting out profits as soon as investors had hoped.

Now I'm not saying you shouldn't buy anything in a niche market. **Aurora Cannabis Inc.** (TSX:ACB)(NYSE:ACB) is an excellent way to get in on cannabis right now.

The stock is selling at a low price, but is set up to be the largest cannabis producer in the world with potentially 700,000 kilograms by the end of next year. It's already set up in 25 countries, including Canada, and is well on the way to reaching a price per sale per gram of $1 by the time its production is complete.

So while you can buy into niche markets, a mistake would be to buy up a bunch of companies in this industry and expect them all to rise. Instead, do your research and focus on a few.

Mistake 2: No plan

You need a goal. That's priority number one when it comes to investing. With no goal, your investing will be all over the place with nothing to show for it in the long term.

Apart from the obvious goal of making money, what are you investing for? To pay down debts? To buy a car? To retire? Consider this and then speak to your banker about what number you'd like to reach, and in how long.

If you have time, considering a steady, low-risk stock would be a great place to put your cash. An exchange-traded fund such as **BMO Low-Volatility Canadian Equity ETF** (TSX:ZLB) is a great option as the company is managed by analysts looking for stocks that offer little-to-no risk.

That means while you won't see a huge jump like you would with, say, Aurora, you will see a steady upward trajectory for your cash if you invest for the next few decades.

Mistake 3: Watching the markets *too* closely

It's the nature of the beast. Markets go up, and go down. Every day something can happen that send stocks into a tail spin, leading investors to panic. Take **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) for example. It could be said on both sides of this stock that investors let panic get the better of them.

As the stock climbed higher, investors panicked that they would miss out. Now, the stock is falling as investors worry about the future of the tech industry, leading to investor panic yet again and a huge sell off.

But again, you need to research your companies and decide whether or not they are long-term buys. Sure, you want to buy low and sell high, but if you wait a long time you're almost guaranteed to be selling high no matter what.

It's far better to wait out a storm such as a recession and sell high in a few decades. Shopify is set up to be one such stock that could still see significant returns for the long-term investor.

Its recurring revenue, fulfillment centres, and large clientele are just a few areas where the company has proven its strength. So stop watching its share price so closely! It will all come out in the wash.

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5. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

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