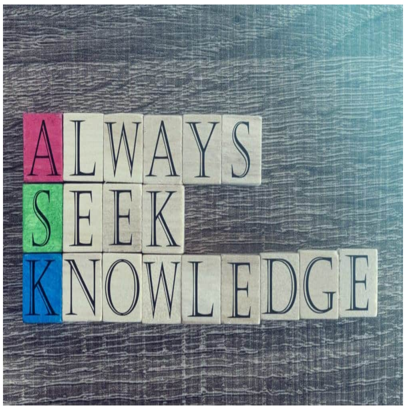

2 Common Investing Mistakes to Avoid at All Costs

Description

Mistakes are a part of life, and with anything you do, there is a learning curve to gain the knowledge and experience. With investing, that is amplified, and while it may seem daunting for starters, it isn't too difficult to pick up.

One thing you won't be able to avoid is making mistakes, as even the best of the best still have blunders and miscalculations from time to time.

The key is learning from your mistakes and avoiding these most common errors. If you can do that, you will vastly improve your investing returns, especially as you continue to gain more experience.

Here are two common investing mistakes you will want to avoid.

Market timing

Market timing may be the most tempting thing an investor has to avoid. In hindsight, everything seems so obvious, which may give investors a false sense of confidence, when the reality is that market timing is extremely difficult.

Market timing consists of trying to consistently pick the tops and bottoms of stocks. Not only is it extremely difficult to do, but data shows that you need to be right more than 70% of the time in order to even make money.

Another setback is the increased commission costs every time you make a trade in or out of a stock.

Consider that one of the world's best investors, Warren Buffett, has even said he never tries to time the market.

This is almost always why time in the market will beat timing the market.

Waiting too long to sell a stock

There are two ways that waiting too long to sell a stock can hurt your performance. Investors may hold onto a winner because they have sentimental value to it or you may hold a loser, because you are waiting to break even on the position.

Both are major mistakes that need to be avoided. In the case of the winner, you have to know when to cut a stock loose when it has reached its full value, or its business no longer offers a long-term outlook of solid returns.

As soon as a company no longer meets your criteria for buying a stock, you probably shouldn't own it.

Conversely, if you buy a stock and new developments soon turn it to a loser, and your underlying view of the company or industry has changed, it's best to move on from the stock and forget about it.

Waiting could cause even further losses, rather than turning around and appreciating back to your breakeven point.

On top of that, you could be losing even more money through opportunity cost by not taking that money and investing it elsewhere.

Consider investors in **CannTrust Holdings**. When news broke in early July of the fraud, that should have changed a lot of investors' minds about the company, and although they would have booked a loss, they could have gotten out and invested their money elsewhere.

Investors who waited it out in hopes the stock would bounce back have lost more than twice as much as they could have, while also missing out on the gains in other investments.

This goes for somebody holding a winner too long as well. You are giving up potential gains that could be made if you had just sold your investments and moved on.

It's extremely important for investors to know when to sell a stock, so you don't miss out on the next opportunity.

Bottom line

Any time you lose money, you should learn a lesson for next time. Nobody will be perfect, but staying disciplined and learning from your mistakes will keep you a lot better off than you otherwise would have been.

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2025/08/29
Date Created
2019/09/22
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