Canadian Investors: Are You Making These 3 Massive Mistakes?

Description

Any good golfer can tell you the key to a good round is minimizing mistakes. If you make two birdies and seven triple bogeys, it doesn't translate into a very good score.

Investing is the same. Sure, we all love to regale our friends with stories about stocks that double, triple, or even more. But those opportunities are exceptionally rare, at least in the short term. Key victories are obtained by avoiding the stock that falls 50% to 75%.

Remember, investors don't have unlimited amounts of cash to put to work in the market. Every loss hurts because of this. If you lose 50% on an investment, you'd have to double the remaining balance just to get back to break-even, never mind the opportunity cost.

Or, as Warren Buffett puts it: "*Rule number one is to not lose money*."

Let's take a closer look at three more investing mistakes you'll want to avoid. Make sure to pay attention; these missteps could potentially cost you thousands of dollars.

High fees

I'm constantly amazed by how many investors are okay with paying high fees. They don't realize how quickly just 2% per year can eat into their cash.

This seems to be mostly a baby boomer phenomenon. For whatever reason, these folks are more comfortable dealing with someone who wears a suit and has a desk inside a local bank branch. Meanwhile, these bank employees push expensive mutual funds that hold a basket of individual stocks and ETFs, something an investor can easily build themselves.

When I asked a friend why he didn't just buy a handful of ETFs that approximated the return of his favourite balanced mutual fund (and its 2.06% fee), he rattled off a list of justifications that would make any seasoned investor blush. He was content with a 6% return. The cash was secure because it was managed by some smart fund manager. And he liked the overall risk profile. When I told him he could easily create his own balanced fund with fees of approximately one-tenth what he pays now, he just wasn't interested.

The lesson here is simple. Fees matter. An 8% return is solid, but you'll need 10% gross returns to get there if you pay 2% to a fund manager. Keep your money; don't give it to a mutual fund company.

Invest early

I get it. Life is expensive, especially when you're just starting out in your career.

Think about what the average Canadian graduate has to go through. First they need to find a job, which often means living in an expensive large city. Then they must find a place to live, pay back those student loans, and perhaps worry about starting a family. It's a lot. No wonder younger Canadians suffer with debt.

The advantages are massive for someone who can put just a small amount away. $5,000 invested annually over 40 years at an 8% return turns into just over $1.5 million. $5,000 put away annually over 20 years earning a similar return will be worth just over $270,000.

Buy blue chips

Although it's possible to make money using almost any investing method, the most successful Canadian investors I meet have a simple strategy. They buy blue-chip stocks that have a history of raising dividends and hold them for a long time.

One of my favourites is still **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY), a REIT that owns some of the world's finest real estate. Prime assets include First Canadian Place in Toronto, Canary Wharf in London, and the Fashion Show Mall on the Las Vegas Strip, among many others. In total, the portfolio spans more than 100 million square feet of gross leasable space.

Backed by some of the best managers in the finance world today, Brookfield continues to add assets. The latest developments have the company looking to spend a little over $1 billion on London office properties. And I believe the company got a bargain with its 2018 acquisition of shopping mall operator General Growth Properties.

Meanwhile, investors are treated to a 6.6% dividend payout, a reward that should increase by 5% to 8% per year over time. This is what happens when you own the best real estate; you can hike rents consistently without forcing tenants to leave. Shares are also undervalued; I see another 50% upside to the stock over the next year or two.

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TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

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