Danger: 1 Deadly Mistake to Avoid as We Fall Into Recession

Description

Many beginner investors think they can outsmart Wall Street by timing their entry in and out of the markets over the near term. It's an impossible endeavour that ultimately leads to the demise of the portfolios of many Canadians.

Seasoned and professional investors, however, are humble and acknowledge that they don't know what the markets will do over the near term. Still, they do know that stocks are the best asset class to own over the long run and are thus willing to surrender to Mr. Market and take advantage of contrarian opportunities as they come to be.

There has never been a better time to be a self-guided investor, with two big-league brokerages announcing the elimination of trading commissions on stocks and ETFs and many more resources and product offerings becoming available by the day.

Just because $0 commissions increase the liquidity for everyday retail investors doesn't mean they should be taking more action. Just because you could trade more doesn't mean you should. And when it comes to your long-term portfolio, it's to your detriment to make more moves, even if it's free to trade to your heart's content.

If anything, the elimination of trading commission could be to the detriment of new investors. The higher the commission, the more thinking and homework one is likely to do before executing a trade. With rising liquidity could come more second-guessing and rash decision-making when it comes to investments.

As the markets continue to tread water, it's essential not to attempt to jump out, because odds are, you'll jump out way before the herd, right before it's time to jump back in. And although you may not have to pay commission on trades soon, the lack of commissions could cause one to get in their own way more often.

So, as the markets continue to exhibit volatility, the deadly mistake is thinking you need to take action before you lose your shirt. By realizing paper losses, you'd be breaking Warren Buffett's top two rules — rule number one being not to lose money, and rule number two being not to forget rule number one.

The best incentive to avoid attempting to panic sell are handsome dividends. That's why I urge newcomers to insist on big dividends, so they'll have something to show for it once they go through heck and back.

Consider **Inovalis REIT** (TSX:INO.UN), a 8.1%-yielding security that you wouldn't want to sell as its price goes down. Given the massive yield that'll swell quickly as shares go down in price, you'll be enticed to buy more shares at a lower price.

Inovalis is a European-focused REIT with a pretty uneventful chart, to say the least. On any given day, a 1% move is considered remarkable, and with a 0.4 beta, the security exhibits far less volatility than that of index funds.

Moreover, despite having a massive yield, Inovalis has a distribution that's poised for further growth, as it expands its relatively small portfolio of properties across the French and German markets.

You may not get much in the way of capital gains with the REIT, but what you will get is a generous, safe distribution and peace of mind knowing you're not going to lock in paper losses at the worst possible time.

Stay hungry. Stay Foolish.

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