



3 Mistakes That Could be Hurting Your Retirement Prospects

Description

Planning for retirement is never an easy task. However, it is sometimes made more difficult by investing your capital ineffectively. This can lead to lower returns that ultimately extend your working life and make retirement a more distant dream.

For example, adopting a short-term focus can lead to higher trading costs and lower returns. Likewise, failing to take enough risk when you have a long-term time horizon may produce disappointing growth outcomes. And, by failing to focus on the quality of the stocks you purchase, you may miss out on a wide range of growth opportunities.

Here's how you can avoid those three common mistakes and bring retirement a step closer in doing so.

Short-term outlook

Many investors focus on a period of months, rather than years, when deciding which stocks to buy and sell. This can produce significantly lower returns, since they are more likely to switch from one stock to another. This incurs higher fees that, over time, may amount to surprisingly large amounts that are detrimental to your overall investment outlook.

In addition, a short-term outlook means that you may miss out on the [growth potential](#) of a wide range of stocks. It can take time for a company's business strategy to produce improved financial performance, as well as a higher share price. And, with the stock market having always risen to produce record highs in the long run, simply allowing time to catalyze your returns could be a sound move that boosts your retirement prospects.

Risk aversion

While no investor ever wants to lose money, the reality is that the stock market will inevitably experience periods of decline. While this may seem to be a problem for investors, in most cases they have many years left until they choose to retire. Therefore, they have time for their holdings to not only

recover, but to produce strong growth.

Therefore, investing the bulk of your capital in the stock market could be a sound move. Although other assets such as cash and bonds are less volatile and offer lower levels of risk, their return prospects are also likely to be lower than shares. This could mean that investing in less risky assets extends your working life, while buying stocks and holding them for the long term may bring retirement a step closer.

Lack of quality

Investing in companies that lack an economic moat or a wide margin of safety is a common mistake among investors. It is all too easy to buy stocks on a whim without thoroughly researching their prospects. This can lead to disappointing returns, since some stocks may be overpriced based on their future prospects.

Therefore, taking the time to ensure that you have the best holdings within a specific industry or across the wider stock market could be a sound move. It may enable you to generate market-beating returns that improve your prospects of retiring early.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date

2025/08/26

Date Created

2019/11/26

Author

peterstephens

default watermark

default watermark