Baby Boomers: These 3 Massive Investing Mistakes Could Delay Your Retirement

Description

Investing, like a lot of sports, is an activity where defence matters more than most people think. Getting big gains is sexy and gets all the attention, but avoiding investing mistakes will inevitably make you richer.

Let's look at a simple example. You find a great stock and put your money into it, tripling your cash in just a couple of years. Emboldened by success, your next move is to take the entire gain and put it into a new can't-miss stock. It doesn't work out, and you lose 75% of your money by not diversifying, you're only left with 75% of your original investment.

Lack of diversification is just one of many investing mistakes that can take down even an experienced money manager. Here are three important mistakes that you'll want to avoid, especially if you're a baby boomer rapidly approaching retirement age.

Selling at the wrong time

Although most investors stayed the course during this recent market turbulence, some made a big mistake and sold. They just couldn't handle the volatility.

Even now, after the market has recovered somewhat, it's still a bad time to sell. If anything, investors should be buying. The TSX Composite Index is still down more than 20% from its highs — a time that has historically been a solid buying opportunity.

Taking too much risk

If you are upset that you've lost so much money lately, use the opportunity to build your portfolio for the next crash. Use any new money coming in today to boost your bond portfolio.

It might also be an opportunity to take a closer look at slowly moving your cash into lower-risk stocks. It would be a big mistake to sell your losers today to do so, but it might be a smart move for additional money that’s coming into your account.

Remember: any move you make to transform the contents of your portfolio should be done gradually for a couple different reasons. Firstly, you don’t want to sell close to the bottom. And secondly, taking time to make big moves will ensure these decisions are well thought out rather than being made in the heat of the moment.

Reaching for yield

One of the biggest investing mistakes baby boomers can make is taking on too much risk for a succulent yield. Today’s market sell-off has hit the high-yield sector especially hard, creating an opportunity to buy stocks yielding as much as 15%.

Unfortunately, very few of these dividends are sustainable. Even healthy companies are using COVID-19 as an excuse to slash their dividends.

To avoid making this investing mistake, investors should look at safer stocks that still offer a great yield. In fact, there are many in the 6-8% yield range that also offer a consistent history of dividend growth.

Take **Chartwell Retirement Residences** (TSX:CSH.UN) as an example. The company is Canada’s largest owner of retirement suites — including a smattering of long-term care assets — with a total portfolio of more than 29,000 suites. Chartwell shares are down close 50% on fears the retirement residences industry will be changed forever by COVID-19.

I think that decline is overdone. Chartwell does have some cases of COVID-19 in its facilities, but so far the company is doing a nice job limiting the spread of the disease. Chartwell focuses on a lower level of care, which has helped minimize the damage.

In fact, Chartwell still reported an occupancy rate of 87.4% at the end of March, a number better than most expected. Occupancy will likely decline a little more, since the company isn’t allowing anyone to move in. But it should stay pretty consistent over the next couple months. This translates into earnings that should be just a hair lower than last year’s.

Chartwell has a history of raising its dividend, a pattern that should continue once business gets back to normal. And in the meantime, investors are treated to a 7.1% yield.

The bottom line on these investing mistakes

The most important thing is to not panic during periods of market weakness. Selling during a stock market bottom is one of the biggest investing mistakes you can make.

Chasing yield is also a silly move, and so is having a 100% equity portfolio. Especially close to retirement time.

Avoid these mistakes, and you’ll be well on your way to retiring in comfort.

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