Beginner Investors: Avoid This Common Investing Blunder

Description

When you're just starting to save or finally opened your first brokerage account, it can be exciting yet daunting to think about getting started in investing. Many beginner investors may have an idea of what they want to accomplish but no experience of how to go about making it happen.

The problem with having such little experience is, you'll be prone to making simple mistakes. These are important to help you learn throughout your investment journey. However, if you can learn to avoid these mistakes beforehand, you could save yourself some crucial time or capital.

Although you can try to learn as much as possible, there will always be mistakes you can't avoid, and each time, that mistake will be a great learning opportunity, so you don't do it again.

Beginner investors: Pay attention to relative performance

One of the most common mistakes investors make is not paying attention to the relative performance of an investment.

One of the things I often hear out of my friends or acquaintances who are beginner investors is that they are ecstatic that a stock they've been holding onto for months (sometimes years) has finally turned positive.

Often after the stocks are negative for some time, these investors are so pleased they can sell their investment for a small profit now; many of them do so.

Now, don't get me wrong, there's nothing wrong with making an investment that trades flat or negatively for the first few months. However, whether your stock has rallied significantly or sold off rapidly, it's crucial you measure it against a benchmark index.

When it comes to investing, everything is relative, and opportunity cost is one of the biggest factors you need to consider. So, if your stock traded flat for six months and now is finally up 5%, but the market over that time grew a steady 10%, your investment underperformed.

In contrast, if the market declined over that period while your stock traded flat, you would have overperformed. That's why it's crucial that beginner investors consistently check the performance of a benchmark index to ensure that your investments are beating the market.

A perennial outperformer

For most beginner investors, buying index funds is the most efficient way to invest your money. However, if you want to buy individual **TSX** stocks, one of the top growth stocks that's consistently outperforming the TSX is **Alimentation Couche-Tard** (TSX:ATD.B).

The convenience store and gas station operator has proven to grow shareholder value consistently. Throughout the last decade, a tonne of that growth has been achieved through high-quality investments and acquisitions made by the company. More recently, the company has shown it can grow its business organically as well.

In addition to being a great long-term growth stock, it's also quite resilient. Even with the major impact on fuel volumes with more people staying at home during the pandemic, Couche-Tard has still managed to post impressive results.

Plus, with its strong capital position, the company is already focused on making more acquisitions and taking advantage of any short-term opportunities that present themselves.

That's why Alimentation Couche-Tard is one of the top stocks to buy today, whether you're a beginner investor or a seasoned vet.

Bottom line

There's nothing wrong with selecting individual TSX stocks. However, it's imperative to track your investments against a bench market index. This is important to ensure that you are making the right decision when buying individual stocks.

If the benchmark index continually outperforms your investments, you may want to think about buying more of the index fund. After all, if you're consistently being outperformed, then you're leaving profits on the table.

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