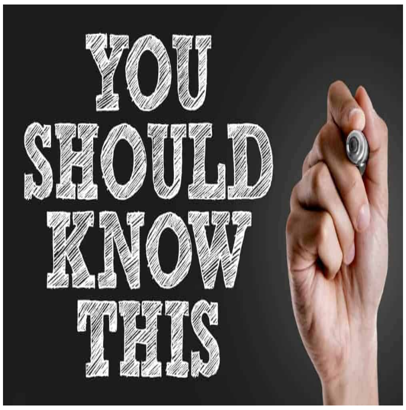

3 Investing Mistakes You Don’t Want to Make

Description

Investing mistakes happen to all of us. But avoiding them is easier than you think. We just need to know what they are. And we need to have a plan.

The most common investing mistakes are usually grounded in emotion. For example, feelings of fear and feelings of greed. These are strong emotions that can wreak havoc on our portfolios. But only if we let them.

Here are three common investing mistakes to avoid.

Selling a stock too early

Warren Buffett is a famous proponent of long-term investing. When we find a good company, we must give it time. Time to fulfill its vision. And time to ride through different market cycles. Because in investing, time is our friend.

But how many of us have sold a winning stock too early? I’m guilty of this, as I’m sure many of my readers are. It’s okay though, as long as we learn from our mistakes. I have a list of stocks that I sold way too early. It was a mixture of fear and uncertainty that drove my decisions. What came next was me watching these stocks move higher and higher. And higher. But I hope I learned from these bad decisions. I think I have.

When I bought **Ballard Power Systems Inc.** (TSX:BLDP)(NASDAQ:BLDP) stock a few years ago, I was prepared. Prepared to stick with it for the long-term. Ballard Power was embarking on an ambitious quest to transform the motor vehicle industry. Today, Ballard Power’s fuel cells are the clean energy solution of choice for many applications.

For example, governments are increasingly choosing fuel cells to power their buses. Also, fuel cell trucks are popping up in many places. The value proposition is clear — longer ranges, quicker recharging times, and excellent reliability.

Holding on to a stock for too long

The flip side to this is holding a stock for too long. We buy a stock with a certain investment thesis in mind. Sometimes, this thesis doesn't work out. We need to be able to recognize this. We have to be able to admit the mistake. Don't be afraid to cut your losses.

I made this mistake with some of the smaller oil and gas stocks that I bought many years ago. For example, **Peyto Exploration and Development Corp.** (TSX:PEY) has been decimated. But I bought it at a time when I thought it was already too cheap. I believed in the natural gas story and in Peyto. It's a high quality, low cost natural gas producer. I thought I was buying at cyclical lows. But I misjudged the power of this low.

So it's been a few years that I've been holding onto this losing stock. I could have been invested in one of the many other stocks that were skyrocketing. Needless to say, I held on too long. The question to ask ourselves in this situation is simple. "If I didn't own the stock, would I buy it here"? This helps to reframe the decision.

In this case, my answer is yes! Maybe I'm still holding on to this losing stock for too long. Or maybe, the bullish natural gas thesis is finally about to play out. Only time will tell.

Falling in love with a stock

The final common mistake is falling in love with a stock. Warren Buffett also keeps love out of it. Because this is another grave mistake. And it's more common than we realize. I must admit that I fell in love with **Indigo Books and Music Inc.** (TSX:IDG) stock. It has all the ingredients for me to do so. This may have blinded me to the reality of this retailer's situation.

The bottom line

The common investing mistakes are common for a reason. Because these mistakes are a reflection of our emotions. But they're also a reflection of our uncertainty. Nobody knows the future. And we can usually only clearly see our mistakes in hindsight. But I firmly believe that we must be aware of these common pitfalls. Awareness gives us the edge to do better.

I think Warren Buffett has surely achieved his greatness by having this awareness.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. TSX:BLDP (Ballard Power Systems Inc.)
3. TSX:IDG (Indigo Books & Music)

4. TSX:PEY (Peyto Exploration & Development Corp)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/08/17
Date Created
2020/12/02
Author
karenjennifer