5 Massive Mistakes Beginner Investors Make and How to Avoid Them

Description

Beginner investors have a different temperament compared to seasoned market players. They're oozing with exuberance coupled with impatience. Mental preparation is required if you're new to the investment world. Otherwise, ignorance could result in a costly and traumatic experience.

The following are five massive mistakes beginner investors must avoid:

1. Not ready to invest

The first piece of advice is not to invest unless you're fully prepared, mentally and financially. Do you have unpaid high-interest debts? Remember, loan interest rates are usually higher than a stock's annual returns. Hence, prioritize debt repayments. Also, it would be best to have ample emergency funds before buying stocks.

2. Unrealistic expectations

Can you afford to lose the money you're investing? Erase the notion that you can get rich quickly. Building wealth through stocks takes time. Because volatility is ever present, expect stock prices to spike and dip.

3. Failing to understand the investment

Know and understand the nature of the business of your investment prospect. How does it make money? What are its competitive advantages? Can the industry endure economic downturns? It would be best if you had a good handle of the company, including threats or risks to the business. Perform proper research before anything else. It pays to analyze the company and not rely on the name or popularity alone. Part ways with your money only if you're well-informed.

4. Emotions take over

Many new market participants invest based on excitement and greed. However, you most moderate these feelings and excitement. The market could tank without warning and unsettle your position. If the market drops, novice investors will sell due to panic. You could incur more losses than gains if you let emotions influence your decision.

5. Herd mentality

Don’t put too much faith in the actions of peers and acquaintances as well as opinions of financial advisors. Avoid going with the flow or when everybody focuses on a particular stock. Beginners tend to follow the herd. It could backfire in the long run.

Stock pick for beginners

Millennials or younger investors are likely to invest in sectors familiar to them, such as technology and telecommunications. **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), Canada’s soon-to-be second-largest cellular and cable operator, is a viable option.

The $30.57 billion communications and media company has offered to acquire **Shaw Communications** for $20 billion. The caveat is that Rogers commits to maintain affordable wireless plans. It will also invest $2.5 billion over the next five years to build out the 5G network in Western Canada.

However, completing the deal is challenging despite the proposed incentives. Rogers Communications face regulatory uncertainty. According to Tim Casey, an analyst at **BMO** Capital Markets, a higher wireless business concentration is a top concern. Instead of four, the number of wireless providers in Canada will reduce to three.

Nevertheless, Rogers Communications remains a good investment prospect for new and old investors. The telco stock has returned 791.28% (+11.55% compound annual growth rate) over the last 20 years. If you purchase today ($61.26 per share), the dividend offer is 3.96%. Analysts forecast the price to climb 25.6% to $77 in the next 12 months.

Continued learning

Beginning investors must continue to learn and be intuitive as they gain experience, as they make fewer mistakes if they have a good grasp of the market.

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