5 Infuriating Mistakes Investors Keep Making

Description

We all make mistakes, but there are so many mistakes that happen again and again in investing. Let that end today. Here are five mistakes that investors consistently make — and why it matters so that you can reach your goals.

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1. Holding cash in a TFSA

You've got a Tax-Free Savings Account (TFSA), awesome. There are still so many Canadians who still don't even have one of these fantastic accounts. *However*, are you investing or letting your cash simply sit there? That's mistake number one.

Stop holding cash in a TFSA!

This isn't helping anyone. Start investing or else your cash may as well sit in your regular savings account. The purpose of the TFSA is to help you invest and bring in tax-free returns. So start right now, choosing something like an ETF or index fund that should match the markets.

2. Chasing past performance

On the one hand, investors should absolutely look at past performance when considering stock options. You want to see that shares have done well in the past. But this is no guarantee of future performance. On top of that, if you're only look at the last year then you're almost guaranteed to be disappointed. If you're going to look at historical performance, think a decade rather than a year.

It also means you're likely missing out on what's going to be growing in the future. A great place to look is with value stocks, those that have strong valuations but are still undervalued. But even better, just go with a diverse portfolio with multiple types of equities, ETFs, index funds, commodities, currencies, and the like.

3. Market timing

Yes, we all wish we had bought **Tesla** stock when the market crashed in March, 2020. But don't sit around thinking you're going to see that again any time soon. In fact, we were far over due for a market crash. Usually one happens around every decade. So you're telling me you're going to wait another *decade* to start investing? No.

While dips are a good time to jump in, you're more likely to miss out on returns from solid companies if you wait too long. What you can do is set up alerts on a watch list so that if there is a 5% drop, you can buy up a stock. But if you're holding long term on strong stocks, then it shouldn't matter when you buy!

4. Short-term investing

This is a big one. Yes, buying low and selling high is definitely a thing. But if you hold long term, it's far more likely you will still sell high. If you simply buy a stock low and then it grows 10% and you sell, that's not a lot of gain to be proud of. You're missing out on significant opportunities, and paying commission fees in the process!

Investing short term is a sure strategy to see you lose money rather than make anything. While it would be nice to be that one guy that made thousands over the course of a couple days, it's not likely. So don't try it. Stay safe and still see huge returns by investing long term.

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5. Invest often

It doesn't have to be a lot, but it should be often. On the whole, strong stocks, ETFs etc. trend upwards. So if you are able to put aside cash every month for investing, that will do you far better than waiting to invest at the end of the year.

Let's say you were to put aside $5,000 each year for investing. That means each month, you're putting aside about $417 to invest. You've chosen a strong dividend stock like **Fortis Inc.** (TSX:FTS)(NYSE:FTS) for its solid, upward performance and dividend. All good so far.

Now you have two options. You could invest at the end of the year with that full $5,000. In a decade, you would have about $90,338.33 based on past share performance, not accounting for dividend reinvestment. But, if you were to invest that $417 each month and drip feed into Fortis stock, you would have $93,750.60 in the next decade. That's about $3,500 you would have missed out on!

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2. TSX:FTS (Fortis Inc.)

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