



3 Mistakes Canadian Investors Should Never Make

Description

Mistakes are a crucial part of life. Mistakes are how we learn, how we grow, and how we improve. It's true for almost all facets of life, including investing.

As an investor, you can make a lot of mistakes. You can pick the wrong companies to invest in (the most common mistake), buy and sell at the wrong time, waste opportunities, etc. But these mistakes are part of the process, and with enough experience, you learn to avoid them or at least keep the worst repercussions at bay.

But there are some mistakes that Canadian investors should try and avoid at all costs.

Ignoring the CRA's directions about tax-sheltered accounts

[The TFSA](#) and RRSP are two powerful tax-sheltered accounts that are available to Canadians and can be potent investment tools if wielded properly. You should try to maximize the benefits you can get from both accounts *without* going beyond the boundaries set by the CRA. For example, you should never put the wrong asset in your RRSP or invest so frequently in the TFSA that it's considered trading, which will result in you forfeiting its tax-sheltered status.

With the right asset, like **Metro** ([TSX:MRU](#)), and enough time to grow your nest egg to sizeable proportions, you don't have to buy and sell assets within your TFSA actively. Buy good businesses and hold on to them for a long time, and you won't have to rely upon frequency to get rich.

Metro is a well-established aristocrat and a business model that can withstand market crashes and economic instability. And it has a 10-year CAGR of 16.8%. If the company can keep growing at this rate, just \$5,000 can grow to six figures in two decades.

Focusing only on growth or dividends

If you are too cautious and focus only on dividend stocks (and the dividend aspect of the stock), you

might not grow your nest egg to the size you were hoping to without hefty capital invested in your portfolio. And if you disregard dividends entirely, you might take on more risk and might not have any income-producing assets in your portfolio. Balance is key.

A good middle- ground is dividend stocks with decent yields and modest growth rates, like **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). It's not a growth stock per se or, more accurately, hasn't been a reliable growth stock for the past five years, but its 10-year CAGR of 12% (fueled by the current growth bout) looks promising.

If the bank can continue this growth rate for two or three more decades, this growth, along with its 3.4% yield, can be [a powerful combination](#) for your portfolio.

Not enough diversification

Adding both dividend and growth stocks to your portfolio isn't enough diversification, you have to diversify by sector, industry, size, and some other factors as well. It's also important that you invest in businesses that you understand. Combine the two good practices, and you might have a portfolio that can set you up on the road to gradual, albeit reliable wealth.

Real estate is a simple enough sector to understand, and if you want to add income-producing assets to your portfolio, **Nexus REIT** ([TSX:NXR.UN](#)) might be [worth considering](#). The commercial REIT is currently offering a juicy 5.8% yield. It's not a growth stock per se, but thanks to the recovery momentum, the stock has been growing quite consistently for the last 12 months and has grown over 87.7% during that time.

Foolish takeaway

These three aren't the *only* mistakes Canadian investors should avoid, but they are some of the most significant ones. And avoiding these mistakes is only part of the problem. The next part is adopting good investment habits and practices. If you start early and adopt good investment practices, you might reach your investment goals even by sticking to easy and safe stocks (with minimal volatility).

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:MRU (Metro Inc.)
4. TSX:NXR.UN (Nexus Real Estate Investment Trust)

PARTNER-FEEDS

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

PP NOTIFY USER

1. adamothonman
2. kduncombe

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date

2025/08/17

Date Created

2021/08/04

Author

adamothonman

default watermark

default watermark