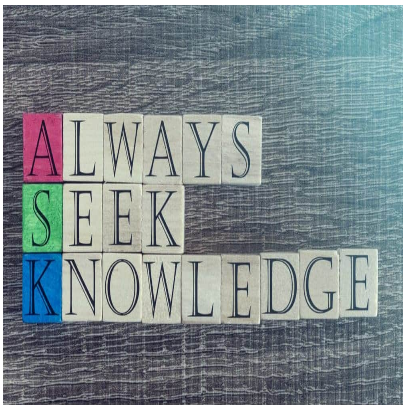

5 Things I Wish I'd Known Before I Started Investing

Description

Every investor makes mistakes. While some are more costly than others, every investor has made them nonetheless. Sometimes, those mistakes are unavoidable, such as buying a stock just weeks before its share falls to historically low levels. Other times, the mistakes are classic newbie errors.

I've made my fair share of newbie mistakes. And if I could go back and offer my younger self five pieces of advice, here's what they would be.

1. Start early

In fact, start *now*. As a wise person once said: The best time to start was yesterday. The next best time is now.

When it comes to investing, the sooner you put your money to work, the more time your money will work for you. Historically, the stock market has shown more favour to investors who leave their money invested for a long time. I'm talking decades, not years. If you're in your 30s — or better yet, your 20s — you could potentially have 30 to 40 years of compound growth. While true, nobody can predict how much you could earn from the stock market, odds are you'll earn considerably more if you start now rather than when the time is "right."

I would start by investing in a low-risk fund, such as an index fund or ETF. Look for one with low fees, which you should be able to find within a good online broker.

2. Pick the right broker

If you're feeling the urge to start investing, that's a good thing. Now, let's direct that energy into the next big step: picking a broker.

Truthfully, I wish I'd spent more time researching different brokerages before I opened my first brokerage account. I spent a bit too much on trading commissions, while also paying high fees for mutual funds that I probably didn't really need to pay. I was eager to get started, and I went for the first sign-up bonus that I saw.

For beginners, I'd recommend taking a moment and scanning the top brokerages in Canada. Look for low trading fees (or none at all) and read customer reviews to get a sense of their customer service. A sign-up bonus can be icing on the cake, but make sure the brokerage will be a good fit long-term before you take the bait.

3. Start with a simple ETF

Unless you're confident in picking stocks wisely, I would start by investing in a low-fee ETF. When you invest in an ETF, you're basically investing in a basket of stocks. Your money is diversified over numerous companies, which helps you cut down your risks while also diversifying your holding. You won't get the immense gains of a growth stock, true, but you also won't risk losing your money to a bad stock selection.

You don't have to invest in ETFs forever. But as a starter investment, you can start making your money work for you without spending gobs of time researching and evaluating stocks.

4. Don't chase short-term gains

Trust me: It *will* happen. You'll see your stocks or ETFs tick upward, and you'll feel the urge to sell your positions and pocket the gains.

Don't do it.

Timing the market is tricky, if not downright impossible. Seasoned investors and beginners alike often find themselves selling their shares prematurely, just before the price really starts to go up. They may sell out before prices go down, only to find the prices jump higher a month later.

Later, when you're more experienced, you could conceivably try day trading *provided* you've done your research *and* you know the risks involved; those things are key. For now, as long as you're confident in your stock selections, I would hold your investments for the long run.

5. Don't panic-sell

This tip goes hand-in-hand with the tip above. In the same way that you don't want to sell your holdings for gains, you also don't want to sell your holdings when the market takes a fall. The only way to lose money in the stock market is to *sell* your holdings for a price less than the one you paid. If you don't sell, you won't lock in your losses.

I get it. It's tough to see your investment portfolio go into the red. But trust me: Your portfolio won't stay red for the long term. In fact, in order to get those substantial days of green, you need a few days of red. And, if you stay invested for 20, 30, even 40 years, the green will far outweigh the red.

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