2 Investing Mistakes That Are Keeping You From Getting Rich

Description

Investors need to make many decisions over the course of their investing careers, whether that be to buy a stock, sell, or even just wait until a better opportunity presents itself. Add these decisions up, and you have got a story of your investment journey. Granted, there will always be some decisions that turn out to be better than others. What are a couple common mistakes to watch out for?

Thinking you missed the boat

Looking back at some of the great companies that have skyrocketed in price since the market hit its bottom in March, it is only natural to think it is way too late to invest in some of those companies. There are companies that have gained 100% or even 200% since the market bottom. However, if the investment thesis still holds, it would be a good idea to start a position in these companies anyway.

Take **Shopify** (TSX:SHOP)(NYSE:SHOP) for example. The stock hit a bottom around $450 on March 16. Just over a week later, the stock was trading at $628, representing a 37% increase. One month after that point, the stock hit new all-time highs and increased another 41%, as it was trading at just under $888. This is an increase of nearly 94% in just over one month. Had you decided the stock was hitting too high at this point, then you would have missed out on another 42% increase at the time of this writing.

Although you did not get in on the market bottom, a 42% increase over the course of three months after the stock had hit new all-time highs is still a remarkable return. What can we learn from this? There are other companies, such as **Real Matters**, **Northland Power**, and **Docebo**, that have recently shot into the stratosphere coming out of the market crash. If you think the investment thesis still holds for these companies, then avoiding them because you think you have missed the boat could be a costly mistake.

Selling too soon

Another big mistake that an investor can make is selling a stock too soon. This can happen because of different reasons, with two of the most common being a lack of emotion control and no clear investment plan.

Going back to the Shopify example, the stock's previous high before the market crash was around $718. The company reached those highs again on April 16, and anyone who was not in control of their emotions at the time or had no clear plan might have sold at any time after that. If you had held, however, you would have had the opportunity to ride the stock up another 70% since it reached new all-time highs on April 16.

This is a well-studied lesson. Sell as little as possible and hold companies with strong investment theses if it is intact. Look at **Constellation Software**. The company's IPO was in 2006 and was selling for under $20. Five years later, the stock had increased over 300%. If you had sold your position at that point, you would have missed a gain of over 2,000% since that point!

Foolish takeaway

Ensuring you keep a level-headed approach when it comes to investing is the most important thing to do when you have money in the market. Always try to avoid thinking you missed the boat (responsibly) or selling too soon. Steering clear of these two common mistakes will help maximize your gains over the years.

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