The DOs and DON'Ts of Investing

CHECKF1RST

Even the most experienced investors can make common investing mistakes. Below are ten common investing errors and straightforward tips on ways to help you invest wisely and protect your hard-earned money.

DON'T ignore the risks.

DO prepare yourself for some risk.

Almost any type of investment involves taking some level of risk in exchange for potential returns. There are many types of risk that can affect the performance of investments, including political, economic and environmental. Your investment goals should help you determine how much risk you should take.

DON'T place all of your eggs in one basket.

DO balance and diversify.

No single investment can be a top performer all the time and in all economic environments. Investors who diversify are less likely to lose everything due to a downturn in a particular market. Dividing your money into different investments can help create more consistent returns over the long-term. Conversely, too much diversification and too much exposure can also affect performance. The best course of action is to find a balance.

DON'T forget the fees and taxes.

DO plan for additional costs.

Before investing, make sure you are aware of the fees associated with the investment. Taxes also play an important role in investment planning and not all investments are taxed the same way. As part of your financial planning process, speak to a professional qualified in Canadian taxation laws.

DON'T follow "hot" stock tips.

DO consult a financial professional and conduct your own research.

Building wealth takes time, patience and discipline. "Hot" tips are often from uninformed sources based on misinformation. Before you buy into the hype, take the time to do your own research on the opportunities you are considering. You can also consult with a financial professional to help you make an informed decision.

DON'T overestimate your own abilities or those of the person managing your finances.

DO manage your expectations and be realistic.

Even after designing the right portfolio, no one can predict or control the market. If it were possible to beat the market, we would all be rich.

DON'T be short-sighted.

DO focus on the long-term.

Investing is a long-term process. Attempting to buy and sell with perfect timing is not only impossible – it can cost you a lot of money. Long-term strategies may not make you a millionaire overnight, but they won't bankrupt you either.

DON'T buy first and regret later.

DO your due diligence.

Investing first, then researching your investment is like putting the cart before the horse. Before investing, always remember to check first. There are many free and easy ways to research the investment, as well as the company and/or person offering it. Visit checkfirst.ca to learn more.

DON'T fail to plan.

DO set clear goals and tailor your strategies accordingly.

Are you planning for retirement, buying a house or saving for your child's education? Your investment plan, strategies, portfolio design and even individual securities can be configured with your life objectives in mind. For example, you may choose a long-term investment if you are planning for retirement, or a short-term investment if you are saving for your child's education that they will need in the near-term. Different goals may require different investment strategies and failing to plan is planning to fail. And remember, investment strategies are not set in stone. It's important to periodically review and re-evaluate your strategies and portfolio, especially when there has been a change in your financial circumstances or if a significant life event occurs.

DON'T make emotionally charged investment decisions.

DO pick investments for the right reasons.

If you are making an investment decision based on a news tip or your emotions, slow down. Choosing an investment based on the "I like their products" philosophy is also the wrong approach. Take your time and get the facts before making a decision to invest.

DON'T overlook the fundamental principle of investing.

DO buy low and sell high.

Avoid doing the wrong thing at the wrong time. If you have a good investment plan, there is no need to panic when the markets fall by selling at the wrong time. Plan to stick through the downturns and remember they can be great times to buy rather than sell.

CheckFirst

Asking the right questions can help you make an informed decision and determine whether an investment opportunity is right for you. The ASC can help you learn how to:

- Check registration. Find out if an individual or company offering you an investment is registered.
- Check enforcement history. Look up current or previous enforcement actions to see if there is any disciplinary history for an individual or company offering you an investment.
- Ask the right questions. Learn what questions to ask about your next investment opportunity

CheckFirst and conduct research before you invest. Consult a registered financial adviser or obtain independent legal advice before making an investment decision. Contact the ASC for more information and free resources.