American Financial Literacy Institute
Financial education for everyone.

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(480)336-2119

SIX INVESTMENT TIPS everyone should know.

Get in the know with the American Financial Literacy Institute.

Timing The Market Doesn't Work

Timing the market is probably the single biggest investor mistake. Warren Buffett says, "Anything can happen at any time in the markets, so market forecasters will fill your ear but never fill your wallets."

Keeping Your Long-term Money In Cash

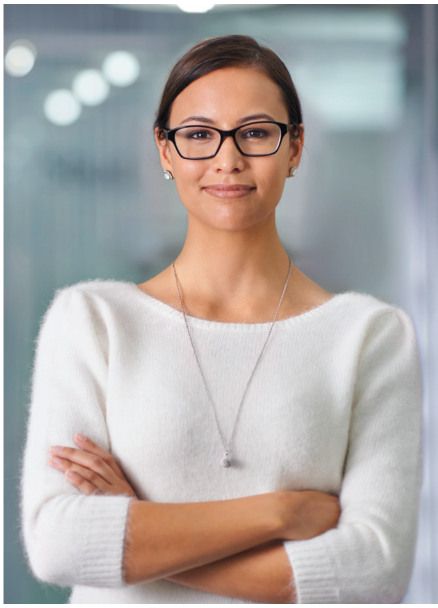
Being afraid of the market's volatility will hurt your money. Inflation (costs of goods and services going up) is more devastating than ups and downs in the market. Look to strategies that give you market participation, but limit your downside exposure.

Risk Is Misunderstood

If you had an investment that went up 3%, but next year it lost 2%, is that riskier than an investment that earns 5% the first year and 15% the next? People automatically assume that the one that lost money was riskier because it lost. However, investment professionals would say that the second investment was riskier because the returns were so variable. Risk is really about losing purchasing power, losing opportunities, or not having enough money to begin with. Stocks have historically provided long-term returns that have outpaced inflation.

Active Trading Doesn't Make You Rich

Most professionals believe the stock market is essentially efficient, which means it is very hard to outperform over the long run. A couple of trades may be lucky, but not a proxy for your investing prowess. One study feels that active trading costs investors as much as 2% a year in returns and fees.



GREAT TIPS!

Starting early makes a difference as a 25-year old averaging 7% a year would need to put away roughly $381 per month to have $1 million dollars at age 65. If you waited to start at age 35, it is $820 per month, and $ 1920 at age 45.

According to research done by Newfound Research, even Warren Buffett has underperformed the market over half the time, with roughly every 6 to 7 years taking a big loss. However, for more than 50 years, he averaged over 20% annually, double that of the S&P 500.

Don’t Chase Hot Tips Or The Hot Low-Priced Stock

Successful investing involves staying informed, focusing on the long term and doing your homework. More money has been lost chasing the hot tip, or because it is a $2 stock has a great chance to go up a lot more.

Emotions

We believe emotions maybe is the single greatest deterrent to investing success. If it had been a great company at $10, but now it is on sale for $5 because of a market drop, does that mean it is a bad company now? We look for discounts every day, but with the stock market, discounts are perceived as a time to sell, or something that is bad. Lose the “get in, get out to make a killing” mind-set. Be open minded, sell your losers, and let your winners run. Don’t take last year’s returns as a barometer for future success. Past data is past data, focus on the future and things to come.

Conclusion

The market has declined more than 8% thirty five times since 1960 or about once every 20 months. Typically, the downturns have proven to be a good time to buy. For instance, in August of 2015 and in January of 2016, the stock market went back up 12% and 13% respectively following the downturn events.

However, staying invested that entire time from 1960 to today, an investor would have made over 200 times their money. The Dow’s single best performing day was an 11% move, or 936 points up on October 13th, 2008 when everything was falling apart. Stay focused on the long term prize, buy when things are on sale, remember the stock market is going to go up and down.

In uncertain economic times, it’s important for working individuals to make sound financial decisions for themselves and their families. Take advantage of this opportunity that can have lifelong impact on your life and financial future!

Call us for a FREE one-on-one consultation.

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