

## Solutions to the 12 Common Mistakes Individual Investors Make

Many people invest without adequately learning about the investment process or without considering their long term goals. Here are twelve common mistakes investors make and their solutions:

COMMON MISTAKES		SOLUTIONS
1.	<b>No strategy</b>	<b>Develop a strategy</b> – Pinpoint your risk tolerance, the time horizon for your investment needs, and your investable assets.
2.	<b>Buying individual stocks instead of creating a diversified portfolio</b>	<b>Diversify</b> – Holding investments in a wide range of industries, companies, countries, and asset classes helps protect you from fluctuations in any one part of the economy.
3.	<b>Investing in stocks instead of companies</b>	<b>Invest in companies, not stocks</b> – Making sure you believe in the fundamental outlook and business of the company underlying the stock ensures that you're not just gambling when you make an investment.
4.	<b>Buying high</b>	<b>Buy low</b> – You've probably heard this one a thousand times, but it's a tough lesson to put into practice. Buying a stock that's performing well is like getting to the concert after the band has already played – you've probably missed the best performance and growth of the stock.
5.	<b>Selling low</b>	<b>Sell high</b> – If you do happen to buy a stock at a peak, the worst thing you can do is sell it when it tanks. You not only lock in your losses and incur transaction costs but you also forego the opportunity to recoup them if and when the stock recovers. It's better to wait it out.
6.	<b>Rapid turnover of investments</b>	<b>Be patient</b> – The reason many advisers recommend a “buy and hold” strategy is that too-frequent trading not only reinforces a frantic focus on short-term stock performance over long-term fundamentals but also generates a greater burden of transaction costs.
7.	<b>Acting on tips</b>	<b>Ignore the trends</b> – Do you think you have an inside scoop, better than professional investors? The best thing to keep in mind is that if you've heard it, so have a lot of other people.
8.	<b>Paying too much in fees and commissions</b>	<b>Ask for the fine print</b> – Make sure you understand the fee structure of your brokerage or trading company before you invest. Often the seemingly superior investment returns of a firm can be offset by higher fees.
9.	<b>Too great a focus on tax avoidance</b>	<b>Pay your taxes</b> – It's always good to be aware of your investment tax liability, but to hold onto assets simply to avoid taxes can lead to poor investing decisions and lost opportunities.
10.	<b>Unrealistic expectations</b>	<b>Prepare for the worst</b> – Investors willing to take risks in pursuit of above-average returns are those who will most often find themselves disappointed by sudden market routs. Most experienced professionals expect consistent returns averaged out over the long term. They focus on reasonable returns on fundamentally sound assets.
11.	<b>Neglect</b>	<b>Be consistent</b> – Discouragement and uncertainty keeps many investors from being proactive about investing for their long term financial future. Setting up a regular contribution program and scheduling regular checkups with your investment professional will keep you focused on the goal and help you fix problems before they derail a solid investment strategy.
12.	<b>Not understanding risk tolerance</b>	<b>Know thyself</b> – Knowing how much money you can stand to lose is a difficult thing to consider. The panic of a market downturn can put your best intentions to the test. Knowing your limits is the first step in assessing how actively and aggressively you want to get involved in investing.