

Five Common Investing Pitfalls to Avoid

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As investors, we can often get distracted by emotions and external variables that are more hindering than helpful in our wealth management journey. It is important to remain grounded in the key aspects that will stand the test of time across various market environments.

Here, we outline five common pitfalls and how to avoid them.

1) Ignoring your personal risk tolerance

While many of us would love to fully participate in market rallies and see our portfolio perform exceedingly well, it is important to remember that we all have different financial objectives and ability and willingness to take on risk. How does your portfolio need to be positioned from a capital preservation versus accumulation standpoint so that you have a sense of comfort and are able to sleep well at night? Ensure that this is communicated with your Wealth Consultant so they are well equipped in building a portfolio that seeks to fulfill your investment objectives and is suited to your personal risk appetite. Further, it is important to re-evaluate your risk tolerance as various aspects of your life change and ensure your portfolio continues to reflect this.

2) Chasing returns

The notion that past performance is not indicative of future returns should not be overlooked. Think of growth stocks that were popular over the last several decades - technology and emerging markets in the 90s, as examples - many have taken a downward turn and impacted investors across the globe. By focusing on risk and return potential, an investor can avoid chasing returns by taking on excessive risk and have a much better chance at achieving greater stability and predictability in their portfolios.

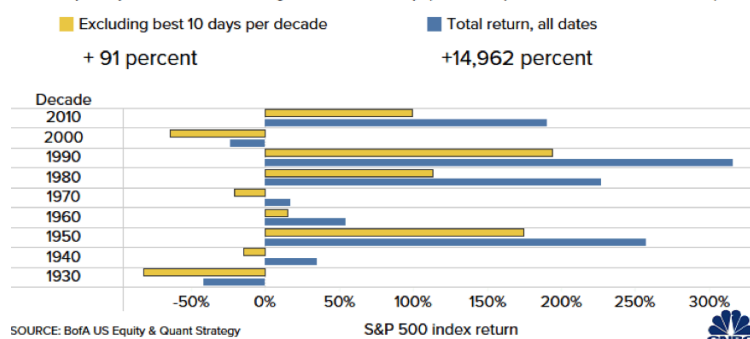
3) Focusing on timing the market

Buy low, sell high! Sounds easy enough, right? Without a

guaranteed look into the future, this is a very challenging feat. A more effective solution is to focus on your long-term investment strategy and stay the course. As the chart below shows, trading at the wrong time and missing a few days of market recovery could have a significant impact as equity gains can occur within a relatively short period of time. In fact, most of a portfolio's return can often be attributed to asset allocation decisions, not timing or security selection. Rebalancing your portfolio as it drifts due to market movements to remain on target with your desired asset mix is an effective way to ensure you return to your "why" and are aligned with your investment objectives and risk tolerance.

The cost of missing out

The best days in the stock market often follow the worst days. Here's how your returns would compare over the last nine decades if you stayed invested versus missing out on the 10 best days per decade. (S&P 500 Index, present total return.)



4) Failing to leverage your relationship with your Wealth Consultant

It is not uncommon for individuals to exhibit overconfidence as it relates to personal skills and ability to perform as good or better than others. Successfully navigating the dynamic market requires a great deal of consistent focus and knowledge. Further, your Wealth Consultant should be someone you feel comfortable discussing your concerns and goals with. At Cidel, we highly value the relationships we develop with our clients and the personal touch we strive

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to provide. Developing strong relationships enables us to discuss all of the complex aspects and moving pieces of your life and work collaboratively to provide a custom solution that best suits your needs.

5) Allowing fees to predominantly drive your choice of investment manager

One must also consider the value and expertise a professional advisor can ultimately deliver to your portfolio. The markets are complex and ever-changing so it is wise to work with a professional who has access to resources and the ability to provide a comprehensive analysis, and to do so on a consistent basis. Further, this will likely create a more objective portfolio as the emotion and biases are reduced by having someone at an arm's length drive investment recommendations. While this professional advice does come at a cost, it also provides value and comfort of knowing that your portfolio is being constructed and monitored on a personalized basis.

In summary, it is important to have a steady roadmap of how to best achieve your financial objectives and to recognize its importance during turbulent and uncertain times. Being able to stay the course and align your portfolio with your goals and risk tolerance is of utmost importance. Having discipline to diversify your portfolio and focus on the long-term goal, will assist you and provide peace of mind in your financial future.

*Cidel is an operating name of Cidel Asset Management Inc.