



Brokerage houses also have a conflict of interest with their investors. Their first responsibility as a public company is to their shareholders...not their clients!

**Mistake No. 7: Believing publications.**

“Best Funds for Next Year and Beyond”

“The 100 Best Mutual Funds”

“These Stocks are Real Steals”

“Star Funds: Six Standouts You’ve Never Heard of”

Those are all real headlines from the covers of popular personal finance magazines. Study after study shows that the majority of stocks and funds touted in such articles fail to do as well as the average of other stocks and funds in their class. Don’t get sucked in!

**Mistake No. 8: Failing to take little steps that can sometimes make a big difference.**

Some examples:

- People fail to fund their IRA contributions at the start of the year.
- People leave money in taxable accounts when it could appropriately go into IRAs and 401(k) plans and save taxes by growing tax deferred.
- People don’t maximize their 401(k) plan savings.
- People have multiple small IRA accounts, paying an annual fee for each one instead of consolidating them into an account large enough to avoid a fee in the first place.
- People don’t move their money from a checking account to a money-market deposit account at their bank.
- People don’t move their money from their bank’s money-market deposit account to a non-bank money-market fund.

Each of these little steps makes a difference. And over a lifetime these little differences add up to one big difference.

**Mistake No. 9: Accepting investment advice and referrals from amateurs.**

If you had a serious illness, I hope you’d consult a doctor, not somebody on the street who had an opinion about what you should do. You should treat your life savings and your financial future with the same care as you would treat your health.

Too many people, however, make big financial decisions based on things they hear. The lure of the

hot tip is all but irresistible to some investors eager to find a shortcut to wealth. Unfortunately, many investors have to learn the hard way that there are no safe shortcuts.

**Mistake No. 10: Letting emotions – especially greed and fear – drive investment decisions.**

The two most powerful forces driving Wall Street trends are greed and fear. There’s fear of rising interest rates, fear of inflation, fear of falling profits. Fear is why so many investors bail out of carefully planned investments when things look bleak – and since everybody seems to be selling at the same time...prices go down. That, in turn, reduces profits or increases your losses.

Greed blinds investors, making them forget what they know. Too often, greed prompts many inexperienced investors – and some experienced ones too – to stuff their portfolios with aggressive assets that frequently lose them money.

**Mistake No. 11: Focusing on the wrong things.**

It’s generally agreed that asset allocation – the choice of which assets you invest in – accounts for at least 90 percent of investment returns. That leaves less than 10 percent for choosing the best stocks and the best mutual funds. Most investors however, focus 90 percent of their attention on choosing funds and stocks. This action greatly diminishes returns!

**Mistake No. 12: Not understanding how investing works.**

Diversification...diversification...diversification  
(putting together non-correlated asset classes).

The entire point of diversification is to always have some things in a portfolio that don’t work the same way as the others. This year’s asset class winners may be next year’s asset class losers. Another mistake: investors may put too much of their money into a single stock or mutual fund. Frequently, an investor’s emotional attachment to one type of security takes on a life of its own. Then when their favored investment starts falling behind, the investor’s confidence (stubbornness) persists. By the time the investor is finally willing to admit that things have changed, he or she has probably stayed way too long.

◆ As federal and state tax rules are subject to frequent changes, you should consult with a qualified tax advisor prior to making any investment purchase decisions.

