The Road to Successful Investing

By Arthur Rottenstein, General Securities Principal

The road to successful investing is paved differently for each investor. One investor's road to success may be the high road while another's may be the low road. But common to both investors is basic principles that are true to form no matter which road an investor finds themselves taking. Below is a listing of some of these basic principles that may lead an individual along the road to successful investing.

- **Formalize your goals.** As with the achievement of any goal, commitment to the goal is half the battle. Formalize your commitment to attaining your goals by writing them down, both short-term and long-term. Follow your progress by updating them at least annually. How else will you know if you are actually going to attain your goals?

- **Invest early as possible.** Procrastination is an investor's worst enemy. Though there is no perfect or ideal time to start investing now may be the best time of all.

- **Invest in what you understand.** If you do not understand how an investment works you will not fully understand the risks associated with that investment. Is it really worth it placing your hard-earned money in this type of investment? No.

- **Consider the impact of inflation and taxes.** Inflation and taxes erode an investor's purchasing power. The consideration of investments that minimize the impact of these two forces may be key in meeting your goals.

- **Your portfolio is for you and you alone.** The design and formulation of your portfolio is based on your goals, time horizon and risk tolerance. Understand that what may work for your friend, cousin, or co-worker may not work for you because one size does not fit all.

- **A basket of eggs is better than just one.** Diversification of your investment assets may bring the positive benefits of potentially reduced volatility to your investment portfolio basket. Mutual funds are a cost efficient way to invest while at the same time reaping the potential benefits of diversification.

- **Use time, not timing when investing.** Trying to correctly time the ups and downs of the market is a risky, if not impossible, task. Most investors will fare far better by keeping their investment assets in the market the entire time. It is time in the market, not timing the market.

- **The old team player may be better than a young hotshot.** Try to avoid the temptation of investing in the new "hotshot" investment that may lose its luster quickly. Seek investments with solid track records that will benefit you more over the long run.

- **Know when to cut your losses.** Many investors do not know when to get out of an investment. If your investment selection is heading south and most likely won't return to previous form, face the music and consider getting out before your lumps get too big.

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