Guidelines for Investing Wisely

It is the end of the year, and you've saved just enough to make an investment and support a new saving goal, as you enter the New Year 2022. You're about to explore the potential of investing in the local securities industry.

This is great! You need to consider a few things before you jump right in. For instance, consulting with a registered financial adviser and conducting the necessary research to ensure that the company, and the security that you are interested investing in, are registered with the Trinidad and Tobago Securities and Exchange Commission (TTSEC). This can be easily achieved by visiting our corporate website at https://www.ttsec.org.tt/easi/registered-companies-individuals-and-securities/.

This week, we offer a guide that can help you get started with investing, wisely.

1. Keep It Simple.

Those who trade too often, focus on irrelevant data points, or try to predict the unpredictable, are likely to encounter some unpleasant surprises when investing. By keeping it simple and focusing on companies with economic safeguards, and investing with a long-term horizon, you can greatly enhance your odds of success.

2. Have the Right Expectations.

Are you getting into stocks with the expectation that you will get rich quick? Well think again. You may not double your money in the next year investing in stocks. Such returns generally cannot be achieved unless you take on a great deal of risk; for example, buying extensively on a margin (borrowing money from a broker to purchase stock). Though stocks have historically been the highest-return asset class, these returns have also come with a great deal of volatility.

3. Be Prepared to Hold for a Long Time.

In the short term, stocks tend to be volatile. Trying to predict the market's short-term movements is not only impossible, it's maddening. Too many investors are focused on the seemingly popular or thriving businesses and then grow frustrated as the stocks of their companies--which may have sound and growing businesses--do not move. Be patient and keep your focus on a company's fundamental performance.

4. Tune Out the Noise.
There are many companies/sellers, particularly online and via social media, that compete for investors' attention and most of them centre on presenting, and justifying, daily price movements of various markets. This means being inundated with information on lots of prices: stock prices, oil prices, money prices etc. accompanied with lots of guesses about why prices changed. Unfortunately, the price changes rarely represent any real change in value. Rather, they merely represent volatility, which is inherent in any open market. Tuning out this noise will not only give you more time, it will help you focus on what's important to your investing success as well as the performance of the companies in which you own shares.

Your investing skills will not improve by only looking at stock prices or charts; investors improve by getting to know more about their companies and the world around them.

5. Behave Like an Owner.
Stocks are not merely things to be traded, they represent ownership interests in companies. If you are buying businesses, it makes sense to act like a business owner. This means reading and analysing financial statements on a regular basis, weighing the competitive strengths of businesses, making predictions about future trends, as well as having conviction and not acting impulsively. You have a right to know all you can about your investment. If in doubt speak with your registered financial adviser. If you think you are not being treated fairly, you can use the escalation process outlined to you when you hired the company and if still dissatisfied you can ultimately lodge a complaint with the TTSEC.

6. Watch Where You Anchor.
Unfortunately, many people anchor on the price they paid for a stock, and gauge their own performance (and that of their companies) relative to this number. Remember, stocks are priced and eventually weighed on the estimated value of future cash flows which businesses will produce. If you focus on what you paid for a stock, you are focused on an irrelevant data point from the past. Be careful where you place your anchors.

7. Pay Attention to the Business's Operations and Practices.
Though the economics of a business is key, the way in which the business is run and the stewards of a company's capital are still important. Even successful businesses can be poor investments if there is improper governance and administration. If you find a company that has management, operational practices or compensation that makes your stomach turn, watch out. Ensure that you consult with your registered financial adviser before investing.

8. Bear in Mind that Past Trends May not Be a True Indicator of Future Success
If a company has a strong record of developing and profitably expanding new lines of business, make sure to consider this when valuing the firm and not place your decision solely on past trends.

As you enter the new year, commit to improving your investment skills by doing the TTSEC's Investor Education Online Course at https://investucatett.com/online-course-introduction/ and obtaining your certificate. Happy learning and all the best for 2022!.

The information contained in this article conforms with our obligation under Section 6(g) of the Securities Act, Chapter 83:02, to educate consumers on making sound investment decisions, and seeks to ensure that you are familiar with and understand your rights and responsibilities as a consumer of financial services. To learn more about your rights and responsibilities as an investor visit our investor education website at https://investucatett.com/brochures/.

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