CREATING PROSPERITY BY CONNECTING INVESTMENT OPPORTUNITIES TO INVESTORS

INVESTORS' CORNER

Beginners in Trading

Part 3

"One of the very nice things about investing in the stock market is that you learn about all different aspects of the economy. It's your window into a very large world."

Ron Chernow

This is third part continuation of a three part series. Parts 1 and 2 discussed the first two tips (selecting a qualified investment advisor and opening a brokerage account including the selection criteria for an advisor / broker) and are available at www.vertexinv.com or at www.dcsx.cw.

In this publication we will discuss three additional tips for beginners who would like to start trading in stocks and bonds. They are:

1. Contribute Regularly

Make monthly contributions to your brokerage account from your income. Remember the 10% that you are deducting from your salary each month - with ***NO*** exceptions - as part of your "pay yourself first" strategy? *Read more about it in Publication Nr. 4 Planning Investing and Steps Towards Wealth Creation Part 2*. Some, if not all, of this personal deduction should be going towards your brokerage account. To do this, I recommend setting up a Pre-Authorized Charge (PAC). This is a prearranged amount that is automatically removed each month from your salary account and sent to your brokerage account. Let it be automatic so that you cannot interfere with its progress. If you are able to set it up with your employer so that it is deducted from your salary before it hits your salary account - that would be perfect. If that is not an option, it might be useful to set up the automatic withdrawal as a standing order or through your online banking.

The beauty of a PAC is that it allows you to benefit from a technique used by investment professionals called ***Dollar Cost Averaging (DCA)***. Sounds fancy, but no need to worry. Let me explain. DCA is a strategy that is used with a PAC to protect against frequent price changes. Even the best of Investment gurus cannot time the market to know when it is best to buy or sell a stock. Therefore, please do not try to time the market yourself, set up a PAC instead! With its regular fixed amount and at a regular scheduled interval – for eg. monthly – a PAC, using DCA takes advantage of stock market fluctuations. It makes you buy fewer units of a stock when the price is too high and more units of a stock when the price falls. As a result, the average price for a stock you buy will be lower; and better yet you do not have to worry about whether you are buying the stock at a right time or not. All this of course under the supposition that you are a longer term stock investor.

2. Review Your Account At least Annually

Meet with your investment advisor on an annual basis and review all the personal changes and how they may affect your goals. Perhaps your circumstances have changed; you might have a new child or have changed your job or even lost your job. These changes mean your investment goal may change. For example, having another child could mean that you now have to prepare for college expenses in addition to retirement. These may have different time frames and as such may demand different investments strategies. All new information is to be incorporated to ensure that your investment strategy remains relevant at all times according to your circumstances and goals! Better yet, for any new information (change in your overall financial situation), why wait until the end of the year, notify your advisor right away!

3. Educate yourself on an Ongoing Basis

Try not to shy away from investment discussion or news about investments. On the contrary, read more, watch more! Walk around with a small note pad, or use the notes application on your mobile, and if something comes up in the news on investments that you are not sure about, use the opportunity to discuss it with your investment advisor. By doing this, you will notice how much your knowledge on financial matters will expand!

So there you have them, our five tips provided in this three part series – 1) find a qualified investment advisor; 2) open a Brokerage Account (Parts 1 & 2); 3) create a PAC and contribute monthly; 4) Review your brokerage account at least annually; and 5) Proactively expand your knowledge of financial information (Part 3).

Follow Investors' Corner for everything you need to know about Wealth Creation!

This editorial is presented to you by the DCSX with the collaboration of Vertex Investments.

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