



## Investment Beliefs

Once you've started saving money, you have to get your head wrapped around how to invest it. This can be a pretty scary process as there is so much to learn and so many pitfalls to avoid.

One very helpful way of making sense of the investing process is to identify some core truths you believe about the market and about investing.

For example, do you believe that...?



### Belief 1 – Nobody can predict the stock market

The stock market will go up and down. No one knows (really) what is coming next. There are lots of predictions, but nobody is ever right all the time about which direction the stock market will move. The best strategy, therefore, is to invest for the long term and, in the meantime, be sure you are emotionally prepared to weather the short term ups and downs.

### Belief 2 – The stock market will generally go up over the long term

This belief is based on what has happened historically. If people didn't believe it, they wouldn't invest anything in stocks. All investors in the stock market basically rely on this idea.

### Belief 3 – The best returns you can consistently get are whatever the market achieves

In other words, there is nothing you can do that will always beat the stock market. That also goes for everyone else who is investing in the market. Be cautious if anyone claims they can beat the market all the time. Studies do not support such claims.

### Belief 4 – People lose the most when they react emotionally

This is the hardest belief to apply consistently. The best investors keep their emotions out of the decision making process...always.

### Belief 5 – The best insurance against market volatility is diversification

By diversifying, you are investing in stocks and bonds of a variety of companies, governments, industries, geographies, etc. to minimize your risk and maximize your return. Often, when equities do not perform well, bonds do, and vice versa. Through diversification, you guard against the ups and downs of one single class of investment.

### Belief 6 – Interest rates will stay low for the foreseeable future

This is an example of a potential belief that you may or may not agree with. What you do believe about this statement will impact your choice of investments.

## So...What About You?

You may agree with all of these beliefs, some, or none of them. The key is to make a conscious decision as to what you do believe about the markets, to make that decision based on the best information and advice you can get, and to apply your beliefs to make rational investment decisions.

Are there any other investment beliefs you hold? Perhaps there are some you have been holding unconsciously? Making an effort to clearly articulate and validate your beliefs is a critical step towards becoming a successful investor.

<http://www.retirementworks.ca/theworks/blog022018-Investment-Beliefs.html>

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