Prudential Investment Managers
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Four Investment Mistakes Smart People Make

When it comes to money and investing, even the smartest people can make simple – but far-reaching – mistakes. By getting the basics right, you'll ensure the most positive results and increase the odds of getting the best returns on your investments.

MISTAKE #1: BEING TOO AGGRESSIVE (OR TOO CONSERVATIVE)

If you're just starting out, you might be tempted to shoot for a massive payday that'll have you financially set for the rest of your life. Or, if you're rapidly approaching retirement, you might realise that you haven't invested enough during your working years, and then panic and try to catch up.

On the flip side of that, there's also a risk that you could do the opposite by being too risk-averse. Here the danger is that, instead of losing money, you could miss a great investment opportunity and end up not getting the returns that you might otherwise have enjoyed. Every investor should be cautious with their decisions, but remember that there's also a risk in being too cautious. Be sure to know and understand your risk profile.

MISTAKE #2: OVER-REACTING TO HEADLINES

You've seen the news reports: "The Dow is down!" "The NASDAQ is up!" "European stocks are falling!" "Asian markets are climbing!"

Volatility is a natural aspect of the market, and the truth is, stock prices will rise and fall every day. It's what happens over the long term that really matters. Your focus should be on consistency over time, and not on short-term losses or gains. The smart approach is to avoid kneejerk reactions, and to avoid making rash decisions based on a sensational social media post. Speak to your financial adviser to understand how volatility might affect your portfolio.

MISTAKE #3: LOSING BALANCE

You already know the risk of putting all your eggs in one investment basket… but are you really getting the balance right? A truly diversified investment portfolio will include a range of financial products where the underlying assets – in balance – react differently to the same market stimulus. By diversifying your portfolio, you'll reduce your risk… and, in the long term, you'll get the consistency you want for the best returns.

MISTAKE #4: NOT HAVING A PROPER PLAN

There's no one-size-fits all approach to financial planning, and no single strategy that will work for everybody in every circumstance. But whether you're a young Millennial who's just starting out, or a Baby Boomer approaching retirement, one thing will remain true: you need a financial plan that's tailored to your needs and resources. Everybody has different risk tolerance. Everybody has a different sized nest egg to work with. And everybody has different financial goals. To make sure you're on track with a properly personalised plan, speak to your financial adviser – and if you don't have one, consider getting one.

If you aren't already investing with us, contact your Financial Adviser or our Client Services team on 0860 105 775 or at query@prudential.co.za