5 Keys to Successful Investing

By [Terri A. Kamoto]

Whether you want to save for retirement, buy a home, go on vacation or build wealth to pass onto your children, investing offers the best means to achieve your long-term financial goals. Investing requires taking risks, and your success depends in part on your ability to use your knowledge and control those risks without passing up reasonable returns.

The most successful investors were not made in one day. Learning the ins and outs of the financial world and your investing style, takes time and patience, not to mention trial and error. Start off with a plan sticking to your plan will help you achieve these goals regardless of your current style of saving and investing.

If you do not want to spend a lot of time on your finances, you can create a plan that requires minimal actions. There are lots of successful investors who carefully select the assets in their portfolios so that they need to spend only a few hours each year monitoring performance.

Other investors prefer to active in managing their money, so they might work with a trusted broker or financial advisor to both get experienced opinions and continue their financial education so they can continue to make smart investment choices in the future. Whatever your risk tolerance, style or support team, here are *five* of the most common habits of successful investors.

5 Common Habits of Successful Investors

1: Set Short and Long-Term Goals to Guide Investment Plans

Successful investing is a journey, not a one-time event, so you will need to prepare for the long road ahead — first you will need to set your destination(s) and make a road map, a plan to help get there one time or in a safe manner. For investors, your destinations will be your short and long-term goals, and the road map will be your investment plan.

Investment goal-setting is an intensely personal affair that will be guided by your own style and preferences. Consider setting a series of short-term, medium-term and long-term goals; the time you have to achieve these goals should influence your choice to buy, sell or trade certain assets in your portfolio to try and reach benchmarks.

For example suppose you want to earn for a ski vacation next winter, buy a home in four or five years, and save for retirement – for a low-risk but short return you may consider CDs which mature when you are ready to use them, you may consider CDs and low-risk mutual funds to safely save for that home and finally you will want to consider a wide range of possibilities for your retirement portfolio. The plan that you come up with will depend on your investment goals.

Vaguely defined investment goals can lead to halfhearted efforts to achieve them. Successful investors set goals which excite or can be easily tracked, giving them a better chance at reaping the rewards they seek.

2: Never Stop Reading About Finance, Markets, Strategies, etc.

Along this journey you may want to acquire skills which can make it easier prepare for or avoid pitfalls and roadblocks. Since investing is a combination of science (math and fundamental economics) and art (qualitative factors, risk tolerance, etc.), the more you know the more chances at success.

Read books or take an investment course that deals with modern financial ideas. The market is always changing so there will never be a shortage of information to help you gain a greater understanding of the forces involved in growing or shrinking your portfolio.

3: Make Investing a Habit

Don’t get spooked at the first bump in the road, your best chance to acquire measurable wealth lies in making a habit putting your money work for you. Put money towards your investments on a regular basis, and if you stay the course without letting your emotions get the upper hand you will have a better chance at success than those jump in and out of the market.

4: Honestly Assess Personal Risk Tolerance and Investment Style

People tend to think success embodies perfection but usually the most successful people are keenly aware of their faults, not to the point they are burdened, but to better understand how to improve or manage them accordingly. Depending on your personality, strategy and particular circumstances, you may be sabotaging your own success.

There is nothing wrong with having one personality type or risk tolerance then another, but take a moment to recognize where you stand so you don't turn into your own investment enemy. Here are a few investment personality types:

- Individualist – careful and DIY confident
- Adventurer – volatile, entrepreneurial and strong-willed
- Pack Hunter – followers of the latest investment trend
- Preserver – very risk averse, wealth guardian

If you are an adventurer, you can achieve investment success as long as you manage your core assets in a systematic and disciplined way. If you are a preserver, don't stress yourself out trying to follow the latest market craze and seek short-term profits. Whatever your investment style, be honest with yourself so you can modify factors which may be preventing you from growing your assets.

5: Discuss Plans and Ideas with a Trusted Financial Advisor

Most successful investors start with small, low-risk, well diversified portfolios, they gradually gain more knowledge over time and become better suited to taking a more active stance in their portfolios. But no matter what your level of knowledge, investing style or resources, you should have a trusted financial advisor, broker, or tax professional who can help review your plans, run numbers and help you think of the things you may have missed.

There is no secret formula to being a successful investor and earning lots of returns, but every successful investor is sure to have a well-designed plan with clearly defined goals. They are honest about their risk tolerance, understand the need to keep learning and willing to ask questions from experienced professionals so they can keep investing for the long-term.

If you need a referral to a great investment advisor, let me know. ---