

Are You Ready to Start Investing?

By [Terri A. Kamoto](#)



Making the decision to begin investing your hard earned money in the stock market is a big step towards reaching your long-term financial goals. Many of you are doing so in order to increase your retirement income, grow your personal wealth and maintain the level of your savings. If you regularly invest a portion of your income, you have a good chance at becoming financially independent.

Investment means introducing risk to your money. This is not necessarily a bad thing, as increased risk can help you grow your cash, but there is always the possibility of losing all, or some, of your money. The longer you have to invest, the better your chances of riding out market lows for an overall positive return on investment. But are you ready to begin investing?

Before Making Your First Investment

Take Stock of Your Current Financial Situation

First, take some time to determine your current financial situation. It does not make sense to invest money when you have a lot of debt and no savings on hand for emergencies. Before investing, focus on reducing debt to levels that you are comfortable with and free up more cash for emergency savings and potential investments.

Before risking your money in the stock market, you need some basics savings as an emergency fund for those unseen auto breakdowns, medical emergencies or rental issues. You do not want to pull money used for investing to pay for everyday expense when it is important to allow it to grow.

Ideally your emergency fund should be able to cover three to six months of normal expenses. If your career field is unstable or you are self-employed you should consider having six months of emergency savings or more.

Set Goals for How you Plan to Spend or Save Profitable Earnings

You should also determine what you are planning on doing with the money that you are investing. If you are planning on using profits for a down payment on a house or to pay for a child's college tuition, your investment choices will be different than if you plan on using it for retirement 30 years from now.

When you have a short-term timeline to reach your investment goals, say in the next five years, you might be better off by choosing a more conservative account, such as a money market account, with little chance of losing your principal investment. On the other hand you may have a high risk tolerance and are willing to attempt more aggressive investments such as mutual funds, stocks and indexed funds.

Explore Your Investment Options

If this is the first time you are investing money it is important to realize that you will make more money by leaving your money in a good mutual fund for a long period of time, then you will by making speculative purchases in the stock market or with day trading. While you can make money that way, it takes a solid understanding of the stock market, a lot of time and real talent. Proceed with caution and seek expert advice to make risky moves in pursuit of high and fast returns.

If you want to start small with a fund you don't have to hand-hold, take advantage of mutual funds that have low initial investment options and expert fund managers to make informed decisions. Many of these funds do not require a lot of money upfront which is great for first-time investors.

You should carefully consider the operating costs and the average annual return over time. Remember that the funds will go through high and low times, and that you need to ride out the low times in order to make money in the long run.

Consider Insurance Protections Against Financial Loss

Make sure your finances and investment income is protected. Income protection insurance or life insurance may be able to cover you or your family's expenses in the event you are unable to work or experience a severe financial loss. Ask your trusted broker or insurance agent for more information about insurance coverage to protect your family from financial ruin in the event of your loss.

Seek Guidance From a Financial Advisor

Once you are ready to invest its high time you found a trusted financial advisor or team of financial professionals – brokers, fund managers, bankers, tax experts, legal counsel and more – to help reach your financial goals. These experts can help you makes sense of your specific financial situation works with a variety of investment options and to clearly understand the risks associated with each investment before you commit to it.

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