4 TIPS TO AVOID INVESTMENT FUMBLES

STRATOS

TIP:

KEEP YOUR HEAD IN THE GAME: AVOIDING MENTAL ERRORS WHEN YOU INVEST.

In the sports world, a mental error can cost your team the big game. When you are investing, a mental error can put your retirement portfolio at risk. Mistakes often result from letting misconceptions and emotions affect your decisions.

Successful investing generally requires logic and reasoning. To avoid a fumble, you may want to guard against these four behavior patterns.

1. OVERCONFIDENT QUARTERBACKING

Some people tend to overestimate their investment abilities. Like the overconfident quarterback who always wants to throw a pass, the overconfident investor may want to change investments frequently. However, any changes in your investment strategy should be based on careful consideration, not “gut feelings.” Rash decisions could cost you the game.

2. FREEZING UNDER PRESSURE

Fear of being tackled can cause a player to freeze up on the football field. Likewise, fear of making an investment mistake can cause a retirement investor to postpone decisions. For example, an investor may delay switching out of an investment that has consistently underperformed. While the investor is lingering over the decision, the investment may be losing even more value. If you determine that an investment no longer fits in with your game plan, the sooner you make the substitution, the better.

3. ASSUMING A WINNING STREAK IS UNBREAKABLE

If an investment, or its sector, has performed extremely well over the long term, you may believe it is unbeatable. But even the best teams may lose at some point -- and even the most consistent investment may sometimes falter. Instead of simply assuming a “star” investment still has a winning record, periodically review its performance. If it experiences a temporary setback but still fits in with your game plan, you may want to keep it in your roster. But, if a former winner is now on a long-term losing streak, it may be time to switch investments.

4. FOCUSING ON SHORT-TERM LOSSES INSTEAD OF LONG-TERM GAINS

In football, a long pass down the field may lead to a touchdown. But it's also very risky because the other team could intercept the ball. Like a long pass, a stock investment can be risky because of the potential for losses. Stocks, however, also offer greater potential for long-term gains than less risky asset classes. For a better chance of getting into the end zone, retirement investors may want to include stock investments in their portfolios.

Your situation is unique, so be sure to consult a professional before taking action.

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