Investing Mistakes

- Not having patience and buying assets at highs and selling at lows leading to losses. The reason for this kind of behaviour is lack of understanding of markets and failure to determine its suitability to the investors.
- Not aligning investments to their goals and objectives.
- Making emotional decisions.
- Making investments just because they have tax benefits.
- Investing in a hurry at the end of the financial year just to save taxes.
- Having majority of investments tied up in one asset class for eg: fixed deposits, real estate, gold etc. Diversification is essential to minimise the risk.
- Checking the value of investments every now and then.
- Making too many short term moves with long term capital.
- Investors invest in something they do not understand.
- Following a herd mentality.
- Having unrealistic expectations. For eg: some investors expect to double their money in say, six months or one year.
- Buying stocks just because they have a low price to earnings ratio.
- A price moving up or down is a part and parcel of the markets. People are not prepared psychologically when the markets go down.
- Buying stocks because they are cheap rather than buying stocks with good businesses.
- Averaging the stock i.e. buying more of a stock just because it has gone down.

- Never investing in asset classes whose value fluctuates for eg: gold, real estate, stocks etc.
- Buying stocks just because it pays dividends.
- People seem more comfortable investing in something about which they are entirely ignorant.
- Investors invest without taking into consideration when they need money.

  Example 1: When they need money in let's say two years, they invest in something which is ideally meant for long term horizon and not for a short term and then they withdraw the money in two years thereby making a loss and then blaming the asset class itself.

  Example 2: When they need money in let's say in two years they invest in an asset where it has a lock-in feature due to which they are not able to withdraw money when they need it and in turn end up complaining about the asset class.

- Buying mutual funds due to its low NAV. Investors buy those funds which have a low NAV since they are under an impression that low NAV means cheap price. But here value remains the same whether you buy units worth Rs.10,000 in a low NAV or a fund having high NAV. First of all appreciation is important or returns that the fund generates is important rather than a low or a high NAV.
- People have no idea what type of insurance to buy and how much insurance cover should they buy.
- Buying insurance policies just to save taxes.
- Generally, people have a misconception that it is more beneficial to buy both insurance and investment bundled in the same product.
- Making a mistake of investing in insurance policies (just because they get the money back on maturity) and not buying a term plan.

- Making investments in insurance policies and mixing insurance with investments.
- Buying insurance policies in the name of family members who are not earning members.
- Not buying adequate life insurance i.e. a term plan if an individual has dependants. Most people end up being under-insured.
- Not having adequate Mediclaim or Health Insurance.
- In many cases, it has been seen that investors invest just to please their friends or relatives who work as agents.
- Buying insurance policies since the agent has agreed for a pass-back of his commission.

Note: The insurance aspect is explained in detail in our articles 'Insurance Goof-Up' and 'Inaccurate Notions about Insurance' under our 'Articles' section. Do not forget to read it.