The Stan Clark Financial Team's

PERSPECTIVES

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Financial Planning

Entering the stock market: Main points for every beginner to know

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Through the past several issues of *Perspectives*, you have thought about your future self, tracked your spending, created a budget and accumulated some savings. It's now time to think about the extra money kicking around in your account. This could be the opportunity for you to enter the stock market!

No question: A lot of speculation surrounds the stock market. We always hear things in the news about the ups, downs and turnarounds. Trying to understand everything is definitely confusing.

There are three key components to address, which explain why some people do not succeed:

1. lack of diversification
2. investing in speculative stocks
3. market timing.

Now that we have determined some main points to avoid, let's take a closer look.

Diversification is a key part of being a smart investor and becoming successful in the stock market. This means investing in different industries, markets and categories. Investing in only one sector and using only one mode increases your risk. Instead, it is wise to diversify, spreading your money across different areas.

By doing this, you are creating a cushion – so that if one industry, for example, experiences a hardship and drops, your money in other areas will likely not result in the same consequences.

Another way to diversify relates to the categories of investments you hold. There are lower-risk vehicles such as fixed income investments, as well as higher-risk options such as common shares. It is important to look at the risk/reward tradeoff and decide the right mix for your personal needs. Part of this process includes determining your risk tolerance and investment goals.

The second factor to consider is *the type of stocks* to invest in. Looking at the hype in the news, and choosing speculative stocks for your investments based on that hype, is another risky choice. Granted, hearing about new start-up companies is intriguing; however, with no track record of their ability to grow, they may not be the best starting place for you to invest your hard earned funds. Instead, we believe investing in well-established companies that have proven strategies. We believe that success is a safer choice.

The third reason that people tend not to do so well in the stock market is timing. Often people's emotional involvement in their investments influences them to move their money in and out of the market frequently, trying to sync with the ups and downs.

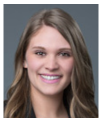
Unfortunately, no one is able to perfectly predict the stock market. It is important to remember that you cannot expect to double your money overnight, just as you should not jump to take your money out of the market as soon as the going gets tough.

Money that you are investing in the stock market should be seen as a long-term investment in order to be truly successful over time. One way to do this effectively is by trying your best to remove your emotions from the equation. And part of this means not checking your investment account on a daily basis!

To review, the points that form the foundation of being a successful investor are:

- diversifying your portfolio
- investing in well-established companies, and
- realizing the long-term benefits of stocks by removing your emotions from market ups and downs.

No one can predict what will happen with the market. Following the market in the short term can be nerve-wracking. But investing at an early age is a great way to build your portfolio and have a chance for your investments to earn considerable income and growth over time. ■



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