

Investing is not something to blithely go into no matter what hot tip, broker advice, or newsletter comment I might receive. I had made money buying and holding real estate and I knew nothing of the stock market. It took me several years to learn the basics of investing in the market and of course I lost money quite a few times. Perhaps my experience can save you from grief.

## HOW NOT TO INVEST IN THE MARKET

My first mistake was to take the advice of a friend. A company he worked for as an accountant and director was about to declare news that he said would certainly increase the company's share value. I bought some shares in his company through a broker. The shares did not go up and I lost money. Having heard that if you have a sense for making money in real estate that you may not have what it takes to do well in the stock market I then stayed away from the market for many years afterwards.

**EXPENSIVE LESSON: Do not accept hot tips. By the time you hear about it the timing is already too late, especially if it has been reported in newspapers.**

My biggest mistake was in not doing additional studying about how the stock market functions, what types of investments are available, and what I wanted from investing in the market before buying anything. I bought in blindly knowing nothing about how to invest in the market and without any kind of plan.

**EXPENSIVE LESSON: Before investing learn about how the market functions and what to do. Learn about the various types of stocks, EFT's, limited trusts, hedge funds, index funds, and mutual funds. See which vehicle is the best fit for your goals. Decide whether you plan to buy and hold long term; whether you are just trying for short term capital gain; or whether you are seeking regular dividend payments. When you select an area to invest in do your due diligence on the company by checking Sedar.com for financial information, call to speak with the company's investor relations person and sign up for a free stock news service like [www.globaladvisor.com](http://www.globaladvisor.com)**

**EXPENSIVE LESSON: Design a selling plan before you ever buy stocks. Set an upside gain goal (perhaps 10 or 20% higher than purchase price) and determine appropriate percentage stops (perhaps 5 or 10% lower) to place below for your protection.**

Having at last accumulated a little money to invest following the sale of some properties, and to shelter it from capital gains tax I put a large chunk of money into a new RSP account with a large brokerage firm. I also transferred a private investment holding to my RSP. Then on the broker's advice I bought some stocks. All but one of these stocks failed me. For each stock purchase or sale I sadly learned that my minimum commission was \$95.00 a trade or more.

**EXPENSIVE LESSON: Once having learned how to trade, do your own trading on the internet. Costs are considerably less at from \$5.00 to \$29.00 per trade.**

**EXPENSIVE LESSON: Brokers push stocks in order to make their commission. The stocks they promote are not always right for you. Some people have become wealthy being contrarian by doing the opposite to the broker's advice.**

Directed by a friend I signed up for a stock market newsletter whose advice enabled him to more than double his money. The newsletter listed suggested stocks to buy in five different categories of risk. The focus was primarily on what it called a bull market in commodities and uranium mining. In the least risk category were stocks I felt were too expensive to buy since they were all over \$30.00 a share or more. I began buying uranium mining stocks suggested in the lower two priced lists that I could purchase for from pennies up to \$8.00 a share. Knowing nothing about the companies whose stock I was purchasing, I just picked names from another investment club list that I had seen.

**EXPENSIVE LESSON: Owning stock of exploration mining companies is very risky since they have no earnings, only expenditures. Even if they find a very good potential mine site it takes many dollars and many years before the company will have any earnings.**

I learned the hard way as I watched the ups and downs of my stock portfolio that on good news the market goes down and on bad news the market goes up.

**EXPENSIVE LESSON: The moves of the market are irrational and often opposite to what you would expect.**

One of my early mistakes was in not knowing that there is a seasonal buying market in stock markets. My initial purchases were made in May when traditionally the big corporate investors sell off shares before going for summer holidays which causes prices to go down.

**EXPENSIVE LESSON: The markets make seasonal moves.**

I saw my stocks moving down and sold some quickly with no plan or knowledge about trends. After falling a few points these stocks rose again but having already sold I lost out. Then as they rose again I would buy in again. I didn't realize that the stocks were in a consolidation trend and that they were moving up and down in a pattern.

**EXPENSIVE LESSON: Learn about the various trend patterns through an internet service like Investools. Watch the stock charts only buying after stocks have begun a real uptrend. If the uptrend continues reset your upper selling limit goal higher and your protective selling stop higher also. After the trend reverses and begins moving downward sell. To avoid false moves don't try to guess when the trend has changed direction but catch it shortly after it has changed then buy or sell. Internet stock market tools like Big Charts and Investools can make your decisions easier.**

I was reacting to watching the market every day but not really knowing what I was seeing. I was selling too soon or buying at the wrong time.

**EXPENSIVE LESSON: You may trade stocks too often if you watch your stocks every day. Purchase your stocks with care then watching them daily is only necessary if you plan to become a day trader.**

I also purchased stocks in a biotech company because I believed strongly in their potential and loved using their products. Initially my biotech stocks went up more than a dollar more than the \$3.00 I had paid but I did not realize that I should sell and take my profit. Soon the company's expansion program failed and the stocks plummeted to \$0.56 a share. I was emotionally attached and still didn't sell.

**EXPENSIVE LESSON: Do not allow yourself to become attached emotionally to a stock because you will not let go and may hold it too long.**

It was not a good time to buy a biotech stock. By consulting Investools before making my purchase I could have learned that the biotech industry group was not doing well. I hadn't known the importance of this and other trading information that was available. Investools could have shown me averages, stock sales volumes, insider and commercial trading and a summary of other market indicators including price to earnings ratios, etc, that would have shown me in minutes whether it was a good time to buy the stock.

**EXPENSIVE LESSON: Review various investment guidance tools available such as Investools and consult them before buying or selling.**

I began to receive financial statements from mining companies in the mail but found the financial information very confusing to understand. Because so much was reported on I did not know what items were important.

**EXPENSIVE LESSON: Learn what financial information is important to know. The best financial guide I have found is the excellent book called "Warren Buffet and the Interpretation of Financial Statements" by Mary Buffett and David Clark ISBN – 13-978-1-4165-7318-0**

I did not realize what a large role that emotions play in what happens in the markets. Fear and greed appear to be the main motivation of buyers.

**EXPENSIVE LESSON: When everyone is buying it is time to get out because greed will push stock prices beyond their real value. Indicated by their stock price to earnings ratio (P/E ratio). When everyone is fearful and stocks are below value it is time to buy in, of course after having done your due diligence.**

A book that can aid understanding of how fear and greed affect the market and what to watch for is "**How to Make Money using MASS PSYCHOLOGY**" by **James Dines**. ISBN0-9649689-0-8

Learn from my mistakes and you will do much better than I did. Wishing you great success.

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Nana