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The 5 Laws of Investing Your Money

The old adage “Rome was not built in a day” and neither is your investment portfolio. Like a fine wine that gets better with age, building a long term investment portfolio needs time. Investing is like the seasons, spring, summer, winter and fall. Some days the weather is perfect and some days it's the dead of winter.

I will now share my 5 laws of investing your money:

1. **You must have patience:** The stock market never goes in a straight line, but over the past 75 years, it has always gone up.
2. **Seek out good advice:** Good advice and bad advice to the investor always have the same cost. Try and find experience and knowledge from the advisor you wish to help build up your nest egg.
3. **Diversify, Diversify and Diversify:** Investing is cyclical, bonds go up, stocks go down, Canada performs well and Europe does not. The market is like fashion, what's hot today is out of fad tomorrow. Always make sure your assets are diversified to maximize growth and minimize losses. Offence wins games and defense wins championships. You need to have a combination of both.
4. **Don't get greedy:** Hogs get fat and pigs get slaughtered.

Using a baseball analogy, never get carried away with always trying to hit a home run. Focus on hitting a bunch of singles. At some point, what goes up must come down. It's imperative that you annually review your holdings and rebalance winners and losers. Today's loser may become tomorrow's winner and vice versa.

5. **Don't follow the herd:** Just because your neighbor, cousin, co-worker bought a particular investment does not mean you should. Tips are for waiters and race tracks. Get good advice from professionals and never gamble on a hot investment tip, unless you can afford to lose it.

At the end of the day, those investors who have patience, get good advice, diversify, don't get too greedy and stick to their plans always seem to prosper, and you will too.

