

Seven Golden Rules for Smart Investing

It's a new world for investors but the old rules still ring true.

1. Always keep the big picture in mind. If you are investing for the long term avoid rash decisions based on short term volatility. If your strategy is sound, stick with it and recognise that short term market wobbles happen. Markets recover so it really does pay to be patient.
2. No-one can successfully time the market. Human nature is such that investors generally buy at the top of a market and sell at the bottom. History shows this time and again.
3. Stick to the basics of investing. Quality assets have a better chance of recovery through periods of high volatility and uncertainty. It may not be as sexy as investing in newer, more exciting products but it can give you greater peace of mind.
4. Maintain a properly diversified portfolio of investments. Diversification of your investment portfolio across all asset sectors allows you to 'hedge your bets'. By spreading your exposure and investing in different sectors you create a portfolio in which you are able to minimise to some degree the losses that may occur in one sector with gains in another. The overall effect is that you moderate the risk and smooth out your investment returns over time.
5. Strategic asset allocation has proven to be the most effective method for long term strategies. Combined with optimum rebalancing, a strategic asset allocation will usually be the most effective technique. It is easy to understand and follow, and therefore is more likely to meet your objectives as its primary benefit is to manage risk and return.
6. Dollar-cost averaging – buying more shares when prices are low – is a very effective investment strategy. You get 'more bang for your buck'.
7. Remember - it's not about market timing and stock selection as they only play minor roles in the long-term performance of your investments. It is about asset allocation, active reviews, seeking professional advice and sticking to your long term strategy.

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