The 10 Biggest Investment Mistakes to Avoid

Contemporarily, investment opportunities and savings culture have been on the rise gradually. This may not be far-fetched from the fact that beyond surviving, there is the insatiable quest for humans to live a better life and leverage the opportunity to multiply their wealth.

Before now, banking institutions were the majorly recognized and established platforms where human wealth and resources were taken to for security, precaution and speculative purposes. However, in the pre-banking eras, traditional means like trade by barter, and investment in the form of acquiring more mortgages were dominant.

But as man began to experience sophistication and modernization, more ways to multiply or create wealth became obvious and sometimes far-reaching, but viable. Now, individuals have taken it upon themselves to search for ways and leverage any opportunity to become wealthy through investments in things that had the leverage power.

As a consequence, drawbacks like scams and fraudulent dealings accompanied such drive and desire. Hence, with the sophistication that came with investment opportunities, came opportunities to also benefit from that desire and obsession.

An investment in this context is resources, usually finance committed into a venture, platform, interest-yielding bond, or a product with the promise of returns, which is greater than the initial capital committed, with a timeframe involved.

According to the Federal Bureau of Investigation (FBI), $2,606,983,748 have been lost to cybercriminals, while 44,133 people were victims of investment fraud.

Also, investment fraud cases have reached record numbers with 20.6K yearly victims (around 56 victims per day) in 2021. Also, During the 2020 COVID-19 pandemic, the number of investment fraud cases grew by 120%, but the average financial loss fell by 31% (from $55.6K to $38.3K) per victim compared to 2019 globally.

Despite the increasing awareness of online crimes, daily financial losses to investment frauds have grown around twelve times from 2015 ($326.5K per day) to 2021 ($4M per day).

This is why this article gives you ten investment mistakes to avoid if you looking forward to investing your hard-earned wealth on any platform or endeavor before it goes to ruins and scammers.

10 mistakes to avoid with your investment

No proper understanding of the investment: Many times, people have been coerced to invest in products or even items they do not fancy, and sometimes they do not have vital information and knowledge about.

This brings a problem of asymmetry, leaving such individuals exposed to the consequences of their actions even without them knowing. Most times, without proper knowledge of the investment portfolio and instrument, investors are left at the mercy of the facilitators of that investment.

Before investing in any venture, make sure you have a proper understanding and knowledge of what you are committing your resource into.

Impatience: Another common mistake people make with investing is impatience. People are quite eager to have their wealth doubled that they ignore the virtue of waiting and understanding that every investment requires time to yield bountifully, hence, they are easily swindled by swindlers who come promising high yields in the shortest possible time.

Avoid rushing into making investments with the promise of high yield, and be patient with investments that are feasible and reachable.

Using the money you can't afford to risk: This is a major problem facing youths these days who in their desperation to make wealth invest money they shouldn't invest in the first place. A major instance is a student using his tuition for investment opportunities that do not guarantee returns in the shortest possible time.

Hence, before investing, a personal assessment of the risk of the fund to be used is necessary.

Putting all your funds in one basket: A common problem for people wanting to make money or double their wealth is the urge to try all their funds in one venture. In investing, even after due diligence, be mindful of putting all your money in one basket or investment opportunity, because all investment opportunities have a 50-50 chance of yielding or failing.

So, it is advisable you hold some of your funds while investing some, just in case your investment fails, you are left with an alternative.

Ignoring inflation: This particular problem is sometimes overlooked. Individuals looking to invest in a venture or a product must look out for inflation. The inflation rate shows how your bond is going to do in the future and whether it will yield more in real terms or not.

Before you invest, look out for the inflation rate and compare the cost of investing and the returns in the future.

Relying on historical correlations: This mistake sometimes is committed unknowingly. What this means is, people invest based on the knowledge of how that product or opportunity had performed in the past without putting into consideration the factors in play currently.

Before investing in any venture, always balance the prior knowledge or history of that product with the current situation and factors on the ground.

Letting your emotions rule: Often at times, in making investment decisions, people are guided by their emotions. A perfect instance is investing in a product or a venture because a family or friend is investing in such or being coerced by one.

Investment decisions ought to be taken solely based on logic and the probability of future earnings.

Failing to diversify investments: A very sound investment strategy is to invest on diversified portfolios. That way, there is the possibility of your investment doing well in different ventures.

Just like in life, everything may not work out how we want it, but investing in different stocks gives leverage, and increases the chances of earning in the long run. This is also similar to holding some of your funds as cash.

Following the bandwagon: Many times, the reason why individuals take up investment opportunities is because a close friend or family is making similar investment decisions. When investing, a common mistake to avoid is going with the bandwagon.

That certain persons are investing in a business or venture does not mean it is a viable investment in the long run. Hence, the utmost care and due diligence should process any investment choice.

Not having set out goals for investing: Sometimes the reason why people go into an investment opportunity is not even known. They invest because they don’t have a proper idea of what they want at that time.

There should be a laid out reason and objective for investing. Do you want to invest to recoup a loss, or do you want to invest as a means to an end? Answer critical questions before committing your fund to any venture or business opportunity.

Bottom line

You should try to avoid making too many of these mistakes. But some of the errors we've talked about will be made by investors. Fortunately, you can embrace your inner teenager and learn from your errors. In reality, the majority of people learn more from their setbacks than their victories.

Given enough time and experience, you will likely be in a better and more profitable situation. Ideally, you want to phase out the common mistakes quickly enough so that you still have funds remaining to invest.