5 Common Investing Mistakes I Made that You Should Avoid

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Back during my schooling years, I studied the same problem again and again so that I didn't make the same mistake come exam time.

Problem was, I was horrible at application.

If the exact question came out in the exam, I killed it.

But that rarely happened. The question was always worded differently and confused the heck out of me.

I ended up screwing up similar questions multiple times.

The market is like this.

You make investment mistakes and in order to make sure you get it right next time, you focus and tell yourself you won't make that mistake again.

But then a slightly different stock comes along and before you know it, your tendencies start to come out….. again.

This happened again in 2013 and since I know I am not perfect, I want to share some short reflections on the common investing mistakes that I have made.

It's time to confess.

Common Investing Mistakes that I have Made

1. Trying to Time the Market

Everyone is affected by what the market does to a certain degree.

The biggest problem is that with the market zooming up, uncertainty about when to buy creeps in.

Should I buy now?

Or should I wait a little to see if the market corrects itself and get a better price?

The fix?

Focus on the investment quality of the business and to buy it at a cheap or fair price independent of what the market does.

2. Focusing on the Stock Price and Not Intrinsic Value

There are two parts to common investment mistake.

If the intrinsic value of a stock is 50% or even 100% higher, then waiting for the stock to drop a measly 2%

before buying doesn't make sense.

I have found myself quibbling over wanting to buy it "just a little cheaper".

How many times have you found yourself submitting a buy order and entering the bid price just a few cents lower than the stock price?

Stop quibbling over cents.

The second point is that the stock price does not dictate intrinsic value. If the stock drops 20%, it's easy to get worried, but the best thing to do is nothing.

I've made the mistake of making an emotional decision.

The stock price is not an indicator of intrinsic value.

3. Holding a Loser Until it Breaks Even

I fall for this one more often than I should.

A dreaded bias of not wanting to close the position on a stock at a loss that I invested a lot of time and effort on.

GRVY was a net net and had the makings of a huge profitable investment.

Like all things in life, it didn't turn out the way I had planned.

With my investment down 50%, I did hope that I would break even. But over the past year, I have scaled back the holding.

I still hold a small portion because at the current price, it would also be an emotional move to sell out completely.

The value of the cash on hand far exceeds the stock price and as much as I want to sell and be done with it, I know that even crap stocks make good investments at dirt cheap prices.

4. Overly Focusing on Other People's Opinion

There are pros and cons to this.

The pros are:

1. it's a shortcut to investing especially when you've found somebody you can trust
2. saves time
3. build a diversified (> 20 positions) based on other solid value investor picks and it beats the market

The cons are:

1. you don't know what you are getting yourself into
2. you don't know exactly when to sell
3. you don't know what to do if something bad happens and you need to keep asking for opinions

It's truly a big mistake when you end up completely relying on another person on the investment.

I bring up GRVY again. Yes I screwed up on that one, and I know people also bought into it as well. The mistake is that I can't provide live updates for every move GRVY makes.

Becoming overly dependent on someone else is a mistake which is a huge portfolio risk.

5. Not Utilizing My Checklist Enough

I do have a checklist that I refer to. I purposefully didn't make it into some gigantic list or to be very exhaustive.

But by using just one set of checklist, I end up looking for the same style of companies. My checklist needs to expand and evolve into something that can handle different types of investments.

A collection of shorter checklists is needed that is suited for different situations such as:

- common value plays
- turnarounds
- high growth stocks
- and net nets

Not only will this help make better decisions, but it will also reduce time during the research phase.

You need to have clear goals of what you want to know instead of wandering and figuring out what you should do be looking for.

Bonus Mistake: Handling Too Many Accounts

This is more of a problem than a mistake, but I would love to hear your opinion on it.

It's a personal one and it doesn't look like it won't be going away anytime soon.

I'm currently managing 3 accounts for my investing.

1. 410k to trade stocks
2. A personal brokerage account
3. A new investment account for OSV

Problem is that I can't combine any of them and the difficult part is having to log onto all three accounts to make transactions.

Since all three accounts have different balances, it becomes a chore and time waster trying to manage, track and maintain 3 different accounts.

If this sounds familiar to you and you have a method of making it easy, please leave me a comment and let

me know.

Going Forward?

Am I the only one to make these 5 mistakes?

Are these the only ones that I've made?

No to both.

But looking back throughout the years, I have been making progress in reducing mistakes and there will be many more mistakes to learn from and keep in check.

So think back to some common investing mistakes you've made. Now it's your turn.

What mistakes have you made and what are you going to do about it?