TOP 5 INVESTING MISTAKES AND HOW TO AVOID THEM
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Whether you think investing is more an “art” or a “science,” one undisputable fact remains…mistakes go with the territory. However, what separates successful investors from those who continue to struggle is their ability to learn from their mistakes and implement a strategy to keep them from reoccurring.

While mistakes can’t be eliminated entirely, you can learn from the most common ones that trap other investors. By doing so, you will create an investment approach that helps you invest more effectively and reach your goals faster.

Mistake #1 - Not Getting Started

Everyone, to one degree or another, is concerned about mistakes. However, one method for managing mistakes creates bigger problems than any other mistake by itself could. It is when an investor refuses to take action—any action—for fear of what might happen.

Too many would-be investors never start because they want everything to be perfect. They want to have all the knowledge. They want to have an exit for every possible problem that could arise. As a result, they put off pursuing a deal until it has been snatched out from under them or they convince themselves that “now isn’t the time” or that the investment opportunity is “too risky.”

If any of this rings true for you in the slightest, consider this. Think of how many traffic lights are between your home and where you work. Now imagine what would happen if you waited to pull out of your driveway until all the traffic lights were green. Would you ever make it to work or would you be perpetually stuck in your driveway with the engine idling and never getting anywhere?

As ludicrous as this scenario seems, it is what a number of investors do. Truth be known, you WILL encounter some red lights in your investing career. However, if you have the education, patience, and determination, those red lights will turn green and you will be able to continue forward to your ultimate destination.

Mistake #2 - Investing with No Plan

Now, if never getting started is on one end of the mistake spectrum, then going all in without a plan is on the other end.
While confidence and enthusiasm are admirable—even essential—characteristics for success, if you dive in without a plan, then you can quickly get into trouble and turn a good deal into a nightmare.

Think of investing without a plan as using a “ready, fire, aim” approach. While you might fire a lot of shots, the chance of hitting anything intentionally or of substance is small. An investment plan provides focus and structure to all of your investment activities.

A worthwhile investment plan should be based in reality, but force you to extend just beyond your reach. The easiest way to accomplish this is to first define your present circumstances in the form of an accurate and detailed financial statement. If you don’t know where to start, consider beginning with the financial statement from the CASHFLOW game and go from there. The end in mind is to have an accurate record of your incomes, expenses, assets, and liabilities. Only then will you know exactly where you are and what you have to work with.

From there, you’ll want to write out your goals using the same degree of specificity that you used in creating your current financial statement. In other words, you’ll be answering questions like:

- What type(s) of assets will you buy?
- How many will you own?
- What will be the anticipated monthly cash flow for each asset?
- How long will it take you to buy all of your intended assets?
- When you buy each asset? (e.g. in 6 months, by end of Year 2, etc.)
- How will you finance the purchase of each of your investments?
- Etc.

As you can see, the questions above help create a step-by-step approach that builds upon itself until you reach your overall goal.

Now some will discount this process saying, “things change” and they are right. However, going back to the “ready, fire, aim” analogy, creating a plan gives you the ability to “aim.” Every time, you “fire” you go back to the plan and readjust or “aim” and fire again and repeat. This process helps you get closer and closer to your intended target each time. This is why people with defined goals often find they achieve them faster than they had originally thought possible.

**Mistake #3 - Trying to Do It All by Yourself**

Whether it is sheer arrogance or the fear of looking ignorant, too many investors try to build their investment portfolio entirely by themselves. They fail to accept that you can’t be successful alone.
This becomes very apparent when people attempt to move to the B (Business Owner) and I (Investor) side of the CASHFLOW Quadrant, but still hold on to E (Employee) and S (Self-Employed) ways of thinking. In the end, thoughts always drive behaviors and behaviors are what produce results.

The ways in which people invest all by themselves can show up in many ways. It could be attempts to become an expert in all aspects of an investment or process. It might be refusing to delegate to team members. It even shows up as refusing to listen to others and being insistent on doing it “my way.” While education, ownership, and faith in oneself are all important, if these are taken to the point where you are trying to do it all by yourself, then things have gone too far.

Instead, consider the following:

- Obtain a general knowledge in a number of investment disciplines and subjects, but identify a “go-to” expert for each one as well.
- Build a team of advisors who have a similar investment philosophy as you.
- Explore collaborating with other investors.
- Hire a coach.

Even if you are able to reach a certain level of success by yourself, you will reach a point where your time, knowledge, and money (which we’ll cover next) will be exhausted. In other words, you have reached a ceiling in which you will not be able to move past. A better approach is to adopt the mindset that “investing is a team sport” and build relationships that will grow with you.

**Mistake #4 - Using Your Money (and not leverage) to Fund Investments**

How long would it take you to save a 20% down payment for a $100,000 property? How long would it take you to save another 20% for your second property? 6 months? A year? Two years?

Using your money—money you have scrimped and saved for—to fund your investments is another example of a poor and middle-class approach to investing. Robert says, “Savers are losers.” And that is true in more ways than one. The rich, on the other hand, understand and use Other People’s Money (OPM) to reach their financial goals.

OPM provides an investor leverage. Leverage, in its simplest terms, is the ability to do more with less. Rich dad told Robert, “People who only work hard have limited leverage. If you’re working hard physically and not getting ahead financially, then you are probably someone else’s leverage.” He also said, “If you have money sitting in the bank in your savings account or retirement account, then your money is someone else’s leverage.”
As you save your money, with the hope of one day being able to fund your investments, banks take your money and lend it to the rich so they can invest your money and become richer. There is no reason why you cannot leverage OPM to help accelerate your investing plan.

The key is in the quality of the investment. Good deals attract money. All of which leads to…

**Mistake #5 - Forgetting the Numbers and Letting Emotions Take Over**

Letting one’s emotions take over investing decisions can be one of the most difficult mistakes to avoid, even for experience investors.

For many, it comes from a scarcity mentality. When investors foolishly believe and act as if there are only a handful of investments, logic and reason fall by the wayside. If they find an opportunity that looks remotely promising, they begin to overlook warning signs and tell themselves whatever they need to hear to soothe their fears and keep the deal moving forward.

For others, they fall in love with the idea of being an investor and become more concerned with playing the part than actually behaving like an investor. They model their decisions after what they’ve seen every “fix and flip” reality TV star do. They tear down walls and overindulge in remodeling and upgrades. They turn a reasonable 3 bed/2 bath property into a 2,400 sq. ft. mini-mansion that will never be able recoup its costs through the rents available in that market.

That is why for every investment, you must ask yourself, “Do the numbers make sense?” You need to breakout a spreadsheet and plug in all the numbers that will affect the outcome of your investment. You need to budget for vacancies. You need to account for bounced checks. You might even need to factor in funds for a “rainy day.” The point is that the numbers will always tell the true story. If you need to play with the numbers to make it work, you might want to think twice. Conversely, a solid financial statement for an investment will not only make your decision easier, it will be more likely to attract other investors and help you address Mistake #4 as well.
The Bottom Line
When it comes to investing successfully, making mistakes isn’t the issue. All investors have and will continue to make them. The smart ones are those who learn from the ones others have made. If you do the same, you can have all the education with none of the pain.

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