

Getting back to investing basics: A 6-step program

Successful investing takes time and discipline. And unfortunately, when markets are volatile, many investors can get off track. At times like these it's best to get back to basics. By following the six basic principles below, we believe investors can improve their long-term investment success.

1. Have a plan and stick to it

Successful investing requires a game plan and the discipline to stick to it. A good plan outlines your goals and objectives as well as the risks you are willing to take. Your plan will prevent you from taking on more risk than you should when markets are rising, and will help you make appropriate decisions when the world appears to be falling apart.

2. Be diversified and balanced

Don't put all your eggs in one basket. With a balanced portfolio that includes stocks, bonds and cash, you can reap the benefits each of these assets offers. Diversification can both improve return and reduce risk in an investment portfolio. By including a variety of different companies, industries, geographic regions, and investment styles, you can offset weaknesses in some areas with the strengths of others.

3. Think long term

With today's higher volatility levels, long-term thinking is more important than ever. Intra-day swings of five percent or more can make you feel like you're missing major opportunities to enhance returns. But evidence shows that trying to time the market just doesn't work. On average, the longer you hold equities, the better your chances of earning a positive return.

4. Buy and retain quality

The best way to avoid pitfalls is to focus on quality. It's a difficult term to define, but there are a number of good indicators. Financial stability and strength as measured by low and manageable debt levels, a stable history of profit and dividend growth, and a strong management team are some of the factors that tend to define quality investments.

5. Stick with winners and sell losers

It's often human nature to sell winning investments and pat ourselves on the back, while hanging on to losers and hoping for the best. While turnarounds do happen, it is important to distinguish between wishing for one and assessing whether it is possible or not. You'll probably have better results with a disciplined strategy that accepts losses when they happen, and doesn't sell winners too soon.



6. Review, reassess, rebalance

Monitoring your investment portfolio is just as important as creating it in the first place. Capital markets change, and so will your objectives and risk profile with wealth and age. Making the necessary adjustments will ensure that you are headed in the right direction. The process of planning, reviewing and rebalancing will ultimately ensure financial success.

Every action needs a solid plan.

A ScotiaMcLeod advisor has the knowledge, resources, and team of experts to help you design and implement a plan based on these time-tested principles of success.

This publication has been prepared by ScotiaMcLeod, a division of Scotia Capital Inc.(SCI), a member of CIPF. This publication is intended as a general source of information and should not be considered as personal investment, tax or pension advice. We are not tax advisors and we recommend that individuals consult with their professional tax advisor before taking any action based upon the information found in this publication. This publication and all the information, opinions and conclusions contained in it are protected by copyright. This report may not be reproduced in whole or in part, or referred to in any manner whatsoever, nor may the information, opinions, and conclusions contained in it be referred to without in each case the prior express consent of SCI. Scotiabank Group refers to The Bank of Nova Scotia and its domestic subsidiaries. TM Trademarks of The Bank of Nova Scotia.

