Avoid These Eight Common Mistakes
Too many investors make the same mistakes! Here are eight to keep in mind:

1. **Not having enough money on hand for emergencies.** No one expects to lose a job or become ill. But it can happen, and the financial repercussions can be lasting. A prudent strategy is to keep enough money in a separate account to cover living expenses for up to six months. Once your emergency plan is in place, you're ready to set up a regular investment plan for your future.

2. **Delaying the investment process.** This can cause real damage to your financial future, because time is a great ally when investing. Even relatively small amounts of money can grow rapidly over time. For instance, if you invested $1,200 per year and earned 8% annually, you'd have $40,500 in 17 years. Sock away $2,400 per year at the same rate, and your account would grow to $81,000.

3. Keeping too little in stocks. Many people don't have enough of their money invested in stocks. That's unfortunate. While share prices are certainly known to fluctuate, and the past doesn't predict the future, history has shown that they perform well over time. According to Ibbotson Associates, from January 1988 through 2007, compound annual growth rates were as follows1:

Russell 1000 (large-company stocks) 11.98%
CG HY LT (long-term high-yield bonds) 11.40%
Russell 2000 (small-company stocks) 11.33%
MSCI EAGE (international stocks) 7.79%
CG T-Bill (30-day Treasury bills) 4.31%
US CPI (inflation) 3.04%

***** The prices of small cap stocks are generally more volatile than large cap stocks. Investing in foreign securities presents certain unique risks not associated with domestic investments. Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. Treasuries are guaranteed by the full faith and credit of the U.S. Government for the timely payment of interest and principal if held to maturity.***
The indices are provided for informational purposes only. Individual investors cannot directly invest in an index.

4. **Paying too much in taxes.** Millions of Americans could cut their tax bills each year if they took the time to consider their choices. Here's how you can cut yours: Contribute as much as possible to your company 401(k) plan. You may be eligible for a tax deduction on the contribution, and your earnings will grow tax-deferred. Also think about putting money in tax advantaged municipal bonds and tax deferred investment vehicles.

5. **Buying yesterday's winners.** Last year's best investment rarely turns out to be this year's best investment. Don't buy a security just because its share price has been rising rapidly in recent months. Evaluate its potential for continuing the positive trend.

6. **Not focusing on fundamentals.** Sometimes investors get caught up in the excitement of the market, buying when stocks are high, selling when they are low -- just the reverse of what you need to do. When you buy a stock, you're buying a piece of a business. Looking at the fundamentals -- the financial results and management -- of that business can help you buy low and sell high.

7. Unpreparedness. Many investors purchase a stock believing it will only go up in value. Be prepared for it to go down. If it does, and the underlying business is sound, the decline may be an opportunity to buy additional shares at a more favorable price.

8. Failing to get professional guidance. Not many individuals have the time and expertise to monitor the financial markets and make investment decisions based on intensive research. The guidance of a full-time investment professional may increase your profit potential and reduce your risks.

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