LIFE AFTER 50

RETIRE IN STYLE

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THREE BIG DO-IT-YOURSELF INVESTOR MISTAKES

NOTE: THE MEDIA IS NOT ALWAYS YOUR FRIEND.

It's quite common to come across people who think they know how to manage their investments. And, the fact is, some people do a very good job of it. But experience shows that competent do-it-yourself (DIY) investors are in a minority compared to the masses getting "hot tips" from friends, family, and "media experts." Ultimately, these tips often wind up costing novice investors dearly. In no particular order, here are three common mistakes DIY investors make that could wind up costing money:

1. I was watching a finance expert on TV and she said…
Many of the people doling out investment information in the media are not professional investment managers. Following the media's "free" advice could ultimately wind up being very expensive. Discerning investors realize this and understand the value a professional advisor provides. Why else would the endowment funds of Harvard, Yale, and Princeton spend millions every year for professional financial advice? If hiring financial pros didn't make sense these billion dollar funds would stop doing it. And, while hiring a seasoned pro doesn't necessarily guarantee outstanding results, it's something for the DIY investor to seriously think about.

2. I don't need a financial advisor because I read investment periodicals.
This is related to the first mistake, but with a twist. Knowledgeable professional financial advisors seek long-term relationships with their clients and meet with them regularly to review and update accounts based on the unique needs of the client. Compare that approach to a DIY investor reading a story that appeared on a cable news network's Web site back in November of 2007 that stated that tech stocks should lead the rebound and that leaders in the technology sector are growing fast and weren't hurt by subprime issues or soaring oil prices.

Remember, this was November of 2007. This "expert" went on to recommend a variety of investments including one which, according to the writer, was selling for a little over $28 per share at the time. Fast-forward about 16 months and the same investment was trading for a little over $13 per share. What's the reader to do? You can be sure the author of that column wasn't taking calls from readers asking for further advice now that they'd lost over half of their money based on one of his suggestions.

3) I can save money by doing it myself...
Remember the old saying, "Penny wise and pound foolish?" Do-it-yourself investors often have difficulty understanding the difference between price and value. Many media outlets have done a good job of convincing consumers that they are foolish to pay for financial advice since it can be easily obtained for free. Of course, hiring a professional financial advisor doesn't guarantee investment success. Financial advisors make mistakes, too. But, a disciplined, serious approach to investing with a seasoned professional may yield better results over time.

In short, investors need to recognize that there is a cost to any kind of advice. Free media advice that winds up losing people half of their investment may not be such a good deal. And, while it may be fun to pretend that media resources are a great way to get free advice, the cold, hard fact is that the media's interests are not necessarily aligned with their readers or viewers. Engaging a professional financial advisor may not guarantee investment success, but professional fees could wind up being much less expensive in the long run compared to free advice from the media.✦

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