

# 9 GOLDEN RULES of Investing

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Rules can be a good thing. They keep us out of trouble and help us avoid making major blunders. Your investments are serious business. ***Your financial well-being and retirement are largely dependent on your ability to invest your money effectively.***

The golden rules of investing will serve to elevate your thinking when it comes to your investing practices.

**Consider these guidelines before you make another investment:**

- 1. Know your starting point.** What's your net worth? Before starting any race, you have to know where the starting line is located.
  - Take regular measurements of your financial situation to gauge your progress.
- 2. Avoid investing in a business or financial instrument you aren't able to understand.** Warren Buffet has made it a point to never invest in high-tech companies for the same reason. If you lack an understanding of derivative products, that would be a good reason to stay away from investing in them.
  - If you're unclear about the fundamentals of an investment, how will you know if it's a good investment or if and when you should sell it?
- 3. Try not to invest and forget.** Most investments require regular monitoring and assessment. Market conditions can change, so try to remember to check on all your investments.
  - The company whose stock you purchased might suddenly start taking on a lot of debt.

- Stay on top of the latest news and make any necessary adjustments to your investments.

**4. Look past the price and the past returns.** The real value of an investment isn't always evident by looking at the price or past performance. Take the time to dig in and see if an investment has real value.

- Sometimes an investment is underpriced because it's a great buy.
- Sometimes it's underpriced because it's junk.

**5. Remember to consider inflation.** Most investors forget to consider the effects of inflation when choosing investments. Investing is looking toward the future, so inflation is an important consideration.

**6. Always have the insurance coverage you need.** Few things can disrupt your finances and ability to invest more profoundly than an unforeseen disaster.

- Whether it's a medical emergency, a tornado, or someone suing you because they slipped on your sidewalk, you want to have adequate insurance coverage to take care of it.

**7. Make tax planning an ongoing process.** Most people only plan for taxes at tax time. However, the wise investor considers tax issues throughout the entire year.

- Whenever you make an investment, consider what the tax implications might be.
- A little bit of forethought can mean thousands of dollars in April and you can beat the tax man at his own game.

**8. Have preparations in place for financial emergencies.** If you lost your job tomorrow, how long could you last financially? Would you be forced to sell your portfolio and start over? If you lack an emergency fund, consider starting one as soon as possible. When you need it, you'll be grateful that you have it.

**9. Retirement savings should take precedence.** When retirement savings isn't a priority, you usually won't have much of a retirement fund. We're all prone to putting things off until tomorrow. Start preparing for your retirement today.

- Make your retirement a priority and you'll live comfortably in your golden years.

Keep these 9 golden rules in mind to increase your investing success. Retirement comes quickly, so try to put these rules into effect quickly.

***Investing doesn't have to be complex, but it does require discipline and planning.*** These rules provide a framework that will allow you to stay on track.