21 things I've learned as an investor for 20 years

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Regardless of how many years you've been investing, the one constant is that there's always more to learn. I've been investing for nearly two decades, and while I've certainly matured and learned a lot over the years, I also realize there's still so much more to learn.

What's even more interesting about this "learning process" is that it can happen anytime, anywhere, and from investors of all interest and knowledge levels. I've learned invaluable lessons firsthand and from investors with four-plus decades of research under their belt. Yet, in other instances, I've been taught valuable lessons by brand new investors.

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In the spirit of this ongoing learning process, I'm going to share 21 things I've learned as an investor over the last decade.

1. Stocks can indeed stay irrational longer than you can stay solvent. Tesla Motors ([TSLA](http://money.cnn.com/quote/quote.html?symb=TSLA&source=story_quote_link)) may look pricey at 73 times forward earnings, but I thought it looked pricey back when it was at $120 per share. It's trading today at $253 per share.

2. No matter how much you remove emotions from your portfolio, it's impossible to remove emotional trading out of the market -- so expect stock valuations to look extended at times.

3. Even the best traders in the world can be wrong from time to time. I mean, that's the only way to explain Warren Buffett's unsuccessful investment in Tesco. Lesson learned, be humble because you, too, will be wrong at some point.

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4. Short-term taxes stink! Following the rapid rebound in 2009 I was quick to take some profits off the table. In April 2010 I was hit with a whopper of a tax bill at my ordinary income tax bracket. It was unpleasant and a good reminder to stick with companies for the long term.

5. Cash is far from king. After netting $9 in interest in my savings account in 2012 -- yes, nine dollars -- I decided to make an attempt to boost my investment account contributions beyond what I need in my[emergency fund](http://money.cnn.com/2015/06/23/investing/money-market-funds/?iid=EL).

6. I don't have to look at my portfolio every single day -- and I tend to sleep better because of it. This isn't an advertisement to ignore your stocks, but it's a quick reminder that if you buy for the long term then you don't have to sit on the edge of your chair watching your stocks tick up or down two pennies throughout the day.

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7. Timing the market with any consistency is hopeless. If I had $100 for every instance where I set a limit buy on a stock and it missed my purchase price by a few pennies or less over the last decade I could easily max out a year's contribution to an IRA. If you like it, just buy it!

8. There should be far more "sell" ratings from Wall Street than there are. About half of all stocks will wind up heading lower over the long run, yet fewer than 1-in-10 analyst ratings suggest a "sell." This leads to the next point ...

9. Analysts are right about as often as the average investor, so stop placing them on a pedestal and start trusting your own analysis.

10. You'll rarely see the next crisis coming. In 2006 I didn't hear a single person talking about subprime loans. Just accept the fact that market downturns are inevitable and invest accordingly.

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11. There is no such thing as a "sure thing" investment. If there were, I'd have at least 10 money-losing trades over the last decade in the profit column.

12. Losing money is a learning experience, not a reason to crawl back under the bed sheets. Chances are you're going to lose money on a stock at some point in the future. The idea is to take what you've learned and not make the same blatant mistakes again.

13. Solid businesses can outlast a bad CEO. Warren Buffett once said, "I try to buy stock in businesses that are so wonderful that an idiot can run them, because sooner or later, one will." Apple ([AAPL](http://money.cnn.com/quote/quote.html?symb=AAPL&source=story_quote_link)) is arguably the best business on the planet, but former CEO John Sculley once fired Steve Jobs. We know how that story turned out. If you can find great businesses, the product or service will take care of itself.

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14. Sometimes the greatest investments are those that are undiscovered by Wall Street. Don't be afraid to dust off your pencil and dig into a company's financials, even if it boasts a small-cap valuation.

15. Insider buying and selling activity really isn't as important as you think. Insiders sell stock for a variety of benign reasons, including tax-based selling, options expirations, and planned selling, so reading into an insiders' stock sale could wind up sending all the wrong messages.

16. Investing in stocks not listed on a major exchange can put you at a major disadvantage. I'm still reeling from my loss on Artificial Life ([ALIF](http://money.cnn.com/quote/quote.html?symb=ALIF&source=story_quote_link)) after it abruptly changed its business model. With weaker reporting standards on over-the-counter exchanges, fairly valuing a company, or even finding out what it does, can be tricky.

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17. Family, friends, and an occasional vacation, come first. I consider myself a stock market enthusiast, but even the most fanatical investors need some time away from the market to clear their mind. Always ensure that your friends and family comes before your love for the market. I promise it'll be there when you get back from Hawaii!

18. Contrary to the fact, history does not always repeat itself. If it did, we'd all be rich by now! It's yet another reminder that timing the market is a hopeless proposition.

19. ETFs are a great vehicle for reducing volatility and boosting your exposure to a sector or geographic region. You may pay a small annual expense fee, but you'll struggle to find better portfolio diversity if you only have a small amount of money to invest.

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20. If it seems too good to be true, it probably is. That Chinese pharmaceutical company with a low single-digit P/E in 2010 ... yeah, it's not around anymore ... and neither is my money for that matter.

21. Finally, out of all different investment tools available, the stock market really does offer the best chance at outpacing inflation. Sure, it'll have more ups and downs than bonds will, but over the last decade the[S&P 500](http://money.cnn.com/data/markets/sandp/?iid=EL) is up 70% while 30-year U.S. Treasury bond yields are down about 30%. The proof is the in the pudding.

*Sean Williams is short shares of Tesla Motors, but has no material interest in any other companies mentioned in this article. He writes for The Motley Fool and you can track his stock picks at [TrackUltraLong](http://caps.fool.com/player/trackultralong.aspx" \t "_blank).*

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