5 Key situations and errors to be avoided by investors

Investors should be careful about the scheme details, past performance and then make choices. Even after investing, it is imperative to be careful about the pattern and kind of investment since the prime reason to invest is to achieve financial goals and create wealth over the years. So, investors have to be cautious about the possible mistakes they could make or situations they could avoid to have a hassle-free investment experience. Read 5 Key factors to be avoided by investors here:

1. **Paying attention to noise**
   First and foremost is that investors should stop giving any attention to rumours or random incidents, whatsoever. These rumours could be about the stock market crash and panic-struck investors redeeming their investments due to geo-political imbalance or any other catastrophe that may seem as a potential threat to their investments. While there is a possibility that market correction could lead to a fall in the stock prices but that does not mean that the market will not bounce back, the market is similar to life and has its ups and downs. Amongst the uproar, much of it could be rumour and that needs to be avoided. This is similar to a honey trap, by giving ears to such noise; you can not only book losses but also deviate from achieving your financial goals. In certain cases, when you feel that the noise is affecting you then consult a Financial Advisor or an Investment Consultant who could counsel you correctly.

2. **Forgetting to be disciplined and patient**
   Investing in Mutual Fund requires investors to be patient and disciplined, as these qualities help in achieving the financial goals and allows the investment to grow. It is necessary to invest regularly and in amounts that are feasible for the investor, as this nurtures 'discipline' within the investor. Not necessarily, but sometimes new investors begin their investment journey by investing a lump-sum amount; and then they may find it difficult to invest and may avoid investing at all. Systematic Investment Plan is a facility that allows investors to invest in a Mutual Fund scheme regularly in fixed amounts. This could really affect the goals they wish to achieve. In the case of 'patience', investors need to understand that wealth creation takes time and is not an instant process. If investors are susceptible to volatile market conditions, then they could choose to invest in Equity-Linked Saving Scheme (ELSS) ** which locks the investments for a minimum of 3 years and comes with a tax saving advantage u/s 80C. This will help the investor to develop patience, prevent panic selling along with saving tax.

3. **Making it impossible to handle**
   Imagine how difficult it is to hold 10 shopping bags at the same time. Sure it is. Similar to having just too many stocks in the portfolio can be harmful to your wealth. It may be advisable to have a focused portfolio that churns less. It is also not advisable to invest in too many funds as there is a risk of over-diversification and keeping a tab on their performances. This behaviour is usually displayed by investors who over the time grow impatient and hence go on to invest in a variety of Mutual Fund schemes

4. **Chasing past performance that may seem better**
   Investors need to know that by looking at previous returns, they should not opt in pooling their money into a particular fund. Past results may not always help the investor in creating wealth. Investors should always invest in a scheme on the basis of their goals they wish to achieve, their risk appetite, consulting

a professional would also help in selecting the right fund and analysing the process behind its performance rather than just blindly following the past performance.

5. **Duplication of funds**

   Not necessarily always, but many at times, inefficient diversification is caused when investors end up in investing two different funds falling in the same fund category. Usually, investors feel that this could help them achieve their financial goals as this would give them assurance that if one fund fails to give good returns then the other fund would do the needful.