NEW TO INVESTING?

Are you looking at ways to grow your wealth, but find yourself overwhelmed because the whole process seems daunting or you just don't know how to get started?

It's a common conundrum most new investors face and we can empathise with these anxieties.

But part of the problem mainly lies in a number of myths about investing which might be holding you back from making that first step.

Here are **3 myths** about investing and the real truth about putting your money to work.

Myth #1:
Investing is Complicated

The biggest challenge most new investors will face is overcoming their initial trepidation about investing and that it's complicated. But to borrow a quote from legendary investor Warren Buffett, investing isn't rocket science and someone with a higher IQ isn't going to do better than the rest.

Making a plan is the first and most important step in anyone's investing journey. If you fail to plan, you plan to fail. This is certainly true in the realm of investing.

Firstly, clearly outline your investment goals and determine why you've decided to invest in the first place. Are you a millennial investor building up your savings to purchase your first home? Or are you an investor approaching retirement looking for replacement income?

This is then closely correlated to your risk capacity, which is the level of risk that you are able to accept for your investments. Can you stomach large substantial swings in your portfolio? Or do you prefer to play it safe and employ a more conservative approach?

Mapping out your investment goals and risk-level, will then help towards determining your asset allocation and building a portfolio that suits your needs.

Myth #2:
Markets are Too Volatile

The marketplace can seem scary to new investors. We've all read the headlines about benchmark indexes plunging and intraday volatility surging because of some macro event. But markets move in a cycle and ultimately normalise over time. History has also shown that markets trend higher with each bull cycle ending higher than the last.

So how can investors manage volatility in their portfolio? The answer lies in **diversification** – a tried and true risk management strategy designed to smoothen out returns in a portfolio and minimise the risk of losses.

A diversified portfolio with low correlations would make for a less bumpy investment journey and tend to reduce jitters when faced with adverse market conditions. In turn, this would induce investors to stay invested and reap the benefits when markets eventually bounce back.

Myth #3:
You Need a Lot of Money to Invest

Another common myth holding back investors is that it is assumed you need large sums of money to invest. That's no longer true with most unit trust funds and Private Retirement Schemes (PRS) having a minimum investment amount as low as RM100 today.

However, you might ask if such small investment sums would significantly move the needle or bring you any closer to your investment goal. Is RM100 really going to make a difference? The answer is yes again, if you are disciplined and invest consistently by leveraging the **power of compounding**.

To illustrate, assume an investor makes a monthly investment of RM100 for the next 30 years. This would bring the total investment to RM36,000. Assuming a target return rate of 12%, the value of the investment would grow and compound itself bringing the projected value to over RM353,000!

Described as the 'eighth wonder of the world', the power of compounding should not be underestimated in how it affects your portfolio returns over time. This also underscores the importance of staying invested and the risk of cashing out too early in a market downturn.

Start small and start early to reap the benefits of compounding.

Getting Started

Investing isn't as complicated or intimidating as it is made out to be. With the right financial roadmap backed by a solid asset allocation plan, you are one step closer towards realising your wealth goals and aspirations.

Further Reading

- The Six Step Guide to an Effective Asset Allocation
- Picking a Unit Trust Fund that Suits your Portfolio

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