



TO FINANCIAL INDEPENDENCE

8

BE DISCIPLINED

"Successful investing professionals are disciplined and consistent and they think a great deal about what they do and how they do it." – Benjamin Graham

Long-term plans very often go unachieved, because discipline isn't followed. In the face of extreme events, it's important to exercise discipline and stay the course, especially when it comes to investing. 'Disciplined investing' sounds good on paper, but is harder to execute due to real life dynamics, where market conditions change, incomes fluctuate and personal wants and needs vary. Novice investors anxious to succeed hardly adhere to one strict investment plan. They continuously make hurried adjustments based on what they perceive to be the "right move" at the "right time" which is understandable, but can be very detrimental. Here are three main areas in which discipline should be avidly practiced as an investor; short or long-term.

1) Start with the right mindset

As discussed in the previous article, starting (with any amount) is what's important. More important than this, however, is starting with the right mindset. Your mindset will determine whether you fail or succeed. Long-term investors need to be able to deal with the ebbs and flows of the stock market, and not get distracted by short-term fluctuations in their share price. The right mindset will enable you to be a disciplined and successful investor.

2) Build the right portfolio and stick to it

It's prudent that your asset allocation be based on your investment objectives and risk tolerance, and not on hear-say or the latest investment fad. Select only investment types that fit your criteria. This gives you a personalized beacon to follow throughout varying market conditions. Don't change your asset allocation due to recent market activity. The longer you hold your portfolio, the more likely you are to experience extended periods of positive returns.

3) Put fact over feeling

As a disciplined investor, it's critical not to let your personal feelings about the market dictate your investment decisions. Understanding the market means accepting its cyclical nature. It may be psychologically challenging to hold a stock when its price is declining, but being disciplined means committing to your investment plan and staying the course. Being well-informed, engaged and patient when it's needed most will help you alleviate some of the frustrations that would otherwise inevitably arise and cause panic. Don't be quickly discouraged by short-term performances of any market.

Being a disciplined investor means sticking to your investment strategy and only changing it based on legitimate information and not the rumours or opinions of others. It also means staying focused and keeping your emotions in check when making decisions.

Invest wisely. Invest with Databank.