Investing Perspectives: Seven Habits of Highly Effective Investors

Over thirty years ago, the book "*The 7 Habits of Highly Effective People*" quickly became a bestseller by offering a common-sense approach to improving life outcomes through personal change. Investing may be seen in a similar light — establishing certain habits can help to make better investors.

Here are seven practices that can serve investors well:

1. Recognize that time is one of your greatest assets. The odds of investing success fall in your favour when you combine a long time horizon with the power of compounding investments. Even average returns, compounded over a long period of time, can lead to superior overall results. Consider that a one-time, lump-sum investment of $55,000 will yield around $209,000 in 25 years at a compounded annual rate of return of 5.5 percent. However, in 55 years, it will yield over $1 million.

2. Accept that markets are inherently volatile. Volatility is what allows equities to be one of the greatest generators of returns of any asset class over the longer term. While volatility has been muted for most of this year, recognize that it is a permanent fixture in equity markets. Over time, equity markets will have incredible up periods, such as the one we have experienced this year, but also difficult down times.

3. Maintain patience, through good times and bad. Participation, by having the patience to see through the inevitable ups and downs, can make a significant difference in investing. Successful investing often involves the patience to overcome many short-term setbacks in order to enjoy longer-term compounding and progress.

4. Don't abandon risk controls. When equity markets are rising, it may be easy to get caught up in the excitement and forget that various guidelines have been established to control risk within a portfolio — for example, strategic diversification, rebalancing to a certain asset mix, limiting the size of any holding and maintaining quality criteria for holdings. These help to guard against being caught in the prevailing momentum by identifying potential risks that may not be overly apparent.

5. Stop listening to the noise. Everyone has an opinion on investing and the markets. In good times, everyone can sound like an expert and we may fear missing out. In difficult times, the media headlines can magnify economic misery and instill fear. At the end of the day, thoughtful analysis should drive decision-making — not any peripheral noise.

6. Save more. Saving is one of the cornerstones of building wealth. You can build wealth without a high income, but you have no chance without a high savings rate. Saving is one aspect that an investor can control — unlike the many others which we cannot, such as stock market performance, interest rates or the timing of recessions.

7. Continue to have confidence in the value of support. We are here to provide support at every stage of the investment journey to help you achieve your goals, and this can extend beyond investment advice. This may include helping to instill discipline, through saving or investing, or to enhance total wealth management, through retirement-planning, tax-planning or estate-planning support. Studies continue to show that advised clients have greater assets — more than 3.9 times the assets than non-advised investors after 15 years — and greater discipline through volatile times.[1]

1. IFIC, https://www.ific.ca/en/articles/canadian-investors-value-advice/; https://www.cirano.qc.ca/files/publications/2016s-35.pdf

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