

8

Essential Steps Every Investor Needs To Profit

Set Your Target

A target will help you give focus and give you clarity to build a rock solid plan. Surprisingly more than 70% of investors don't have a plan to guide their investment decisions.

Here are some targets to aim for.

If you're starting off aim for -10 to 5 percent return per year. Yes, that's right it's okay to lose when you're just starting.

If you have experience and know how the markets work aim for 5 to 15 percent.

For more advanced investors 15-25+ percent is a great range and puts you in-line with some of the best investors in the world if you can do it consistently – year after year.

Remember consistency is key. Anyone can make money, only pros make it consistently.

The 30,000 Foot view

2 out of 3 stocks follow the general market direction. That means if you invest in the same direction of the market you have a 66 percent chance of making money. Make sure to understand the following so you can stack the odds in your favor:

- Economic Cycle – Expansion, Contraction and Recovery
- Relationship between different markets – Stocks, Bonds, Commodities, Currencies
- Long term direction – Bull market or Bear market

Investment Choices

There is no right or wrong answer here, it comes down to preference. Some people like to only invest in stocks while others invest across the board.

Based on the market you choose, there are different ways to invest

Direct: Stocks, Bonds, Commodities and Currency

Indirect: Options, Exchange Traded Funds (ETF) Contract for Differences (CFD) Futures, FOREX

Why Reinvent the Wheel?

Here are some of the most proven investment strategies to help you maximize profits.

Value Strategy

This strategy is based on finding the real value of an asset. The general idea is that everything returns to its real value sooner or later. The aim of a value investor is to find discrepancy between the real value and current value of an asset.

Directional Strategy

Directional strategy aims at finding the general trend and investing with that trend for profits. Unlike value strategy directional strategy allows you to profit from both bull and bear markets.

Cyclical Strategy

Everything has cycles and cycles are very powerful because cycles repeat. Cyclical strategies aim to take advantage of known patterns. Like economic cycles, presidential elections, earnings report and even seasonal cycle.

Event Based Strategy

Unlike cyclical strategy where events happen periodically, event based strategies are often one time events like a merger or acquisition, war circumstances, research breakthrough etc.

Manage Risk

Managing risk is the hallmark of any great investor. Here are some guidelines

Invest only 1 to 2 percent of your entire account

Make sure your reward-to-risk ratio is more than 2:1. That means for every dollar you risk your expecting to make 2 dollars

Plan For The Worst

There's always uncertainty in the markets and even the best of us can get caught off guard. Think the unthinkable and plan for it. It'll save you a ton of headache.

To help you plan here are few questions to think about:

- What would totally surprise you as your investing?
- What's the one thing you don't want to happening?
- What would you do if your account dropped significantly overnight?

Putting it all together

By now you should have a solid system to guide your investing. You know:

- What to invest
- How much to invest
- How to manage risk

Now it's time to test and make sure you're going to make money before you even put a penny at risk. You do this by using a simulator or as the industry calls it 'paper investing'.

Keep it simple, Keep it fun

Simplicity is an art. You want to eliminate what's not necessary and keep only what's needed.

But most importantly have fun and you'll discover that investing is one of the most interesting games to play and financially rewarding.