

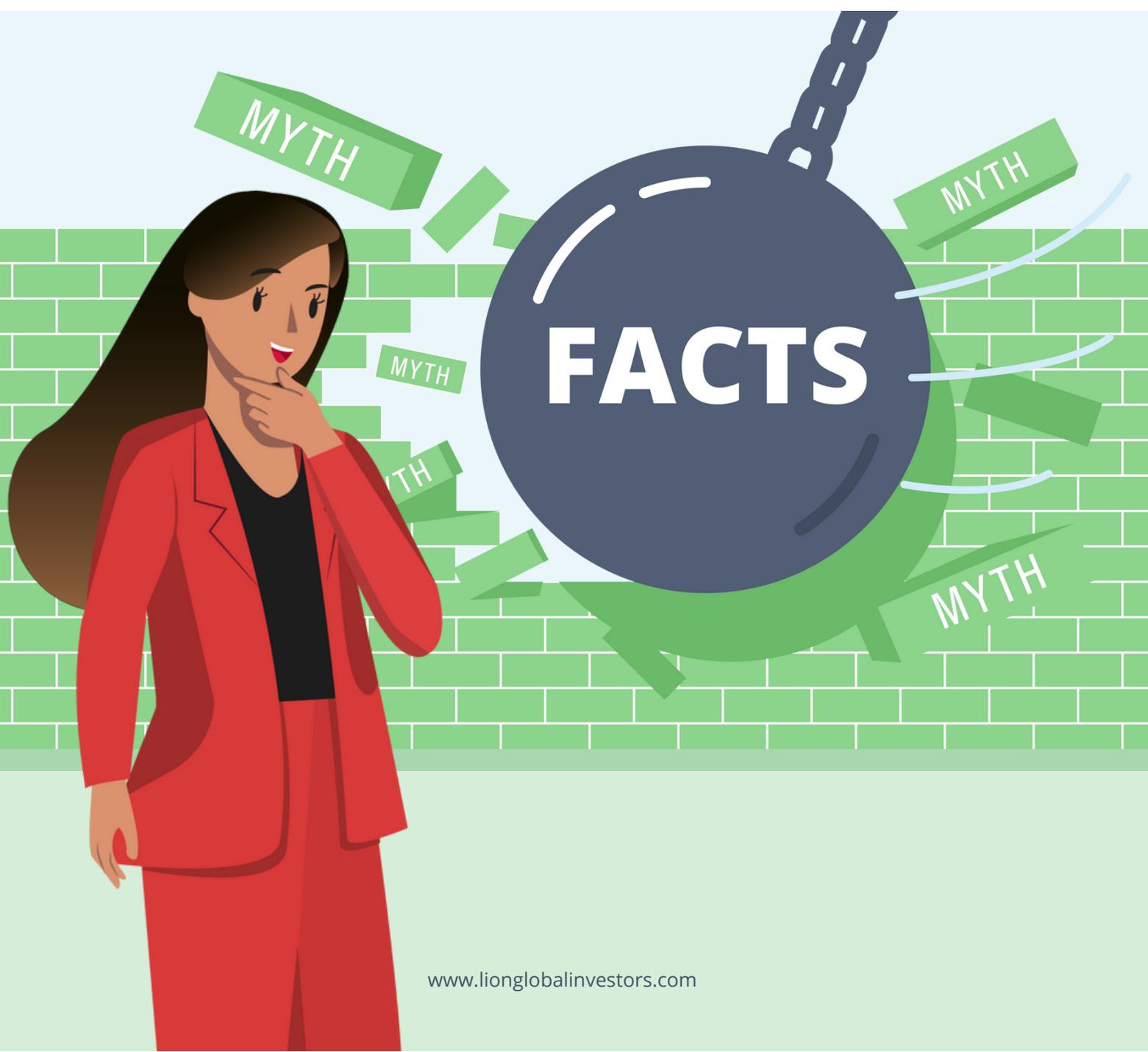
June 2022



# Debunking the 5 Common Myths About Investing

**Dawn Leong**

Lead, Content & Communications



Volatility has been the name of the investing game in 2022. Markets across board – equities, bonds, credit and cryptocurrencies – continue to face selling pressure, fueled by concerns over stagflation (characterized by an economy with inflation, a slow economic growth rate as well as a high unemployment rate) risks. The Federal Reserve turned more hawkish recently and signaled that it would tighten monetary policy at a higher-than-expected rate to combat rising inflation. It has already hiked interest rates by 75 basis points year-to-date, and expectations of further rate hikes have no doubt weighed on both the equity and bond markets. The Russian-Ukraine conflict had also added further volatility into the market, causing commodity prices to surge. In China, appetite for Chinese assets has suffered, with the triple whammy of continued regulatory tightening, worries in the property sector as well as COVID-19 shutdown. Indeed, a drop in China's activity and credit data in April was a meaningful downside surprise to consensus' expectations.

Investing in itself could already seem like a daunting task; current market conditions have made it more challenging. This could be an opportune moment to remind investors of several common misconceptions that deter them from starting their investment journey, or staying away from being invested in the markets when the going gets tough.

## **1. YOU REQUIRE A SIGNIFICANT AMOUNT OF MONEY TO GET STARTED**

While the minimum investment amount varies among different unit trusts, the general initial investment amount for most unit trusts start at \$1,000. Through a Regular Savings Plans (RSP), the said amount may be as low as S\$100. For ETFs, the minimum investment amount can be even lower, starting as little as \$1\*. With the surge in popularity of low-cost robo-advisors, cost structure of investing has also been lowered.

\*Assumes issue price S\$1 per unit, excluding fees and charges.

## **2. INVESTING IS LIKE GAMBLING**

Similar to gambling, there are no guaranteed returns in investing. However, gambling is more akin to taking uncalculated risks. There is a proliferation of financial information available to us today; thanks to the advancement of technology, knowledge is now at the tips of our fingertips. Before you make an investment decision, it is of paramount importance to do your homework beforehand and understand the product you are purchasing. If you are new in your investment journey and self-education is insufficient, you may also consider approaching a licensed financial advisor who is aligned to your interests. Bottom line: do not get involved in anything that you do not understand.

## **3. YOU CAN TIME THE MARKET**

At Berkshire Hathaway's annual shareholding in May 2022, the Oracle of Omaha, Warren Buffett reminded investors that attempts to "time the market" is a poor investment strategy. He gave the example that Berkshire was too early getting into the market during the 2008 financial crisis while he "missed the opportunity" in 2020 March when the pandemic struck. Markets are cyclical and they go through up and down. Therefore, as the saying goes, it is wiser to focus on time in the market, instead of market timing.

## 4. PERCENTAGE GAINS AND LOSSES ARE EQUIVALENT

The best way to explain this is via an example.

Your starting capital is \$100. On day 1, you make a 10% loss, bringing your total amount to \$90. On day 2, you make a 10% gain, but it does not mean that you are back to square one (\$100). Instead, you have only gained \$9, bringing your total amount to \$99. In other words, you would still have lost \$1. Therefore, it is important to do the math and not allow your mind to trick you.

## 5. INVESTING REQUIRES A SIGNIFICANT TIME COMMITMENT

If you are invested for the long term, it may not be necessary to monitor your investment portfolio every day and track market movements with a hawk eye. There are investment strategies out there for long-term investors. You can also consider professionally managed unit trust funds or ETFs that track market indices by Lion Global Investors.

## CONCLUSION

Investing is for everyone. As long as you do your research and/or engage a reliable financial advisor, you can design a portfolio to suit your needs based on your time horizon, risk appetite and goals. The younger you begin your investment journey, the more time you have to build out your wealth over the long term. There is no better time than now.



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