Common investing mistakes and how to avoid them

Investing is a lifelong learning process and as your journey progresses, you will want to try to avoid some common asset allocation mistakes.

Not having a plan

Your investment strategy should take into consideration your time horizon, your risk tolerance, and your overall goals for retirement. The investment options you select should reflect these objectives.

Investing too conservatively when you are young

If you have plenty of time before you retire, you may want to consider investments that provide more growth opportunities through various mutual fund options. Funds that offer higher potential returns will also carry more risk. However, with time on your side, you can potentially ride out any fluctuations in the stock market. Be sure to review the fund's fact sheet or prospectus for more information before investing.

Investing too aggressively when you are approaching retirement

As you start to approach retirement, it's important to think about the amount of risk in your investments. How much are you contributing or currently investing in stocks and bonds? If your percentage is high and risk gives you concern, you may want to start decreasing your stock holdings.

Changing your asset allocation too often

The goal is to buy more shares of your investment with your contribution. The lower the cost, the more shares you buy. However, when you try to time the market to buy and sell your investments to achieve this goal, you could miss out on long-term investment gains since the stock market is unpredictable. Like many investment strategies, asset allocation offers no guarantee of positive returns, and mutual funds are subject to market risk, including loss of principal.

Not changing your asset allocation at all

Over time stock market fluctuations can alter your asset allocation and cause an imbalance in your allocation strategy. This can expose you to more risk and impact your investment results. You can rebalance your account yourself by regularly reviewing your allocation and making necessary adjustments. Keep in mind that rebalancing your funds could mean potential sales charges or other fees. Additionally, switching out of an investment when the market is doing poorly means locking in the loss.

Diversification does not assure a profit or protect against market loss. All investments involve risk, including loss of principal, and there is no guarantee of profits. Investors should carefully consider their objectives, risk tolerance, and time horizon before investing. There is no assurance that any fund will meet its stated objective.

ADP RETIREMENT SERVICES 71 Hanover Road Florham Park, NJ 07932

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