When Opportunity Knocks, Open the Door

If you’ve been around long-time investors, you’ll probably hear them say, ruefully, “If only I had gotten in on the ground floor of such-and-such computer or social media company, I’d be rich today.” That may be true — but is it really relevant to anyone? Do you have to be an early investor of a spectacular company to achieve investment success?

Not really. Those early investors of the “next big thing” couldn’t have fully anticipated the tremendous results enjoyed by those companies. But these investors all had one thing in common: They were ready, willing and able to look for good opportunities.

And that’s what you need to do, too. Of course, you may never snap the next big thing, but that’s not the point. If you’re going to be a successful investor, you need to be diligent in your search for new opportunities. And these opportunities don’t need to be brand-new to the financial markets — they can just be new to you.

For example, when you look at your investment portfolio, do you see the same types of investments? If you own mostly aggressive growth stocks, you have the possibility of gains — but, at the same time, you do risk taking losses, from which it may take years to recover. On the other hand, if you’re “overloaded” with certificates of deposit (CDs) and Treasury bills, you may enjoy protection of principal but at the cost of growth potential, because these investments rarely offer much in the way of returns. In fact, they may not even keep up with inflation, which means that if you own too many of them, you will face purchasing-power risk. To avoid these problems, look for opportunities to broaden your holdings beyond just one or two asset classes.

Here’s another way to take advantage of opportunities: Don’t take a “time out” from investing. When markets are down, people’s fears drive them to sell investments whose prices have declined — thereby immediately turning “paper” losses into real ones — rather than holding on to quality investment vehicles and waiting for the market to recover. But successful investors are often rewarded when they not only hold on to investments during declines but also increase their holdings by purchasing investments whose prices have fallen — or adding new shares to existing investments — thereby following the first rule of investing: Buy low. When the market rises again, these investors should see the value of their new investments, or the shares of their existing ones, increase in value. (Keep in mind, though, that, when investing in stocks, there are no guarantees; some stocks do lose value and may never recover.)

Instead of looking for that one great “hit” in the form of an early investment in a skyrocketing stock, you’re better off by seeking good opportunities in the form of new investments that can broaden your existing portfolio or by adding additional shares, at good prices, to your existing investments. These moves are less glitzy and glamorous than getting in on the ground floor of the next big thing — but, in the long run, they may make you look pretty smart indeed.

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