Slow And Steady: A Smart Way To Invest

You've probably heard stories about fortunate investors who "get in the ground floor" of a new, hot company and quickly make a fortune. But while these things may happen, they are exceedingly rare and often depend on hard-to-duplicate circumstances — and they really don't represent a viable way of investing for one's goals. A far more tried-and-true approach is the "slow-and-steady" method.

To follow this strategy, consider these suggestions:

• *Start small — and add more when you can*. When you're first starting out in the working world, you may not have a lot of extra money with which to invest, especially if you're carrying student loan debt. But one of the key advantages of the slow-and-steady method is that it does not require large investment sums to get going. If you can afford to put away even $50 or $100 a month into individual stocks or mutual funds, month after month, you may be surprised and pleased at how your account can grow. And when your salary goes up, you can put away more money each month.

• *Take advantage of an employer's retirement plan*. If your employer offers a 401(k) or similar tax-advantaged retirement plan, try to take full advantage of it. Again, if you're just beginning your career, you may not be able to put away much in this type of plan, but even a small amount is better than nothing. And as soon as you can possibly afford it, try to put in enough to earn your employer's matching contribution, if one is offered. These types of plans can offer some key benefits — and perhaps the biggest one is that investing is automatic, in that the money is moved directly from your paycheck into the investments you've chosen within your 401(k) or other plan.

• *Be prepared for downturns*. The financial markets will always experience ups and downs. So, you need to be prepared for those times when your investment statements may show negative results. By understanding that these downturns are a normal part of the investment environment, you can avoid overreactions, such as selling quality investments with good fundamentals just because their price has temporarily dropped.

• *Chart your progress regularly*. A key element of a slow-and-steady investment approach is knowing how well it's working. But it's important to measure your progress in a way that makes sense for you. So, for example, instead of measuring your portfolio's performance against that of an external stock market index, such as the S&P 500, you may want to assess where you are today versus one year ago, or whether the overall progress you're making is sufficient to help you meet the financial goals you've set for yourself well into the future. Another reason not to use a market index as a measuring tool is that the index only looks at a certain pool of investments, which, in the case of the S&P 500, is simply the largest companies listed on U.S. stock exchanges. But long-term investors try to own a range of assets — U.S. and foreign stocks, bonds, government securities, certificates of deposit, and so on.

"Slow and steady" may not sound like an exciting approach to investing. But it's often the case that a little less excitement, and a lot more diligence, can prove to be quite effective.

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