KAF INVESTOR EDUCATION SERIES

5 TYPICAL INVESTING MYTHS

Empowering individuals with financial literacy knowledge and skills are necessary to improve their financial well-being. Understanding investments or investing is a key process towards financial literacy. Some individuals still have a hazy understanding of investing and underestimate the importance to start investing early.

In this short article, we will dispel five common investing myths and helping you towards taking that step towards financial independence.

Myth 1: You Need to Be Wealthy to Start Investing

One of the most common myths about investing is that you need to have a high level of capital to start. In reality, it does not have to be a large sum. With the right knowledge, platform, and strategy, anyone, regardless of income or background, can participate in and benefit from investing. One can start with a small portion of his or her current income to begin investing. By doing so, coupled with financial discipline, they are opening the possibility of building future wealth.

Myth 2: You Need to Be Market Savvy

You do not need to necessarily be an expert in investing to be successful with your investments. As an option and a good start is to contact and utilise a financial advisor who can help you assess your risk appetite and create an investment plan based on your needs.

Myth 3: Investing is Risky, Hence It Is Better to Use Traditional Savings Methods

There is a long list of investment options available that comes with a spectrum of risks. Knowing your risk factors would be the primary step toward distinguishing your risk appetite. It will be the investors' job (or his fund manager or wealth manager) to find a mispriced investment opportunity (higher return per the same level or risk). Even traditional savings are not without risks; very relevant now is the risk of inflation, risking your capital's future purchasing power.

Myth 4: You Need to Monitor Markets Daily

Another reason why people hesitate to invest is the assumption that they need to monitor market developments daily. Depending on one's time constraints, knowledge, and skill levels, one can opt towards passive investing (vs active investing). Having a longer-term horizon or utilising a buy-and-hold strategy or just passively investing (e.g., via managed funds, unit trusts) will be a less time-consuming way to grow your money whilst you focus on your day job, career, or business.

Myth 5: You Are Too Young to Start Investing

People believe that one must reach a certain level of maturity and income stability before one starts investing. You should start planning your financial future as early as you can. In fact, as part of Malaysia's new investor education agenda, there are plans to introduce personal financial knowledge into children's curriculum at school. Achieving your financial goals through investing can be a slow and steady process, especially when you want to incorporate appropriate risk management. Starting early gives you an added edge especially taking advantage the effects of compounding interest or returns. You will gain hands-on experience that will increase your knowledge and understanding of assets and enable you to sustainably implement your plan.