Do You Make These Mistakes When Investing?

Learn How to Avoid the 4 Most Common Investment Errors and You'll Beat the Pants off the Wall Street Experts

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Prologue

What you're about to read is not your typical kind of investment advice. Many will find it controversial or shocking. The financial world will hate it and they'll probably call me a heretic for writing it.

For over 37 years I've been a professional investment advisor on Wall Street. There's not too many things I haven't seen, done, or heard about in the financial world. Most of it's not pretty but what you're about to read is all true.

This report is not going to answer all your questions about investing. But it'll make you question a lot of what you think you know about investing.

Hopefully, it will open your eyes to what really goes on behind the scenes on Wall Street.

So, if you're looking for tips on "how to make 19,243% from one special stock" (who do you know that's done that?) then you should stop reading now.

You're not going to find lots of fancy charts, graphs or statistics (they're confusing and hard to understand).

But you will discover practical, actionable and valuable solutions to help you avoid costly mistakes.

And they're written in plain, easy to understand English (not the awkward Wall Street jargon).

You'll also see how Wall Street uses its unfair advantage to prey on the average investor…And, more importantly, how not to get hustled by the pros.

Understanding the Opposition

To get the most out of this report you must accept some basic realities about investing.

First, we all make mistakes…especially when we're not prepared.

Second, most people end up victims of their own fear and greed because they don't understand who they're up against.

Notice I said "**who**" you're up against.

The term Wall Street covers a broad spectrum. But the heart of the financial world is run by a small group of insiders we'll refer to as "The Club" (more on that later).

They count on you not being prepared…and they lay plenty of traps for the average investor.

There's an old saying "If you're going to walk through a mine field, follow someone".

This special report contains vital information based on the experiences of a 37-year Wall Street veteran, me.

So, think of it as a road map to help you navigate the mine fields of investing.

And it's not just a map for experienced investors who want to improve their win/loss ratio. It's also for the new investor who wants to put their hard-earned dollars to work but they're afraid to start.

There has always been a "game within the game" on Wall Street. But before you learn the secrets to winning you must first learn how to avoid the most common mistakes.

Why People Make Mistakes

Have you ever said (or heard someone say) "Every time I buy a stock it seems to go down" or "I just can't figure out how the stock market works so why bother?"

At one point in time we've all probably made those comments.

Most people make mistakes simply because they're not aware of some very important unwritten rules about investing:

RULE # 1: Wall Street is **NOT** your friend

RULE #2: "The Club "controls, makes and changes the rules at their discretion

RULE #3: ..."and you ain't in it" (paraphrase from George Carlin)

There are many other unwritten rules on Wall Street (too many to cover here). But understanding these simple ones gives you a "yuuuge" advantage over the average investor.

It's Business, not Personal

Most Wall Street firms are experts at complicating investing. It's how they make money at **YOUR** expense. And they use the presstitutes in the financial media to lead you down their twisted path.

They all try to convince you that without their *"extensive market research"* you don't stand a chance. It's also how they justify charging outrageous fees.

Before diving into the most common mistakes investors make, you need to see what goes on behind the curtain of the investment world.

The following example is a sad, but true, reality of how "The Club" advises (*Cough*! misleads...*Cough!*) their investors.

On Wall Street, a financial analysis/report works like this...The management says to their top gurus, *"We have a certain conclusion about (XYZ Company) that we want to defend. Can you back it up"?* (Right away you can see that they're not concerned about integrity and objectivity)

Is essence what they tell their analyst is: "**Here's the conclusion we want to defend and if you like your FAT paycheck and lovely mega-yacht on the Hampton's coastline, you'll do the following...**"

At the same time, they'll tell you how great they are at serving the needs of the investment world.

To illustrate my point, during the 2008 meltdown the CEO of a famous Wall Street firm (which created AND sold many of the bad mortgages products that caused the housing market to collapse) said they were "…doing God's work."

Remember, despite all their claims, **Wall Street doesn't care about you.** They're only concerned about their bottom line and year-end bonuses.

So, having started on a cheerful note, let's look at how they trap you.

Misleading: It's All About the Money

It's easy to mislead someone when you have a major mouthpiece doing the work for you.

Wall Street uses the Financial and Mainstream media (MSM) outlets to influence public opinion. This allows them to profit regardless of which way the markets are moving.

Let me give you an example:

1. A company puts out a report stating "…XYZ stock is our top pick for the next 12 months…'back up the truck,' buy it…blah, blah, blah!"
2. The Gurus make a compelling case (as they were told) for you to own this stock
3. The sales force (backed by the presstitutes) goes all out promoting the stock
4. The price and volume of shares goes up. *Note: Increased volume from new buyers allows large sellers to get out
5. At the same time, the company making the recommendation uses this opportunity to unload their institutional shares to the public

Volume and price eventually slows down and surprisingly (sarc) the company announces a bad earnings report or some unforeseen problem happens and BAM…the stock gets crushed.

It's the oldest trick in the book. They use the power of the media and their sales force to get you buying while they simultaneously sell the same stock for their institutional clients.

Joe average is stuck holding the bag again…and clueless as to what happened.

And it happens all the time.

It's like the instructions on the back of a shampoo bottle: "**Wash**, **Rinse**, **Repeat**".

Okay, now that I've REALLY brightened your day, let's look at the four most common mistakes to avoid.

Mistake #1: Failing to "Ring the Cash Register"

One of the best traders I've ever known happened to be a client and a friend. His instincts and timing were uncanny. His approach to investing was fearless.

Unfortunately, he lived a tragic childhood. As a teenager, he was forced into one of Hitler's Nazi war camps in Poland. And he was the only one of his family to survive.

On rare occasions, he'd share fascinating and heartbreaking stories about the day to day survival mentality he was forced to live under.

He invested with the same mindset.

One day he explained to me why he never hesitated to take a profit. He said (in broken English) "Mine friend, you must allvays remember to 'RRINNGG ze cash register' because ze profit you have one day may be gone ze next."

Those simple words of wisdom can save, and make, you a lot of money.

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Not taking a profit comes from the naïve mind-set of "set it and forget it."

We fall into this trap with excuses like "not wanting to pay taxes." Or we just hope our stock continues to go up.

It's a very subtle mistake…and consequences are often severe.

To illustrate my point let's look at a typical 401k investor.

Your company's 401k plan offers you numerous (and confusing) options for investing. Legally they can't tell you how to allocate your money. But the plan sponsor offers pre-packaged investments ready made for the lazy investor.

They're supposedly based on age, risk tolerance, and diversification. Some plans have maturity dates to coincide with your retirement age. (Sounds easy enough so far, right?)

You, the trustworthy employee, accept the packaged plan and forget about it.

Here's the problem. The prepackaged "safe" plan is locked into certain investments and, although it's managed, they don't change when the market changes.

What happens if you bought into the package at the top of the market? (Hmmmm?)

Eventually the market corrects or even crashes.

No one calls to tell you to get out.

You suffer through months of a painful decline.

While your account is dropping 10-20-30%, you stop paying attention to it.

Eventually you reach the point where you "can't take it anymore" and **THEN** you desperately call your plan sponsor and say "get me out."

Congratulations. You've completed the cycle by selling when "The Club" is buying.
Wash, **Rinse**, **Repeat**.

CONCLUSION: Don't be afraid to "RING the cash register." This is especially true in a retirement account where you don't pay taxes on your gain.

Mistake #2: Fighting the Trend

The four most dangerous words in the investment world are *"This time is different"*.

I can't begin to tell you how often people fall into this media induced trap.

But let me counter this by telling you *it's **NEVER** different*.

Financial history proves how the markets move in cycles and trends. Ironically it also proves how people are suckered into false beliefs about trends.

Trends don't change because we have a new president or we're in a new year. Important long term trends take a long time to develop and even longer to reach a turning point.

During a steady rise in the market you'll hear "*The markets are irrational"*.

But you must understand that the markets can remain "irrational" longer than you can remain solvent.

A classic example of this happened in December 1996. The Federal Reserve Chairman, Allen Greenspan, declared that the market was showing signs of "irrational exuberance". Remember that one?

I can still remember the talking heads panicking when the most powerful man on Wall Street indicated that the markets were "too high".

Many investors went against the rising trend and sold into fear. Those who stayed in experienced one of the biggest three year runs in history.

The DOW Jones Industrial Averages (DJIA) nearly doubled going from 6,348 to 11,723 The S&P more than doubled going from 758 to 1,552. The NASDAQ nearly quadrupled going from 1,256 to 5,048.

During the last few months of the upswing the sheeple decided to get back in only to be slaughtered by the "Tech-Wreck" in March 2000.

Despite Greenspan and his minion's irrational exuberance claim, the trend continued up.
Wash, **Rinse**, **Repeat**.

CONCLUSION: The trend is your friend. Everything else is noise.

Mistake #3: Getting Advice from Cousin Eddie

It never ceases to amaze me how often investors make this mistake…And it's usually a sign that the market has peaked.

We all have a "Cousin Eddie" or that one annoying friend who loves to brag about how much money they make in the market, right?

Beware! They're often more dangerous than the MSM.

Let me explain.

During a bull market run, stocks climb what's called "a wall of worry" (WOW---another annoying acronym).

A Wall of Worry is when fear of a crash causes most investors to stay on the sidelines. Consequently, they miss most of the upside move.

Here's where "The Club" uses people like Cousin Eddie to set the trap.

After seeing his portfolio go up every month, Cousin Eddie (as if on cue) will brag about all the money he's making in the market. This isn't a result of his investment skills. He's simply benefitting from favorable market conditions.

After getting sick and tired of hearing Cousin Eddie boast about his success, most investors decide that now is a good time to get in. (This is what's called the "herd mentality")

Perversely, the market will reinforce this action by surging another 10-20% in a very short time. This reassures those who are late to the game how smart they are for finally getting in.

Picture this scenario:

1. Fear keeps people on the sidelines while the market climbs the "Wall of Worry"
2. The market grinds up 20% (or higher) frustrating the masses
3. The MSM (prompted by "The Club") cheers the surge and tells you to get in
4. When the late comers get in, "The Club" sells into the increased volume
5. The additional 10-20% surge is what's called a "blow-off" or top
6. The market hits a wall and crashes

The next thing you know you've lost 20-30-40% and you can't understand what happened...And, of course, Cousin Eddie will tell you that he got out at the top.

Wash, **Rinse**, **Repeat.**

CONCLUSION: Don't base your decision upon what everyone else (especially Cousin Eddie) is doing.
Footnote: I run a column in my monthly newsletter that covers "How to choose the right Financial Advisor for you". You can find it at www.financialsmatter.com

Mistake #4: Following the Advice of the Media Experts

(If you only take away one thing from this report, make sure it's this point. It will save you a fortune)

The Club owns the media, the courts and the regulators…and they're **NOT** your friend. Therefore, you must learn to filter everything they say.

What we used to refer to as legitimate financial news has today become a digital three ring circus. And it's loaded with clowns, court jesters, snake oil salesmen and lots of bells and whistles…literally.

Most of these talking heads are highly overpaid actors who have very little understanding of how the markets work.

They say what their Wall Street overlords tell them to say. And most of the time they're reading from Teleprompters. They focus on the "hot topic of the day" because it sells advertising. (It's what keeps them in business)

Right now, I'd bet many of you are thinking, "But they seem so smart and sincere".

Of course, they're sincere. It's their job to convince you about what "The Club" wants you to hear.

Have you ever noticed that when the market is making new highs they'll cheer and encourage you to buy more? But when the markets

are crashing they'll say, "…don't panic, it's normal for the market to have minor corrections…In fact, now is a good time to 'average down'."

Sound familiar?

But when the talking heads finally start using words like "capitulation" it's too late to sell.
To avoid this trap, you should follow the advice of Warren Buffet…" Be fearful when others are greedy and greedy when others are fearful".

CONCLUSION: Stop paying so much attention to the Talking Heads. Do your own research. Or find a trustworthy advisor (not cousin Eddie).

One Final Point

The public is unaware that most professional money managers (including mutual funds and hedge fund managers) fail to beat the historical returns of the market. It's a fact rarely reported by the media.

So why do the Gurus have a tough time beating the S&P 500?

It's simple. They become victims of the "herd mentality" and make the same mistakes outlined in this report.

Ironic, isn't it?

But I'm not saying you should buy the indexes and forget about them. (See **Mistake #1**)

You must always remember who (and what) you're up against.

By avoiding these simple mistakes you'll invest with discipline and not be a victim of fear and greed…and you'll be able to beat the crap out of the "experts" while you laugh all the way to the bank.

Invest Confidently,

James Vincent

P.S. I hope you found this report helpful. Please feel free to share it with anyone you believe might benefit from it. They'll thank you later. Click here to share.

P.P.S. I love feedback so feel free to email me at jvincent@financialsmatter.com