Top 10 Investing Mistakes

The #2 item on my list of the ten most common mistakes investors make is discounting the importance of compound interest. Albert Einstein described compound interest as the greatest mathematical discovery of all time. Charlie Munger, Warren Buffett's longtime partner, said: "Understanding the power of compound return and the difficulty getting it is the heart and soul of understanding a lot of things." My son, Matthew Young, puts it this way: "Compound interest is your silent warrior for long-term investing." The key to compound interest is not interest, but interest on interest. In fixed-income investing over long periods, interest on interest can account for over 60% of your returns. To harness the power of compound interest, you need time and a rate of return. In my monthly strategy reports and at my family-run investment company, I make compound interest a focal point. If you are not already with us, please join us. If you want to study the power of compound interest, spend some time with a compound interest table.

Top 10 Mistakes

#10 Not Recognizing that a Recession is Over
#9 Investors Fail to Make Dividends Their #1 Priority
#8 Overreaching for Yield
#7 Failing to Fortifying Your Financial Future in Turbulent Times
#6 Failing to Focus on the Fed's Federal Funds Rate Beacon
#5 Focusing on Potential Return Before Risk
#4 Ignoring Cost – A Vital Determinant of Investment Performance
#3 Chasing Performance
#2 Discounting the Importance of Compound Interest
#1 Taking a Casual Go-It-Alone Approach to Investing