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Dynamic
Wealth Management

5 Reasons NOT to Invest Arbitrarily

One of the benefits of the information age observed in recent years is the rise in financial literacy among adults between the ages of 18 and 50 years old. But does this mean people are making wiser financial decisions? Not necessarily. Financial literacy is very broad, and although more and more people are becoming enlightened, we're still far from becoming subject matter experts. This is especially true when it comes to investing. While the random selection of investments (e.g., equities, bonds, or even property) to build one's portfolio can yield positive returns, it usually isn't the wisest investment strategy to go by. Here's a list of reasons why:

1. **Less Commitment**
   Arbitrary selection of investments with no clear objective (aside from the obvious "*I want my money to grow*") doesn't make for a strong reason to stay committed to your investment. In other words, without a purpose behind the investment, you're less likely to stick it through if markets change, or when you hear of a new opportunity that can purportedly provide you returns, or you just get bored.

2. **Uninformed/Unwise Financial Decisions**
   Having no goal to refer to, you're more likely to make uninformed or unwise decisions regarding your finances. These aren't just limited to your investment choices, they also extend to your spending and saving (or lack thereof). Setting goals can improve your budgeting habit.

3. **Lack of Priorities**
   Defining your goals gives you a clear vision of all that you desire to achieve in terms of your finances (and life too). It also helps you prioritise your goals taking into account their different timelines (short-, medium-, and long-term goals) as well as importance (**musts/ non-negotiables**, versus ***nice-to-haves***). Prioritising your goals also helps you put together a plan of how you will achieve them.

4. **Difficult to Track Progress**
   With no clear end goal, tracking the progress or success of your investment becomes rather difficult. An investment can do well on its own, however, relative to your goal you may just find that it's underperforming or lagging behind your desired performance. In this instance, one therefore risk accepting mediocre returns.

5. **Less Chance of Achievement**
   Similar to the previous point, without a clearly defined goal, you risk accepting mediocre performance and are less likely to walk away with a meaningful achievement. Your end result may be positive, but it can be as fulfilling because it wasn't tied to anything of significance to you.

In short, we're not saying there's zero chance of growing your investments through arbitrary investing. Instead, we're saying there's a heightened sense of accomplishment and success in informed, intentional investing, where your investments are a means to an end, achieving your goals. So, before you set out to commit your hard-earned money to an investment, set some SMART goals, then map out your course to achievement. Our Bifm Pathfinders are here to help you with just that. Speak to a Bifm Pathfinder today.

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