Worthwhile investments

Business

Investing in the stock market is a painstaking affair. Wrong decisions may make the investor loose huge sums of money.

However, right decisions may make the investor gain great benefits from the stock market. The stock market may make individuals millionaires overnight. A worthwhile investment is a combination of several factors. Investors should first determine the rate of return that they expect from the investment. In addition, investors should not invest money that they cannot afford to lose; investing in the stock market does not guarantee profits. The investor should also strive to keep the costs of the investment as low as possible.

Last but not the least the investor should not invest in only one type of stock. He or she should have a large portfolio to limit the risks of the investment. Before investing in the stock market, investors should first determine the rate of return that they expect from the investment. The rate of return determines how much an investor is willing to pay for the investment. The growth of the value of the investment should be higher than the rate of inflation. If the rate of growth of the investment is equal to the rate of inflation, the investment does not have any cumulative growth; its growth compensates for inflation.

Therefore, investors should always invest in stocks hat have high rates of return. When people invest in the stock market, they have no guarantee that they would make profit. The stock market has both advantages and disadvantages. One may get profits or loss. Therefore, investors should ensure that they do not invest money that they cannot afford to lose. It

would be extremely hardy to invest retirement benefits because losing these funds would have devastating financial implications for the investor.

One should never invest in long-term assets using short-term money. It is a fact that an investment in the security market means that stocks have the potential to offer huge financial rewards. However, returns of stock are uneven. The value of the stock may increase or decrease. Therefore, to make maximum profit an investor should invest in the stock for the long time (Droms & Wright, 2010).

Investors should not invest using money that they would need soon. Investors should not be forced to sell their shares as this would not allow them to gain maximum financial benefits from the stock. It is vital to keep the expenses of stock as low as possible. The major expenses of stock are mutual fund sales and management fee. Mutual fund sales load and management fees are commissions that investors pay stockbrokers (Madura, 2010).

Investors should ensure that their mutual funds sales load and management fees are low. In some instances the mutual fund sales load and management fee may make investors loose all what they had gained from the stock. Ideally, expenses should be much lower than the profit that an investor makes from stocks. Higher sales load and management fees may reduce the value of the stock. Wise investors do not invest all their funds in only one type of stock. This may be very risky.

Losses of the value of the stock expose the investors to huge financial losses. Investors try to spread their risks as much as possible. This ensures

that the investors make money from their investments. The entire portfolio should not disrupted by a single economic, market event or news (Thomsett, 2011). A slump in one stock may be compensated by an increase in another stock of the investor's portfolio. A large portfolio guarantees the investor to earn money from the stock market.

In conclusion, one should not invest in the stock market hurriedly. It is vital to conduct extensive research before committing huge sums of money to the stock market. The choice of stock that an individual makes determines whether the investor will get profits or not. The investor may become a millionaire or loose lifetime savings overnight.