

Transcript

Why invest for the long term?

It's usually said that to be a successful investor, you have to be in it for the long term. Why is this?

Returns from most types of investments will fluctuate in the short term, and at times significantly, but as market conditions change over a number of years, these fluctuations tend to smooth out as the "up" periods usually balance out the "down" times.

As a rule of thumb, if you want higher returns from your investments, you should be prepared to hold onto them for a number of years, and understand that they may fluctuate a lot during this time.

You may achieve the return you want after only a few months of investing, but it may also take many years, this can depend on market conditions.

For example, share prices can swing up and down significantly day to day and month to month, but over several years, these movements tend to even out. In the long term, shares are likely to provide higher returns than many other types of investments. This is because when you invest in shares in a company you become part owner in that company and its future potential. Of course, not all companies will be successful, so it's important to choose carefully.

Taking a long-term approach to investing is easier said than done. It's human nature to get nervous and want to sell investments when things aren't looking good.

If you sell simply because your investment value has fallen, you risk losing all or part of your investment. Experienced investors understand that well managed investments usually survive these downturns; it just takes time for their value to recover. Sometimes the recovery takes a few days, other times a few years. Each downturn is different, but they do happen fairly often so you should expect them when investing.

One of the advantages of investing with a long-term mindset is that it helps to take your emotions out of the equation. If you have clear long-term investment goals, and are prepared for ups and downs along the way, you'll be less tempted to sell each time your investments fall in value. With this mindset, the day to day noise won't matter as much and you'll be less likely to make investment decisions that could hurt your long-term investment goals.

A financial adviser can assist you throughout your investment journey, to help you achieve your long-term investment goals.

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