

Why Now Is Not The Time To Be Buying Stocks.



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Introduction

With the fairly recent hike in both the All Jamaican Composite index and the Dow Jones Industrial Average (DOW), I have been getting a lot of question about which stocks are a good buy right now. Unfortunately, my answer is none. Strictly speaking, there are a few gems amongst the great repository of fools gold on the market right now. This is not to say that the companies on both the local and international exchanges are bad buys. They are just bas buys now. I could simply say now is not the right time to buy shares based on the simple fundamental rule of buying assets when they are on sale but I feel I would not have done you, my valued audience, justice. Therefore, here are a few reasons why Now is probably not the right time for a novice investor to be buying stocks.

1. We haven't learned enough

We spend, on average, 1000 hours in school studying our craft before we are allowed to go out into the working world to practice. Normally, we don't even start out doing the job we studied for until we have spend some amount of time working at the lower levels. Why then would we not employ the same due

diligence in matters of investing? In fact, I would argue that we ought to spend no less than 5000 hours studying an asset class before we consider injecting a sizable amount of our funds into it. So what are we supposed to do with our money? Allow me to suggest two separate paths to consider in terms of what to do with money while we are learning.

These paths are dependent on age. Being in my early twenties, I would save the money. Now wait, before you call me a traitor to the BestYouPRO creed of not saving currency, let me explain. If I were in my late twenties or early thirties I would loan the money out, keeping it mobile. I would do this because I could be fairly confident I would have protection for it. (If you have a means of such protection then by all means employ this strategy) If I do not have that confidence then I would (dare I say it) save the money under a relatively secure and liquid scheme until I have amassed sufficient knowledge to partake in the asset class I would have been studying.

I went and bought my first stocks the very day after I listened to Rich Dad Poor Dad by Robert Kiyosaki, why? Because I wasn't yet able to buy a single family home. Given the chance to do it over, I would probably do the same thing as I have come to place a very high value on the experience I gained from this error. You, on the other hand, have this article among others in the BestYouPRO Investing Archive so you can learn from my experience.

[See my article “Strategies for Escaping the Rat Race- The Capital Gain Strategy”](#)

2. Lack of Financial Education

This point follows on from my first, and is broken down into more detail in my subsequent points. Effectively, financial education constitutes knowledge of five things:

- Assets
- History
- Markets
- Policies and
- Taxes and Accounting

Knowing what I now know, I know I should have studied all of these subjects for stocks and other paper assets before I jumped head first into this asset class. I can tell you this, I would have been a multimillionaire today had I done half of my homework (at the time of this writing my net worth is still negative)

3. No knowledge of History

I bought my first shares in October 2013. I had just listened to Rich Dad Poor Dad by Robert Kiyosaki and I was pumped. I wanted to start owing assets. I knew I did not have enough money to afford the

down payment on a two bedroom, two bathroom home that I could then rent and start getting passive income. However, I remembered that my Supervisor had shown me the Jamaica Stock Exchange in the summer of the same year when I worked with him creating electronics lab exercises. I decided I was going to buy shares. I went to one of the financial institutions located on campus and told the Teller at the front desk what I wanted to do and she directed me to their brokerage section. Within three hours I was the proud owner of two stocks.

This is where the lesson begins. Firstly, I did not know at that time that we were in still in a recession. I was an Electronics and Medical Physics major, I knew nothing of the economic status of the country or worse, the world. I did not understand that the companies I was buying were actually being sold at a premium, that they had recently undergone a stock split (I had no idea what that was at the time either way) or that they were all previously trading under one company that had just recently subdivided into three parts based on its operations. I did not study the history of the companies, or of the Jamaican stock market. It was after acquiring those shares that my education began. All I knew was, I could buy shares in these companies, they would send me a check every quarter and I would effectively own an asset.

4. I Can't Read a Financial Statement

Every person, and every entity, whether it is a business, a stock, a piece of real estate or a block of gold has a financial statement. Sounds weird? Well it's true. I will prove that to you in another article. The essentials that one needs to know before he/she gets involved with stocks or any asset for that matter are these:

What are the expenses of the asset?

What income does the asset provide?

Is there any debt associated with the asset?

How liquid is the asset? (How soon can I sell it to get back cold hard cash) and finally,

How will I profit from the asset i.e. will I be getting cashflow from the asset or will I have to sell it at a higher price (capital gains through appreciation) for me to get money out of it?

All of this information, and more, is found within the Financial Statements of the associated asset but if we can't read it then we are left to take hear say as the grounds for our investment. This is not just unwise, it is effectively the same as gambling. BesYouPRO Investors do not gamble.

Note: Strictly speaking, if something does not provide cashflow through rental, interest payment or dividends, then it is not an asset, it is an acquisition. (See Robert Kiyosaki's Rich Dad Poor Dad and Tony Robbins' Money – Master the Game)

5. Everybody is Doing It.

Consider this a general rule of thumb, if something falls into the category of *the hot thing to do right now* and your are just hearing about it, you are too late. At the time of this writing both the Jamaican

and American Stock Markets are at all time highs. Stocks are pushing higher and higher every day, stocks are currently *the hot thing right now*. Enough said?

Bonus

6. I Ain't Got No Security Money

One very important lesson I learned from my early involvement in investing is this; If you are going to invest in any asset, be sure that you are using money for which you do not have an immediate need or could otherwise lose. This is particularly true when one is investing for capital gains. Anything can go wrong, even after we have done all the fancy fundamental and technical analysis. At the end of the day we ultimately have no control over the emotional responses of the market. Further to this, Tony Robbins, in his video “Financial Freedom - 3 Steps to Creating and Enjoying The Wealth You Deserve” talks about the three buckets into which we ought to put money for investing. The first and most important bucket being Security. I concur with his suggestion. You do not want to make the mistakes I made in my first two years as a novice investor.

Let me end this by stating again that if at the time you are reading this, you have covered all the bases outlined above then you can disregard this post and purchase as many shares as you would like. If not, then you know you have much work to do before you get into stocks.

Endorsement

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