Now is the Time… To Invest
By
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Decisions and starting points are important. And if we could always make the right decision at exactly the right time, our lives would be set. Just imagine if we know exactly whom and when to marry, whether and when to have children and which job would optimize our career trajectory. Unfortunately, life doesn't work that way. We have to weigh and time our decisions based on the best information we have available, and then we have to "take the plunge" and hope for the best.

The decision to invest or not to invest in the stock market is one of those consequential choices that will majorly impact our lives. And if you do choose to invest, the result will be determined by the timing of your decision, and what you choose to invest in.

The stock market can seem scary and mysterious if it's not understood. This is why many people make the decision to avoid it altogether. However, history has shown that the decision not to invest comes with its own potentially negative consequences. It can lead to a cash strapped retirement at best, or an outright impoverished retirement at worst.

A man named Roger Ibbotson did a study on the history of the stock market over the past ninety years and determined that the rate of return from investing in stocks provided a better annualized yield over the long term than any other investment alternative. One caveat to this is that investing in real estate or in your own business are also two very important strategies for building wealth, but this article will focus on investing in the stock market because it's the most accessible wealth building tool for most people.

Ibbotson's research which is now the intellectual property of Morningstar Investments, documented that a long-term investor can expect an eight to ten percent annualized return on their money in a broadly diversified stock portfolio. This may not sound like a lot, but it really builds up over time. The one example that I give over and over (and over) is the scenario where one dollar invested at a ten percent return becomes $7,353 dollars from 1926 to the year 2016. Whereas that one dollar would be only $14 if it was invested at the rate of inflation - 2.9% which is actually higher than the rate of the average savings account.

The volatility (large swings in stock valuations) of the stock market can indeed be scary and mysterious, especially lately. So it underscores some key tenets of investing if you do decide to go there. As it turns out, the most cogent way to express these tenets of investing is to share Better Investing's four enduring investment principles:

- Invest Regularly – Rather than trying to predict the highs and lows of the market, this allows you to "dollar cost average". Simply put, if you invest the same amount at a regular interval, say monthly, you will buy more of a stock when its price is low, and less of it when the price is higher.
- Reinvest All Dividends – There are two ways that stocks generate wealth for investors. Stock price appreciation and payout of dividends. Not all stocks pay a dividend. But when they do, it's advisable to boost your returns by reinvesting dividends back into your stock portfolio.

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- Invest in Quality Growth Companies – Better Investing teaches investment club members how to identify quality growth companies through a tool called the Stock Selection Guide. You can learn more about Better Investing and the SSG at www.betterinvesting.org. If you don't want to engage in the rigor of learning how to identify quality growth companies, then you can come close to accomplishing this by investing in a credible mutual fund, ideally one that tracks the S&P 500.
- Diversity your Portfolio – If you do invest in mutual funds, you will by definition be diversified in terms of owning multiple companies. However you want to also be sure that the stocks in your portfolio represent different industries and different ranges in size as well.

For most young and middle aged people, after you've built your rainy day fund, investing in stocks is something that you can't afford NOT to do. If you know of a trusted friend or advisor, seek them out and pepper them with questions to get you started. Get their guidance to move forward to open the following accounts, even if you start with very small amounts.

College Savings Accounts – Most states offer some semblance of a 529 college savings and investment account for children. This is a good way to build funds specifically for your children's college tuition. AND! Invite your child's "village" to send gifts in the form of cash that can be invested into that 529 account to accelerate its growth.

Supplemental Retirement Accounts– This account will build an investment nest egg to supplement whatever you have coming from social security. Employer sponsored plans are 401k for the private sector; 403b for nonprofits; and 457 for government employees. Self employed individuals can set up a retirement plan known as a SEP (Supplemental Employment Pension Plan). And beyond these retirement vehicles, one can open up a Roth or Traditional IRA account which can help you build more of your retirement investment nest egg with tax advantages. (Consult with your own Human Resources director and /or financial advisor regarding these accounts).

You can also open an investment account to build a nest egg that you can access prior to retirement in what would be a "taxable" account. The gains from investments are taxed at a lower rate than what most people pay on their earned income. So it's not a bad thing to build wealth through investments even if you are taxed along the way.

Here's something to know and remember. Investing is one of the best things you can do in life if you do it well. But it can be one of the worst things you can do if you don't go about it responsibly. So, if you do plan to start investing, and most people should, find an experienced trusted adviser; get your knowledgeable friend / adviser to guide you in opening your investment account; start off investing in very basic mutual funds, ideally an S&P 500 index fund; commit to automatically transfer a modest amount into the investment account every pay period; and develop a systematic plan to continue to build your investment knowledge as you build your wealth.

Remember, don't over think whether it's the right thing to do or whether the time is right to do it. In the words of a company that's been known to be a good one to invest in, "Just do it!".