# The Top Three Rules Of Investing

When it comes to investing there are a lot of people out there to give you advice. It is important to keep in mind that not all advice is worth your time and some of it may even cost you money. There are three main rules to investing that you should follow if you want to safeguard your money and give yourself the best chance at seeing a healthy return.

#1 Understand Your Risk Tolerance

Everyone wants to make money, but not everyone can afford to invest in high-risk ventures. The best way to ensure capital gains is to stick with long-term investments that have lower risk as opposed to quicker payouts that have high risk. If you have more money to burn then you can gamble more of it on other investments, but otherwise, playing the long game is the best bet. The point is that you need to really be honest with yourself about your risk tolerance. Also, stay within that tolerance regardless of what people around you may be doing. A good rule of thumb is to go for weighted stocks when you are younger and transition to bonds and other asset stable asset classes as you naturally age.

#2 Avoid Single Stocks

There is a lot of truth to the saying about not putting all of your eggs in a single basket. Investing in single stocks is exactly what that is, placing all of your money in a single basket. If it fails, you end up losing everything and that is one of the biggest mistakes new investors make. Be it a beginner or anyone looking to build lasting wealth, it is best to diversify your portfolio and stick with low-cost index funds and mutual funds. We are not saying to never consider single stocks, but it should never be the main meat of your investment strategy. If anything, make sure that single stocks never take up more than 20% of your entire investment portfolio regardless of how much money you have made.

#3 Have Patience

Investing is really all about the long game. While social media may have people accustomed to instant gratification, investments are anything but. It is important to keep in mind that there will always be some amount of loss when you invest. However, if you avoid panic and hold the course, you will recoup your gains and come out ahead.