Golden Rule #3

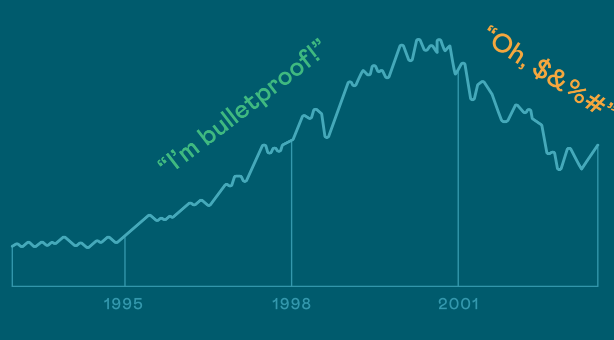
Never Borrow to Buy

Although long-term investing is not rocket science, it's important to realize that there are no shortcuts when it comes to creating real generational wealth. Many investors may be tempted to borrow money when they need funds to invest in an enticing position.

Corner-cutting such as this has the potential to ruin your investing career, which is why you should never borrow to buy. Don't forget, this is a long-term game where slow and steady wins the race.

Why borrowing to buy can be a false start

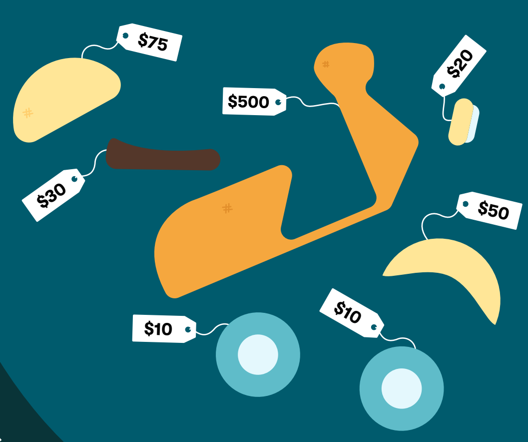
Our CEO, Emmet Savage, had a rocky start to his investing career thanks to a lack of experience, the dot-com crash, and his decision to open a margin account with his stockbroker in order to purchase shares.



A margin account is a brokerage account in which the broker lends the customer cash to purchase stocks or other financial products — i.e. borrowing to buy.

The biggest danger with margins is that you stand to lose a lot more than you invested in the first place if your investment goes south. Not only will you lose your own money, but you will also owe the broker, along with commission and interest.

How to form a strategy



It's actually very easy to start investing without borrowing money, once you accept that you're in it for the long run.

Thanks to the wonders of fractional investing, you can start buying stocks with as little as $10 nowadays — the stock market is no longer a rich person's game.

This makes any decision to include investing in your budget much easier and allows you to first take care of any bills, debts, and living expenses before buying stocks.

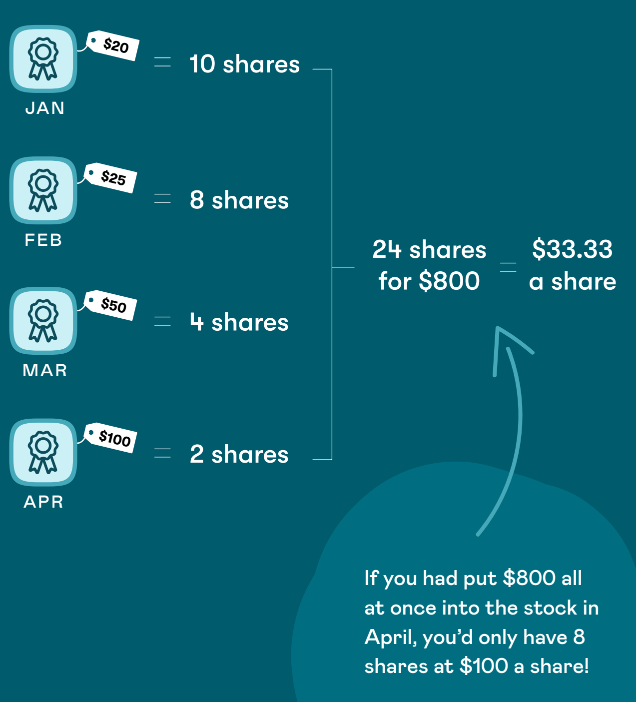
The simplest way of knowing how much to invest is by not investing any money you will need in the next 5 years — just invest what you can, when you can.

A game-changing formula

If you have a tendency to suffer from serious cases of FOMO, then dollar-cost averaging might be the best strategy for you.

This method allows you to invest a fixed amount of money into the same selection of stocks at regular intervals over a period of time.

Let's say you want to invest $200 a month, and each month the stock price changes.



The key to dollar-cost averaging is consistency. By investing into your portfolio the same amount of money at the same time every month, you remove emotion from the equation and take advantage of the average historical return of 10% that the market has experienced since its inception in 1928.

Now you can focus on the future!

If you're looking to cut corners in investing, then you could be in for a bumpy ride. By borrowing to invest, you are simply using someone else's money, that you will have to pay back even if the investment doesn't pan out.

By never borrowing to buy, you are solely responsible for the investments you make, as well as the profits. Taking a long-term approach allows you to take advantage of one of the most powerful tools in an investor's arsenal when it comes to wealth generation — time.

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