Ease Your Way In To The Global Stock Market

Heads up, you know darned well that you have to do something with your money. Something besides enjoying your weekends and getting your hands on the latest electronic gadget. That something, as you have probably already figured out is about getting up close and personal with the world of investments.

Yeah, it may look like a bit of work. It may even not look so appealing with all of those pundits on TV jumping up and down and screaming at the market gyrations. Yet the fact remains that taking care of your personal financial future is your responsibility and yours alone. Unless and until you happen to hit the Big One with the Powerball lottery or some sort of odd windfall, the reality is you need to start putting money away, like right now.

Not under your mattress

> *The only sure thing you can count on is our friends at the Internal Revenue Service (IRS) doing what they do to make sure you pay your fair share.*

Now it goes without saying but better we just go ahead and say it anyway; putting money away does not mean stuffing it under your mattress or throwing your hard earned money at a company stock your pal insists is a “sure thing”. Nope, not so much. The only sure thing you can count on is our friends at the Internal Revenue Service (IRS) doing what they do to make sure you pay your fair share. The point of all this: strategically putting your money into the market is a recognized way to help fund your retirement.

Fund the 401(k) first

Now that being said, for the purposes of this article this investing stuff is going to only ever be done after you have maximized your 401(k) plan options at work and after you have also set up your very own Individual Retirement Account. In other words, maximize the retirement plans and options you already have first and foremost. Then, its time to dip your toe into what the pro's refer to as the equities market.

Reality of investment returns

And lest you should be thinking that there are better options out there, well to be blunt, you would be wrong. You see, the truth of the matter is that any investment can show off and have a stellar performance for a short period of time. The bigger and better question is what is the long term return of the investment option you happen to be looking at?

With just a little bit of homework, okay not even that much, you can easily check this out for yourself with a quick Google search.

What you will find is that over the long term, equity investments (think stocks) consistently return an average of 7%. Yes, that includes good years and not so good years. The point is that 7% number is actually pretty high compared to other "so-called" investments such as real estate, gold, or even collector coins.

Ease In Plan

Which brings us to the focus of today's article: how can you ease your way into the market without taking a beating. Taking a beating would mean something like handing over $2,500 to your online broker only to discover that the value of your portfolio (the stocks you bought) has suddenly and without warning plummeted to like $1,374.00. Ouch! No wonder so many would be investors shy away from the market.

Yet, do not lose sight of that 7% long term return number discussed above. So let's see where we are. You understand the need to get into the market. Yet at the same time you are leery of investing your hard earned money and risk losing some or all of your cash. Is there a way out of this quandary? Thankfully there is.

The Answer

The solution is to use a strategy referred to as Dollar Cost Averaging (DCA). Although the term itself may sound esoteric, the strategy is ridiculously easy to understand and put into practice. Essentially dollar cost averaging works by you only ever investing a certain fixed amount on a regular schedule. For example, suppose at the end of every three months, you put $325.00 into the market.

In other words, you are funneling $325.00 per quarter into your investments. But, that is NOT the same as putting in a lump sum at the end of the year. The point is to put in the same amount at a regular interval.

What happens is that when the market prices are high, you end up with fewer shares. That's okay though because the same thing works in reverse. When the market is low, that same amount of money invested will get you more shares. Do you see how easy this is?

A side benefit of dollar cost averaging that could end up saving you from making a catastrophic decision is your investments are on cruise control. That is, Dollar Cost Averaging takes the emotional highs and lows out of the investing thing. Sadly most investors who aren't up with DCA do the exact opposite of what successful investors do. That is, they buy high (when the market rises) and sell low (usually in a panic when the market drops).

Conclusion

You owe it to your future personal financial situation to get into the market like right now. Knowing and understanding the strategy of Dollar Cost Averaging is an easy way to get started and to keep it going.

Now it's on you. Have you considered something like dollar cost averaging as a way to ease into the market?

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Post from Your Finances Simplified

Top Budget Hacks for Planning and Accounting

Something most rags-to riches stories have in common is that a good budget is always needed to help anyone achieve financial security. If you want to significantly improve your credit, you have to learn how to pace your spending and increase your savings.

Top notch advice

There is no better medicine for bad spending than to see what you have to pay for in the future to live the life you want. In this article we'll offer you some top notch advice on budgeting and accounting:

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1 – Keep Detailed Records

Most people don't keep track of every little expense they make.

People usually rely on the online banking records to calculate their expenses. This is quite effective when it comes to having an overview, but it doesn't help you keep an eye on bad expenses and avoidable spending.

Make a folder on your computer, as not to waste paper and to be able to edit easily, and write down everything you spend in an 'expenses' file, while also keeping track of all incoming money on an 'income file'.

At the end of each month and each year you should check how much of your money went to avoidable, 'bad' expenses. Cut down on frivolous spending and watch your savings grow.

#2 – Predict Large Expenses

> *The number you'll get will probably shock you, which is a good thing. There is no better medicine for bad spending than to see what you have to pay for in the future to live the life you want.*

It might sound like an obvious tip, but you'd be surprised how few people actually plan ahead for the major expenses during their lifetime.

Buying a house or paying rent for life is one of those predictable, large expenses. Having a child (or many) is a predictable expense. If you include a few cars, a couple of large trips, furniture, college debts and similar big expenses, you can have a good look at what kind of money you'll need to achieve the lifestyle of your dreams.

The number you'll get will probably shock you, which is a good thing. There is no better medicine for bad spending than to see what you have to pay for in the future to live the life you want.

#3 – Make a 'Get-Rich' Plan

Expert financial planners, like Dominique Brown, would advise anyone who wants to become rich to make a solid plan to achieve that goal.

Riches rarely come to those that simply wait for them. This does not mean that it is takes extreme effort to become financially secure either.

What you really need is diligence. Make a plan on your own, or get the help of a professional, and learn to stick to it as if it were a religion.

Learning to live with a strict (if not tight) budget, will help you learn to keep frivolous spending in check.

Remember that no matter how much money you make, you can easily spend it all on some luxurious stuff you don’t need and end up being poor again. Being truly rich for life means that you have to work for it and keep ahead of the financial game at all times!

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