

Beginner's Guide to Investing

Why Should I Invest?

I'm sure this is the question as well as the reason why you are currently reading this report right now. Before you start investing at all, it is extremely important you get this question out of the way if you want to be a successful with your investments.

This is because an investor's journey is often filled with ups and downs, just like the stock market. When the stock market is going up, things are usually smooth sailing and easy. However when the stock market takes a turn for the worse, most investors start to panic and second guess their decisions.

They sell out of nervousness and end up losing a big bulk of their capital. This is why most people usually give up after a while because of this bad experience. Others even refused to pick up investing because of these stories.

Whichever group you belong to, allow me to change this perception of yours with 4 simple truths.

1) You Can Only Beat Inflation By Investing

While most people think investing is a good idea or just a nice thing to do on the side, you should beg to differ if you don't want to end up like them. Did you know inflations rates have been spiking so much in our country over the last decade that [Singapore is named the most expensive city](#)¹ to live in 2014?

¹ Singapore named the world's most expensive city - <http://www.bbc.com/news/business-26412821>

Remember how you always had to put up with your grandfather's stories about how coffee used to cost only 10 cents and a bowl of noodles was only 30 cents? These will no longer be funny anecdotes but personal experiences of yours in the near future!

Instead of citing boring figures like increase of 2.1% in 2007 and 6.5% in 2008, let's compare the price of daily lifestyle items we use.

Item	In 2004	In 2014	Price Increase
Cup of Kopi	\$0.60	\$1.20	+100%
Chicken Rice	\$2	\$3.50	+75%
Long John Silver's (2pc Chicken Meal)	\$3.60	\$4.50	+25%
Starting Cab Fare	\$2.40	\$3.20	+33.33%
University Tuition Fee per Semester * (NUS Faculty of Arts & Social Science)	\$6110	\$7850	+28.48%

*In 2007

All of these were prices of necessities just 10 years ago (except for university tuition fees which only had information up till 2007).

In the current inflationary environment, the prices have obviously gone up. However, is your salary is catching up?

I hear so many people complaining about how they cannot effort to buy a car or pay for that dream wedding that their partners always wanted to have. The funny thing is that these people are the same people who are not doing anything about it or learning how to invest!

If your boss is not the type who adjusts your salary annually to keep up with the pace of inflation, it's high time you considered getting a second job. Or you can decide to learn how to invest successfully.

2) Investing Can Make You Extremely Rich

If you want to be rich, you need not marry Prince William or invent the Facebook. Investing is actually the most accessible way for anyone to get rich.

In the recent survey done by Forbes in 2013, investing ranks first among the top 10 ways to become a billionaire. In the Forbes' list of 400 self-made billionaires, investors accounts for 77 out of the 400 billionaire. That is close to 20% of the list!

Top 10 Ways to Become a Billionaire

Self-made Forbes 400 billionaires

1. Investments: 77
2. Technology: 45
3. Real Estate: 22
4. Fashion and Retail: 18
5. Media: 17
6. Food and Beverage: 15
7. Energy: 12
8. Health care: 11
9. Sports: 10
10. Manufacturing: 10

So if you have any dreams of being rich, your best bet is to do it through investing. In fact, there's almost double the number of billionaires made through investments as there are made through technology. That means you probably have more chance of earning your first billion than that tech startup down the road!

3) Investment Makes Money For You – Even When You’re Not Working

All of us only have 24 hours and 7 days a week. If you’re going to be paid by the hour, there’s only so much that you can earn. With that said, even if you work 24 hours non-stop, you will never earn more than that salary cap your boss has placed on you.

However, have you ever wondered how do the wealthy become so rich even though they have the same amount of time as us? Here a secret: The rich don’t work for their money. They put their money to work instead!

***“The rich don’t work
for their money;
they put their money
to work instead!”***

Rather than just parking their money pointlessly in the banks, the wealthy purchase good stocks that give them wonderful cash backs (dividends) for doing absolutely nothing! No wonder the rich get richer while the poor only get poorer!

Imagine what you can do if you learn how to invest like the rich!

4) Investments Are Safe If You Know What You’re Doing

People always have this misconception that investing is risky business. For professional investors, investing isn’t risky at all, regardless of the type of investment vehicle they use. Surprised?

Let me give you an example: Is driving risky?

Would you allow me to drive you to your destination?

What if I told you I don’t have a license?

Definitely not, right?

Actually, driving isn't a risky activity at all to begin with. However, it is only safe when you are a licensed driver because you have already learned how to drive safely and properly.

Unfortunately, there's no such thing as a license for investors. Most for the investors out there in the stock market learn their trade by trial and error. With so many unlicensed investor out there, no wonder most of their investments "crash and burn"!

Do the world a favor.

Don't drive if you haven't learn how to; don't invest if you haven't pick up the basics of investing.

So What Should I Do Now?

Perhaps you might be one of these 'unlicensed' investors yourself. Or you are thinking of investing, but you are completely new to this investment scene. You're probably asking me how you can get your 'investment license'.

Easy.

Make the smart choice to invest in your investment education. There's really no rocket science to this. It's definitely the first step you should take if you're serious about being successful in your investments.

If you would pay \$2000 to \$3000 just to get a license to drive, how much more should you be paying to learn about the investment methods that help you to multiply your money?

“Most people who save on their investment education are usually also ones who end up losing more eventually.”

Of course, being the typical Singaporean, most people try to save on such “school fees”. Then again, these are usually the same people who eventually end up paying more through their investment losses instead...

While I cannot guarantee that having an investment education would bring about investment success, I can guarantee you that all successful investors have first invested in their own investment education. Their success is no accident and they certainly did not learn it through means of trial and error. These investors are successful because they first invested their time and money to learn how to invest.

“An investment education does not guarantee investment success, but a successful investor is guaranteed to have an investment education.”

How much are you willing to invest to learn a skill that can make you a billion dollars? You know the funny thing is that I know of so many people out there paying over \$30,000 for that university degree that...

- Teaches them nothing practical
- Doesn't guarantee them a job
- May not be relevant after a few years

While all these time I have merely been trying to convince would-be investors to spend a fraction of that amount to...

- Learn how to invest properly - a practical skill that they can use in their lives
- Pick up investment analysis skills that stays timeless and relevant regardless of investment climate
- Allow them to out-earn those degree graduates
- Retire early to enjoy spending more time with their family

The choice is obvious. You might be able to make a profitable trade without learning how to invest, but you can never be able to make profitable trades consistently day after day, year after year without investing in your investment education.

What Kind Of Investment Education Should I Pick Up?

There are so many different types of investment instruments out there. To borrow the previous analogy I have been using, all of these are just different types of vehicles to get you to your financial destination. However, it doesn't matter whether you're driving a car, boat or plane; you will still crash if you don't have the proper license.

***“It doesn't matter
what you drive;
you will still crash if
you don't have the proper license.”***

So if you are intending to learn about investing, why not let's set out to learn from the best shall we? Allow me to introduce to you Warren Buffett, the famous value investor who is widely known as the world's best investor for his consistent results and his decades-long track record of beating the stock market.

At this point, you may be asking me what is **value investing**?

Value investing is basically the art of buying good stocks, at a discounted price! Just like how you see a woman's eyes light up as she enters a departmental store on sale, a value investor scours the stock market looking for great companies at discounted prices.

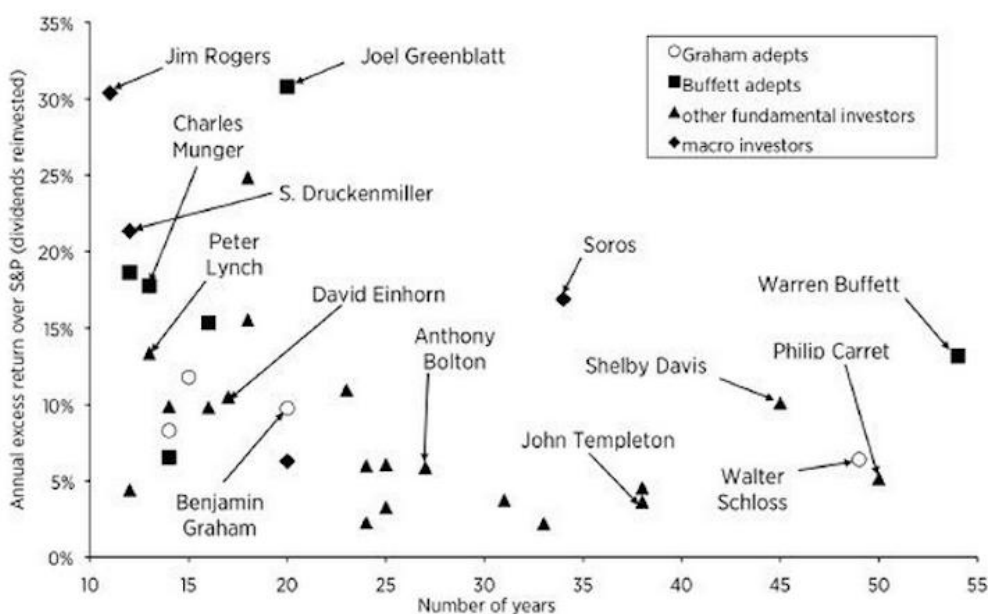
Sometimes, the stocks of these well-run companies can be bought at a **discount of 20%, 30% or even 50% discount!**

So Why Value Investing?

The good thing about value investing is that it addresses the concerns about most people have when they just started out investing. It doesn't require you to take on huge risk or study any complicated chart patterns!

Just take a look in the diagram below – Warren Buffett; the ultimate value investor has been consistently crushing the market for the last 55 years by a big margin! Not only that, all his adepts and those of Benjamin Graham (the original value investor) are also beating the market with great consistency.

Figure 1: Approximate excess returns versus the S&P 500 Index (with dividends reinvested) of top investors



This shows that with the right mentorship and training, ANYONE can master the principles of value investing and make loads of money for himself, including YOU!

***“With right mentorship and training,
anyone can master the
principles of value investing!”***

To me, this is probably the most important take away. I am sure before you make any investment into your investment education, you would also want to know if the investment methods actually works for anyone who applies it. This track record shows more than just the investment returns of Warren Buffett and his disciples. It also proofs the reliability of value investing as a strategy.

It is worth noting that Warren Buffett himself sat under the teachings of Benjamin Graham, whom many consider to be the founder of value investing. Remember I said at the beginning every successful investor has first invested in their own investment education? What if you gave yourself a chance to be mentored by one of the greats with a proven track record?