6 Safe Investing Rules

So you can sleep at night

Part 1

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STRATEGIC INVESTORS
Creating Smarter Investors

1. Growth

Growth investing focuses on "capital appreciation", or an increase in the financial value of the initial investment. Growth is often a goal for people investing in shares and businesses, as well as people who buy a property with the intention of increasing its value (through renovations etc.) and then reselling.

2. Income

Income is any profits made on your investment. Still, the biggest difference between growth investing and investing for income is that the former usually involves the sale of the initial assets. At the same time, the latter focuses on creating ongoing and sustainable income from investments, such as rent from an investment property.

Most investments end up being more focused on one of these two factors, but the ideal investments can increase your wealth through both growth and income. For example, it is investing in a business that gives you a return on profits and continues to grow or an investment property that earns you rent and is also in a location that increases in value over time.

By clearly outlining the purpose of the investment and whether you want growth, income or both, you can make more informed decisions about when, where and what you invest in. Whatever type of investment you decide to make, it will be a safer bet than other options if it has a track record of performance.

3. Get Third-party Validation of the Asset's Value

Third-party validation provides you with an objective assessment of any investments you want to make. It can add weight to your own assessment and those of experts in the field while also giving you more credibility if you need to justify or finance the investment.

For example, let's say you want to buy a rental property. You are clear on why you want the property and that the main goal is to earn income off it. You have done your own research on different properties and found one selling at what you think is a reasonable price. The real estate agent selling it also says it is a reasonable price, but both yours and their information is biased - yours by wanting to make a good investment and theirs by wanting to sell the property (even if both of you have the best intentions).

Hiring an independent property valuer at this stage of the process will give you a detailed and legal report on the property's actual value. You could then use this to negotiate the price with the selling agent, request a loan for the property, and work out the type of rental yield and potential growth of the asset so that you know you are making a wise and safe investment from the start.

4. Keep Your Other Assets Safe

Most investments require a significant amount of capital, such as money or assets. Can As most investments require a substantial amount of capital, such as money or assets, and it can be tempting to use what you already have to invest. Using existing assets, however, creates a more significant risk because it means that if the investment doesn't work out, you will end up with

An independent source. You could, for example, raise the money yourself through savings or other plans, or you could borrow money from a lender for the initial cost of the investment and pay it back while still making a profit. This is the system most experienced investors use, and it helps keep all of their assets safe and make more calculated decisions about how they invest.

5. Work Out a Contingency Plan For Things That Could Go Wrong

Whatever you choose to invest in, it's important to have plans in place if things go wrong. Contingency plans can be tricky for things like stocks, which can vary and crash overnight, but there are usually a few options for any investment you make.

For example, let's say you have a rental property and end up with a bad tenant who does$20,000 worth of damage to the property then leaves, making it unliveable for new tenants. If you have landlord insurance, an overdraft or savings set aside in case of an emergency with the property, and you will be able to deal with the damage without it impacting your cash flow in the meantime.

6. Have An Exit Strategy

The final rule for all investments is to have an exit strategy. You want to walk away from an investment on your terms and before it could go bad.

This could mean investing in shares that don't lock you in for a fixed amount of time or of life. There are all kinds of strategies and schemes targeted at increasing wealth and tons of advice on the "right" and "wrong" way to go about it.

Almost all of these plans relate to investing in some way. Put simply, investment is any action or process that requires you to pay or put money away for a profit, so any strategy to increase wealth - outside of work or winning the lottery- tends to involve an investment.

It could be as simple as putting into a savings account that earns you interest or contributing more money to your superannuation fund, or it could be as involved as purchasing shares, buying into a business or getting a house to rent out to tenants.

Whatever the investment is, it's essential to make sure that it is a wise and safe decision for your finances. After all, the goal with financial freedom is really to have more financial security - and security also equals safety.

However, the thing about investments is that there is often some degree of risk involved. Even putting money into a savings account or a term deposit, for example, could be a risk if it leaves you short of money for other expenses. This kind of risk is pretty small, really, but then so is the amount of money you get back from savings account interest.

Bigger returns on your investment usually mean larger amounts of money need to be used, which can also increase the risk. In fact, many people shy away from major investments for fear they will lose everything.

There are, however, many ways to make investments safer and increase the potential profits you make from them. So here, we take a look at the 7 safe investing rules you can follow to get the most out of your money and still feel secure when you go to sleep each night.

Whatever exit strategy you use, it is essential to have it in place before you actually commit to the investment. That way, you will be able to do research and ask questions about your investments that help you choose wisely so that you can walk away from it at any time without risking a major financial loss in the process.

Investments have the potential to give you the financial freedom and security that you want. Still, sometimes the risks can be overwhelming—following these seven rules means making investments that are safe as houses and making it easier to get to sleep at night.

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