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Thinking of investing? A few tips to help guide you

More than half a million Kiwis are now using online platforms to invest. They're easy to use and allow you to get started with just a few dollars. Investing is a great way to build your wealth over time, but before you jump in it's a good idea to familiarise yourself with a few basics first. The Financial Markets Authority (the FMA) - Te Mana Tātai Hokohoko - sets out what to think about.

Before you start

It's a good idea to take a look at your overall financial situation. Do you have consumer debt? You might want to pay that off first. Do you have a cash emergency fund in case unexpected events occur? What about KiwiSaver and are you happy with your set up? Once you've considered these things, it's time to think about your online investing goals.

Fear of missing out (FOMO)

Research by the FMA into online investing platforms in 2021 found 31% of all online DIY investors jumped into an investment in the last two years because they didn't want to miss out. To help avoid the pitfalls of FOMO investing, the FMA suggests you follow the Five Ds of DIY investing.

Investing in capital markets is easier than ever before, but do your research first, says the FMA.

The Five Ds of DIY investing

Do your due diligence. It's important you understand how investments work and whether the investment you're considering is a good investment for you. If you're investing in a managed fund, read the Product Disclosure Statement. If you're thinking of buying a company's shares, check out the company's track record and announcements. Be wary of taking recommendations from friends or social media forums. The FMA has more information on doing your due diligence at www.fma.govt.nz.

Drip feed. Also known as dollar cost averaging, this means investing a certain amount at regular intervals (for example automatically every pay day) rather than a lump sum. It saves you having to try to pick when it's a good time to buy, and helps smooth out price fluctuations.

Diversify. Aim for a mix of different types of investments rather than putting all your eggs in one basket. For example, you could invest in a variety of different companies, industries and countries, and include bonds and cash alongside shares. So, you're less exposed if one investment declines.

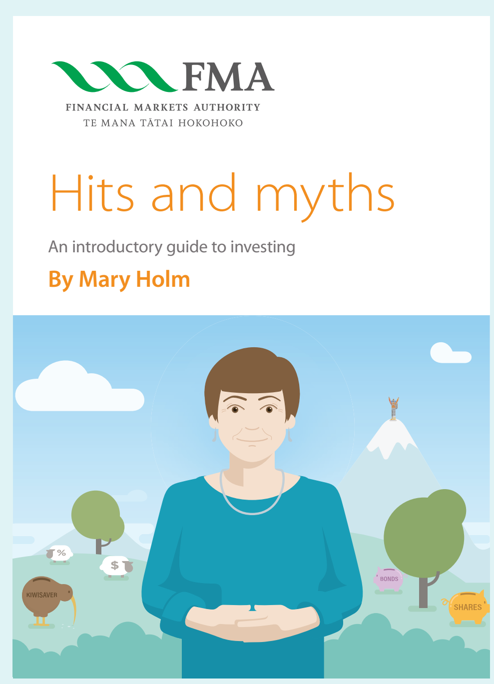
Don't freak out. Investment markets rise and fall, which is a normal part of investing. If the value of your investment drops, it's often best to stay the course. History shows us that markets can and do come back, but it might take time.

In Doubt? Talk to a licensed financial adviser who can help you choose the best option based on your own individual circumstances.

Find out more about the Five D's and how to invest at **fma.govt.nz**

> **"Don't put all your eggs in one basket' is especially true when investing."**

Financial writer Mary Holm.



New to investing?

The FMA has produced a free introductory guide to investing by financial writer Mary Holm. You can download this from the FMA website by searching 'FMA Mary Holm'.