

The Best And Worst Investing Advice

by Lisa Smith ([Contact Author](#) | [Biography](#))

Investing is a confusing endeavor for many people, so much so that an entire industry has grown up around giving advice to those in need. Sometimes that advice works out and sometimes it doesn't. Let's look at few timeworn concepts that don't always work out so well for investors despite the industry's recommendations. There are few absolutes in the world of investing, but for decades leading up to the late 2000s, there were a few Wall Street mantras that investors were told over and over again. Here are some of the best and the worst investing advice you've probably heard.

Advice to Reconsider

1. *Diversify*

[Diversification](#) has long been held up as a way to protect your portfolio. The theory holds that when some investments lose value, others will gain. For example, investing in emerging markets and small cap stocks instead of just [blue chips](#) is touted as a way to protect your portfolio. A global recession can override that theory.

2. *Buy Term and Invest the Rest*

[Whole life](#) insurance policies have been panned for decades. Critics cite the low rate of return they provide and highlight how investing in the stock market can provide significantly greater gains. While it is true that whole life policies pay low rates of interest, any positive rate of return beats the negative 40% delivered by the last bear market.

3. *Money Markets are as Safe as Cash*

[Money market accounts](#) have been marketed as "safe" for so long that [401\(k\) plans](#) often list them as "cash". The flash crash serves as a stark reminder to investors about the need to truly understanding their portfolios. (Find out more in [Money Market Mayhem: The Reserve Fund Meltdown](#).)

4. *Don't Pay Off Your Mortgage*

The logic stated that investing your money would generate a greater return than paying off your mortgage. When [bear markets](#) hit, this logic goes out the window. Sure, real estate values can fall too, but even in a declining real estate market the bank doesn't foreclose on a home that is paid off.

5. *Real Estate is a Safe Investment*

The idea that you house would always increase in value seemed like a safe premise. Multiple years of hefty price declines debunked this myth. (Check out [Simple Ways To Invest In Real Estate](#) for more information.)

6. *Holding Many Stocks Provides Diversification*