Four traits that can make you a better investor

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Remember January of 2016? Paul Shelestowsky, a senior wealth adviser for Meridian Credit Union in Niagara-on-the-Lake, Ont., sure does. That's when global stock markets plunged and he found himself busy calming clients' frayed nerves.

But he was also offering advice in those calls and e-mails: Purchase more investments now, at this time of maximum pessimism. In other words, when everyone else was panicking and unloading stocks, he wanted his clients to swoop in and buy.

So, how many of them listened?

"Out of everybody I talked to, I had only one person actually act on it," Mr. Shelestowsky says today. Not that he was surprised. "It was so counterintuitive."

It turns out that one client seemed to have something the others didn't: guts. At least that's how Mr. Shelestowsky describes it now. Bravery and confidence are personality traits that can give investors a boost in trying times.

But there are other crucial – and surprising – behaviours and temperaments that can determine whether an investor is successful or struggling.

They have patience
When markets tank, calm and steady investors stay the course. When the hordes drive prices up, they don't lose their heads and buy at the top, too.

Janet Gray, a fee-for-service financial planner in Ottawa, remembers what happened in the markets the day after the 9/11 attack in New York. The media predicted financial disaster. She says she read a newspaper headline calling it "the worst day in TSX history." Some investors sold immediately. But soon after, the markets picked up again.

Those who sold their holdings did so at the bottom.

"People are drawn to huge media noise and rush to make decisions based on that," she explains. "But when the markets corrected [rose again], many people missed the boat. They had panicked and swerved off course," she says.

To keep a calm and steady approach, it's best to lay a foundation with a vision or plan for the future, says Ms. Gray. Good investors think about their futures and know why they need the money – to travel, buy a summer home, or for their kids' education – and when they need it. That vision is an anchor.

They're not easily duped
Forget price. Focus on value. That's what separates the sensational investors from the so-so, says Paul Harris, a partner and portfolio manager at Avenue Investment Management in Toronto. They read companies' annual reports and consider whether the firm is undervalued and what it's actually worth – not what everyone else seems to be willing to pay for it.

Oh, and they read those annual-report back pages, too.

"The first 10 pages, every CEO is telling you how great they are. But it's the back pages and the numbers that tell you if they're actually great or not," he says.

Possessing that deep knowledge has a surprising consequence: Great investors aren't actually all that diversified, Mr. Harris maintains. They feel comfortable and confident in what they've filled their portfolio with, so why muddy the waters with too many choices? Forget 60 stocks. They're more likely to have 10.

"They tend to own concentrated things that they understand, and they don't care about things they don't understand," he explains.

They're not toddlers
Successful investors are not children; they can delay gratification. They wait for markets and their stock picks to rebound, which they're more likely to do if the picks have been chosen for value rather than price, Mr. Harris says.

Being patient and determined also comes in handy when creating a financial plan in the first place, says Ms. Gray. Instead of getting bogged down in life's daily minutiae – running the kids to lessons, going to another networking meeting, cleaning the oven – they make time to sit down and create a long-term plan. (And if it means spending $40 on a baby sitter for one evening, so be it.)

Because they see the big picture, they're more likely to start investing earlier, even before making much in the way of a salary.

"Perseverance is knowing that a hundred dollars now is better than zero dollars and waiting until you have a thousand," she says. "Small drips can make a difference."

Perseverance and discipline can sometimes look like madness, Mr. Shelestowsky concedes. He has clients who still own Nortel and even hold stocks that have been delisted from their exchanges, but they're planning to sell them to create a capital loss and reap the tax benefits. Now that's discipline.

"Sometimes you need to check your emotions and do what is right for your portfolio as opposed to what might feel right for you," he says.

They're humble
Really good investors are willing to ask for help from financial planners, accountants and investment advisers, says Mr. Shelestowsky. Maybe they're worried their asset allocation has veered off track over the years, or maybe they want to buy into an industry they're still not 100 per cent sure about.

Asking for advice is not always easy, though.

"If you've got guts, perseverance and discipline, you've probably got a lot of self-confidence as well. So being humble, asking for a second opinion or looking at things through a fresh set of eyes can sometimes be a hard thing to do," he explains.

"But there's nothing wrong with checking your pride at the door and getting a professional to take a second look."

Stamp out bad habits

Can you develop the traits of a good investor? Maybe.

According to Mr. Shelestowsky, reading the right finance books – particularly those that explore the behavioural side of investing – can go a long way toward stamping out bad habits and biases that will cause you to lose money.

Here's his list of good reads:

- *Predictably Irrational: The Hidden Forces That Shape Our Decisions*, Dan Ariely
- *Influence: The Psychology of Persuasion*, Robert Cialdini
- *Thinking, Fast and Slow*, Daniel Kahneman
- *Behavioural Investing: A Practitioner's Guide to Applying Behavioural Finance*, James Montier
- *Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets*, Nassim Nicholas Taleb
- *Nudge: Improving Decisions About Health, Wealth and Happiness*, Richard H. Thaler, Cass R. Sunstein
- *Your Money & Your Brain: How the New Science of Neuroeconomics Can Help Make You Rich,* Jason Zweig