The 6 Most Underrated Skills of Investing

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In the world of investing, success is often associated with knowledge of the stock market, keen analysis of technical charts and the ability to predict market trends. While these attributes may be important, there are other crucial skillsets that often go unnoticed, but play a vital role in the journey of becoming a successful investor.

Here are 6 of them that all investors should learn and practice.

[Humility]

The ability to recognise and accept one's limitations and imperfections is fundamental to investing. An investor who exhibits humility is open to learning from others, willing to seek advice, and acknowledges that they don't have all the answers.

In the fast-paced financial landscape, humility helps investors avoid overconfidence and hubris, which can lead to reckless decisions. Admitting mistakes and learning from them is a hallmark of a humble investor. Instead of sticking to failed strategies, they are willing to adapt and refine their approach.

It also keeps investors grounded during times of success, preventing them from becoming complacent or reckless. Thus, it's important that investors practice humility and keep an open mind to consider different perspectives and challenge their own beliefs.

[Composure]

The financial markets can be turbulent and unpredictable. From pandemics, geopolitical flare-ups and inflationary jolts, it is no wonder that 'permacrisis' was crowned word of the year in 2022.

But maintaining equanimity in the face of uncertainty is paramount. A composed investor doesn't let emotions hijack their decision-making process, thereby shielding themselves from making impulsive moves driven by fear or greed.

A composed investor understands that volatility is an inherent aspect of financial markets and doesn't let short-term fluctuations derail their long-term goals. For example, at the start of the pandemic in March 2020, the S&P 500 plunged by over 33.6% with many investors panicking and shifting all their allocation to cash. But just 6 weeks after the drop, the market began to recover with the S&P 500 rebounded back by 30.2% in April. Since then, the index has scaled to new highs and entered a new bull market this year.

There is no denying that sharp market dips can be spine-chilling to even the steeliest amongst us. But, how investors choose to respond is what defines them. More often than not, it's just sticking to your plan and not losing your head, when everyone else is losing theirs.

[B.S. Detector]

In the baffling world of investing where logic often flies out the window, a finely tuned "B.S. Detector" can be essential.

This skill involves discerning fact from fiction in order to cut through the hype and separate genuine opportunities from hollow promises.

This is especially so in the digital age, where abundant information tends to come with biases as well as subtle manipulation of facts and figures. A well-calibrated "BS Detector" would empower investors to question narratives and fact-check before making decisions.

Through clarity, investors would be able to peel back the layers and uncover the true fundamentals of an investment. Whether it is sieving through news, market rumours or exorbitant claims, be sure to always approach things with a healthy dose of scepticism and keep your "BS Detector" finely tuned.

[Resilience]

The ability to weather through financial storms may seem like an obvious skillset to have. But when push comes to shove, many investors are often quick to give-in to avoid any signs of discomfort.

Volatility, which is often seen as an unwelcome guest, is the price we pay for the potential of higher returns. Nothing worthwhile comes for free, and the ability to endure the ups and downs is crucial. Resilience teaches us that despite the roller-coaster ride, staying the course is key to achieving long-term financial goals.

However, resilience is not about blindly holding on. It is also about having a well-thought-out investment plan and learning to take calculated risks that suits each investor's profile and needs.

Remember that the markets will always open the next trading day, every morning like clockwork. However, whether you'll still be in the game depends on your capacity to endure and safeguard your capital, ensuring you don't lose it all along the way.

[Immune to FOMO]

Having a strong immunity against FOMO or the fear of missing out is a powerful but often overlooked skill. Succumbing to FOMO can lead investors down a treacherous path by chasing fleeting market trends and forsaking long-term strategies just to turn a quick buck.

Such behaviour tends to foster short-termism, where decisions are driven by the fear of missing out on quick profits, rather than focusing on sound investment strategies.

Moreover, comparing oneself to others in the investing realm can be a dangerous game. Each investor has unique financial goals, risk profiles, and investment horizons. What may seem like a lucrative opportunity for one person could be entirely unsuitable for another. The key lies in understanding one's individual objectives and crafting a tailored investment approach.

Similarly, blindly following the herd without a solid understanding of the underlying reasons can lead to hasty and ill-informed actions. And when the market takes a downturn, which is inevitable, those who acted on FOMO are more likely to panic and bail out at the worst possible time.

[Patience]

In an age of instant gratification where information is readily available at our fingertips, patience emerges as a formidable yet underrated skill. The ability to resist hasty impulses allow investors to stay calm and just enjoy the ebb and flow of markets.

By honing the art of patience, investors can take comfort that time is on their side and even uses it to their advantage by leveraging on the power compounding. Often regarded as a paragon of patient investing, Warren Buffet amassed over 90% of his wealth only after the age of 65, exemplifying the rewards of a long-term perspective.

Patient investors also take solace in the historical trajectory of markets, knowing that every market dip is brief and temporary. Recoveries have always followed downturns, and bear markets have ultimately paved the way for new highs.

As such, embracing patience and restraint proves to be the smart approach for long-term investors, enabling them to stay focused on their financial goals.

[Attitude Matters]

Becoming a successful investor takes more than just financial acumen and having a high IQ. If that's the case, a doctorate professor holding multiple PHDs would be the most successful investor, but unfortunately that is just not true.

Investing is also about intuition, gut instincts and cultivating a set of behavioural skills that are difficult for even the most "intelligent" investors. As famously quoted by legendary investor Benjamin Graham, "In the end, how your investments behave is much less important than how you behave."

By incorporating these underrated skills into their investment approach, individuals can build a strong foundation towards becoming a successful investor.

Ready to start your investment journey?

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