"One key reason why consumers lose money in investing is because they are overwhelmed with emotions of fear and greed. Thus, when prices are low, their fear of prices going lower stop them from investing."

typically drop when interest rates move up. Thus, investing in bonds when interest rates are on a up-trend might be risky instead. Speaking of financial advisor, this bring us to the eighth thing a person needs to consider is to:

Assess the Financial Advisor's knowledge and investment experience. Just now the advisor you mentioned seemed to have not shared with your friend the risks of investing in bonds. Thus, it's important to choose a financial advisor that not only shares with you the advantages of a particular investment, but its risk as well. Remember in 1999, everyone was pushing Technology funds? Well, I remember in 1999 when I walked into a bank, I was approached to invest into Technology fund. Luckily I'm an advisor myself, and at that point I felt prices were too high; so I didn't invest in Tech funds. Anyone who invested in Tech funds in 1999 might still be suffering a loss of 50 per cent to 70 per cent. By knowing how to assess risks myself, I help both myself and my clients avoid suffering a loss.

EI: Now stock prices have recovered somewhat from the tech bubble burst. If someone wants to invest now, is there anyway for them to reduce their risk?

Dennis: One way they can reduce their risk is by dollar cost averaging. Dollar cost averaging is simply to follow a system of investing a pre-determined amount of money on a regular interval basis. For instance, you can decide to invest $200 every month. In this way, you will invest in fewer units when prices are high and more units when prices are low. For instance, when the unit price of a unit trust is $1, when you invest $200, you get 200 units. However, when prices move up to $1.50, by investing $200, you only buy 133 units (or 33% less). This method of investing is safer than trying to time the market.

One key reason why consumers lose money in investing is because they are overwhelmed with emotions of fear and greed. Thus, when prices are low, their fear of prices going lower stop them from investing. However, when prices keep going higher like in year 1999 during the "tech craze", consumers are falling over themselves to invest due to greed as they also want to make money when they see people making money. By practising dollar cost averaging, a consumer can avoid their emotions getting the better of them and they would invest a fixed sum on a regular interval regardless of whether the stock market is moving up or down. In the long run, they would actually reap the benefits of regular investing instead. EI

Things to remember when Investing in Unit Trust

1. Understand your current financial status.
2. Always know what you are investing in.
3. Invest for the long term.
4. Funds are not collectibles.
5. Consistency more important than winning awards.
6. Be Cost Conscious.
7. Unit Trust Launch is not like IPO (Initial Public Offer).
8. Choose Your Financial Advisor wisely.
9. One way to reduce risk is through Dollar Cost Averaging.