The 10 Most Common Mistakes Investors Make — In Their 20s, 40s and 60s

A decade-by-decade guide to the errors that cost investors the most

Money mistakes rarely announce themselves. They creep in quietly, decade by decade, and their true cost shows up only years later. Having watched thousands of customers manage — and mismanage — their money over a long banking career, I can say with confidence that most investment errors are not errors of intelligence. They are errors of habit, timing and temperament.

What follows are the ten most common mistakes investors make at three defining stages of life: the 20s, when habits are formed; the 40s, when responsibilities peak; and the 60s, when the margin for error is smallest. Each mistake is briefly explained so that recognising it — and avoiding it — becomes easier.

Part I: Mistakes in Your 20s — The Decade of Habits

Your 20s offer the one asset no one can ever buy back: time. Most mistakes at this stage come from not using it.

1. Delaying the start. Waiting for a “bigger salary” or the “right time” to invest is the costliest mistake of all. Even a small monthly investment begun at 25 can outgrow a much larger one begun at 35, purely through the power of compounding.

2. Not building an emergency fund first. Without three to six months of expenses set aside, every surprise — a job loss, a medical bill — forces you to borrow or break your investments at the worst possible time.

3. Spending first and saving what is left. Saving should be the first “expense”, not the last. Automate it — a SIP in a mutual fund, or an automatic transfer on salary day — so that saving happens before spending begins.

4. Piling up high-cost debt. Credit card balances, personal loans and easy “buy now, pay later” schemes charge far more than any investment can safely earn. Paying 36% on a card while earning 12% in the market is running up a down escalator.

5. Chasing quick riches. Hot tips, meme stocks, day trading and speculative crypto bets feel exciting, but they replace investing with gambling. Wealth is built by boring consistency, not by lottery tickets.

6. Being too conservative with a long horizon. Keeping everything in a savings account or fixed deposits feels safe, but with 30 to 40 years ahead of you, avoiding equities is itself a risk — inflation quietly eats your money.

7. Skipping insurance. Health insurance and simple term life cover (once someone depends on you) are cheapest in your 20s. One uninsured hospitalisation can wipe out years of savings.

8. Cashing out retirement money when changing jobs. Withdrawing your EPF or 401(k) balance between jobs feels like a windfall, but it destroys compounding and often attracts tax. Always transfer it, never spend it.

9. Investing on social media advice. Followers are not credentials. Acting on “finfluencer” reels or friends’ tips without understanding what you are buying is a fast way to learn expensive lessons.

10. Not investing in yourself. Your earning power is your biggest asset in your 20s. Skills, qualifications and basic financial literacy will return more than any stock pick at this stage of life.

Part II: Mistakes in Your 40s — The Decade of Pressure

The 40s bring peak income and peak responsibility together. The mistakes here usually come from pulling in too many directions at once.

1. Funding children’s education at the cost of retirement. It is natural to put children first, but remember: education can be financed with loans and scholarships; retirement cannot. Secure your own future first — it is the best gift you can give your children.

2. Letting lifestyle inflate with every raise. A bigger house, a newer car, more premium everything — when spending rises as fast as income, the 40s pass without wealth actually being built.

3. Concentrating wealth in one asset. Many families in their 40s hold most of their net worth in real estate, or in their employer’s stock. Concentration builds wealth slowly and destroys it suddenly; diversification protects it.

4. Not knowing your retirement number. By 45, you should know roughly what corpus you need at 60 and whether you are on track. Investing without a target is driving without a destination.

5. Stretching debt into your 60s. Home and car loans that will still be running after retirement mortgage your future income. Aim to be debt-free before your salary stops.

6. Being under-insured in peak responsibility years. This is the decade when the most people depend on your income. Inadequate term cover and thin health insurance leave your family one misfortune away from crisis.

7. Taking wild risks to “catch up”. Investors who started late often try to compensate with leverage, derivatives or speculative bets. This usually converts a late start into a permanent loss. The honest answer is to save more, not to gamble more.

8. Ignoring tax efficiency. Choosing investments without considering tax treatment — or investing only to save tax — both cost real money. Use tax-advantaged vehicles (PPF, NPS, ELSS, 401(k), IRA) thoughtfully, as part of a plan.

9. Keeping your spouse in the dark. If only one partner knows where the money is, the family carries hidden risk. Share information, complete nominations, and write at least a simple will.

10. Raiding retirement savings for today's wants. Loans and premature withdrawals from EPF, NPS or a 401(k) for renovations, weddings or holidays quietly dismantle your old age security, one withdrawal at a time.

Part III: Mistakes in Your 60s — The Decade of Preservation

In the 60s the game changes: there is no fresh salary to repair mistakes. The goal shifts from growing wealth to making it last — often for 25 to 30 more years.

1. Turning ultra-conservative overnight. Shifting everything into fixed deposits and cash on the day you retire feels safe, but retirement can last three decades. A sensible slice of equity is needed just to keep pace with inflation.

2. Chasing high returns at the other extreme. Schemes promising "assured" double-digit returns prey heavily on retirees. If a return sounds too good to be true for your bank, it is too good to be true for you.

3. Underestimating healthcare costs. Medical inflation runs faster than general inflation everywhere. Continue adequate health insurance and keep a separate medical reserve — do not assume your corpus can absorb it.

4. Retiring without a withdrawal plan. How much will you draw each year, and from which bucket? Overspending in the early years, especially in a falling market, can exhaust a corpus that should have lasted comfortably.

5. Ignoring inflation. At even 5-6% inflation, prices roughly double every 12 to 14 years. A pension that feels comfortable at 60 can feel tight at 75 if the portfolio is not built to grow.

6. Supporting adult children at your own expense. Gifting large sums, funding businesses or standing guarantee for children's loans can quietly hollow out your security. Help generously, but never at the cost of your own independence.

7. Rushing pension and annuity decisions. Lump sum or pension? Which annuity option? These choices are often irreversible and taken in a single afternoon. Compare options carefully — a small difference in terms compounds over 25 years.

8. Neglecting estate planning. Missing nominations, single-name accounts and the absence of a will create years of hardship for heirs. A clean, updated set of documents is an act of love.

9. Keeping money matters complicated and secret. A dozen scattered bank accounts, lockers and folios that only you understand become a burden. Consolidate, simplify, and make sure your spouse or a trusted family member knows the full picture.

10. Falling for fraud and unsolicited advice. Retirees are the favourite target of phone scams, fake “bank officials” and commission-driven agents. Never act on unsolicited calls, and discuss any large financial decision with family before signing.

A Closing Word

Across all three decades, one theme repeats: the biggest enemy of the investor is rarely the market — it is our own behaviour. Start early, stay diversified, insure adequately, keep costs and debt low, and let time do the heavy lifting. The investor who avoids big mistakes almost always beats the investor who chases big wins.

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This article is prepared by SubbuS, a Retired Banker.