

Thinking Through Your Investments

There are plenty of things to consider when it comes to making decisions with your money. Should I spend it or save it? What should I buy or where should I save it? The list goes on and on.

We enjoy helping people make those decisions along with helping them invest. When it comes to investing, we try and look at **risk, return needed, timeline, taxes, liquidity, legal, and special situations.**

Risk

What kind of **risk** are you willing to tolerate? What **risk** comes with the investment?

Cash and Cash Equivalents are low risk. You are not going to lose money, but it probably won't keep up with inflation.

Bonds have the risk that the issuer may default on a payment. The risk involved will depend on the creditability of the issuer. They can also vary in value depending on the interest rate environment.

Stocks have more risk than most. They could go to zero and tend to be more volatile than bonds.

Mutual Funds have risk, but less than an individual stock because of diversification. You own multiple holdings within a mutual fund and it would be unlikely that they all go to zero.

Expected Return

What kind of **return can you expect** to see with a particular investment? What **return is needed** to meet your goal?

In today's environment, you cannot hold everything in cash and expect an 8% rate of return. If you want that type of return, you probably have to take some risks with it.

Depending on your situation, you might need a 10% annual return to meet your goals or you could need a 3% return.

The necessary return would cause a **huge difference** in how your portfolio would be constructed.

Time Horizon

What time horizon is associated with your goals? How old are you? How long do you expect to need to make withdrawals from your portfolio?

Your time horizon with the goal will determine what **"bucket"** you should put the funds in, short-term, mid-term, or long-term.

Robert Herjavec had the great quote, **"A goal without a timeline is just a dream."**

Tax

What tax bracket are you in? What is expected of future tax brackets? What are the tax implications base on the account?

It can be crucial to figure out **the most tax-efficient strategy** for your situation.

Liquidity

Do you have the funds in cash and cash reserves to cover the expected **short-term expenses and some extra for uncertainty?**

You don't want to put your money in an account for retirement and then possibly need it in the near term and have to pay penalties because you don't reach the age requirement.

Legal

Rules around certain accounts are always changing so you want to **be aware** of them.

There can be contribution limits, age requirements, withdrawal mandates, etc. depending on the type of account.

Unique Situations

People can find themselves in a complex situation and want help navigating the complexity of their situation.

Each person has their own **unique desires** that have to be considered.

We strive to help you maximize your probability of hitting your goals. If you would like to learn more about how I could help you and your family, please schedule a meeting.
