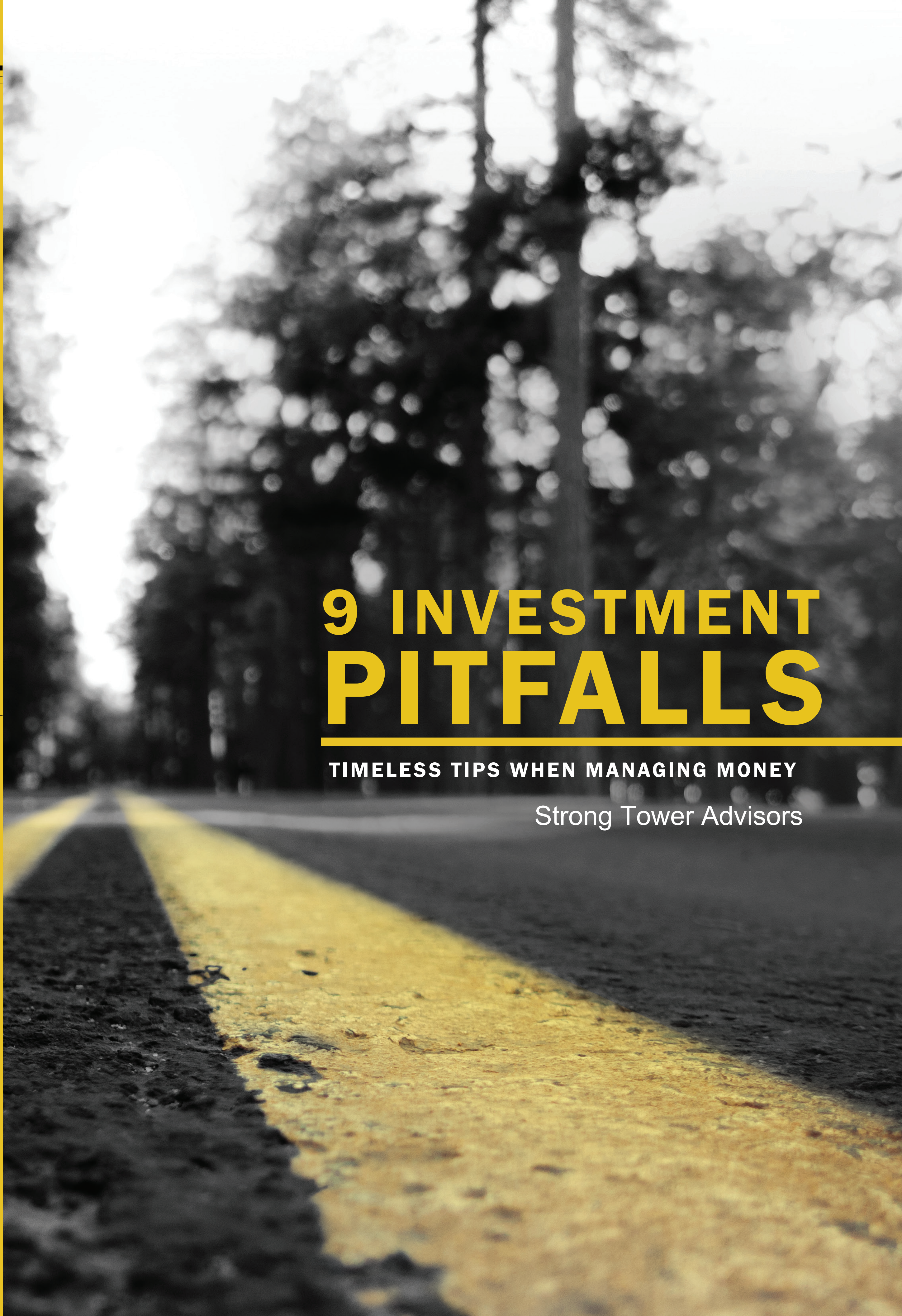
9 INVESTMENT PITFALLS
TIMELESS TIPS WHEN MANAGING MONEY



9 INVESTMENT PITFALLS

TIMELESS TIPS WHEN MANAGING MONEY

Strong Tower Advisors

Experience has taught us that successful investing requires discipline and patience. When emotions run high, it can be easy to lose focus on your investment strategy. To help you overcome these challenges, we've compiled a list of common mistakes and guidelines.

While reading this report, it's important to remember that investing involves risks and that investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

"ACCURATELY CHASING THE MARKET'S TOP AND BOTTOM IS VIRTUALLY IMPOSSIBLE"

MISTAKE #1: BELIEVING INVESTING IS A SMOOTH RIDE

Investors need to remember that markets can be turbulent. Between February 12, 2020, and March 23, 2020, the Dow Jones Industrial Average lost 37% of its value due to the onset of the COVID-19 pandemic. Fortunately, recovery was swift, and by November 2020, U.S. markets had returned to their pre-pandemic highs.[1]

Preparing for declines is essential. There can be a strong temptation to pull out of the markets when they tumble. Instead of retreating, you may need to adjust your investment approach. By remaining flexible, you could be able to take advantage of opportunities while managing risks.

The Dow Jones Industrial Average is an unmanaged index generally considered representative of large-capitalization companies on the U.S. stock market. Individuals cannot invest directly in an index. It's important to point out that past performance is no guarantee of future results.

MISTAKE #2: TRYING TO TIME THE MARKET

When markets rally or pull back, seeking out the top to sell or the bottom to buy can be tempting. The problem, however, is that investors usually guess wrong, potentially missing out on the best market plays.

For example, a recent Blackrock report showed that a $100,000 investment in the Standard & Poor's 500 Composite Index in 2000 would have grown to $324,019 by 2019. However, if an investor missed just five of the best days of trading during that time, that investment would only have grown to $214,950.[2]

The S&P 500 Composite Index is an unmanaged index that is considered representative of the overall U.S. stock market. Individuals cannot invest directly in an index. Here, too, it is important to explain that past performance is no guarantee of future results.

WHY?

One reason is trying to time the market. When people invest on the high end and pull out on the low end, they may miss opportunities by not remaining patient. The problem is that equity gains can often be made in a very short amount of time. If you are not in a stock when it moves, you may miss out on the entire play.

What's the bottom line? Accurately chasing the market's top and bottom is virtually impossible. A better approach may be making small adjustments to help you stay the course.

MISTAKE #3: RISK & ASSET ALLOCATION

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Not timing the markets is one thing. Another mistake can be creating a portfolio that doesn't reflect your overall risk tolerance.

When building a portfolio, the objective is to take on the amount of risk that aligns with your goals and time horizon. Ask yourself the following questions:

- Do you feel like you are too heavily invested in one asset?
- Do you not understand why you own certain investments?
- Do you hold many of the same investments in different accounts?

It's important to remember that asset allocation is an approach to help manage investment risk. It offers no guarantee against investment loss.

MISTAKE #4: TAKING TOO LITTLE RISK

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A variety of factors may cause investors to act more cautiously, including ongoing global uncertainties and fears about the overall economy. This can lead to investors flocking to low-risk investments, but those investments may not align with your overall goals. While minimal risk can feel like a safe move, you could miss out on opportunities.

To know whether you should consider taking on more risk, start by ask yourself these questions:

- Do I have enough growth-oriented investments in my portfolio?
- Can I accept short-term losses for potential long-term gains?
- How comfortable do I feel taking on more risk to pursue higher investment returns?

MISTAKE #5: MAKING EMOTIONAL INVESTMENT DECISIONS

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When markets swing, emotional decision-making can wreak havoc on the most carefully designed investment strategies.

Fear and greed can drive anyone's financial decisions. Fear can cause us to abandon an investment strategy when the outcome is not what we want, while greed can cause us to chase investment fads and take on too much risk. As you invest, you can support your strategy by attempting to manage these emotion-based decisions.[3]

As investment representatives, we may be able to help when emotions enter the decision-making process. When markets decline, remember that we can help answer questions, provide reassurance, and show you the opportunities that volatile markets may provide.

MISTAKE #6: FAILING TO DIVERSIFY

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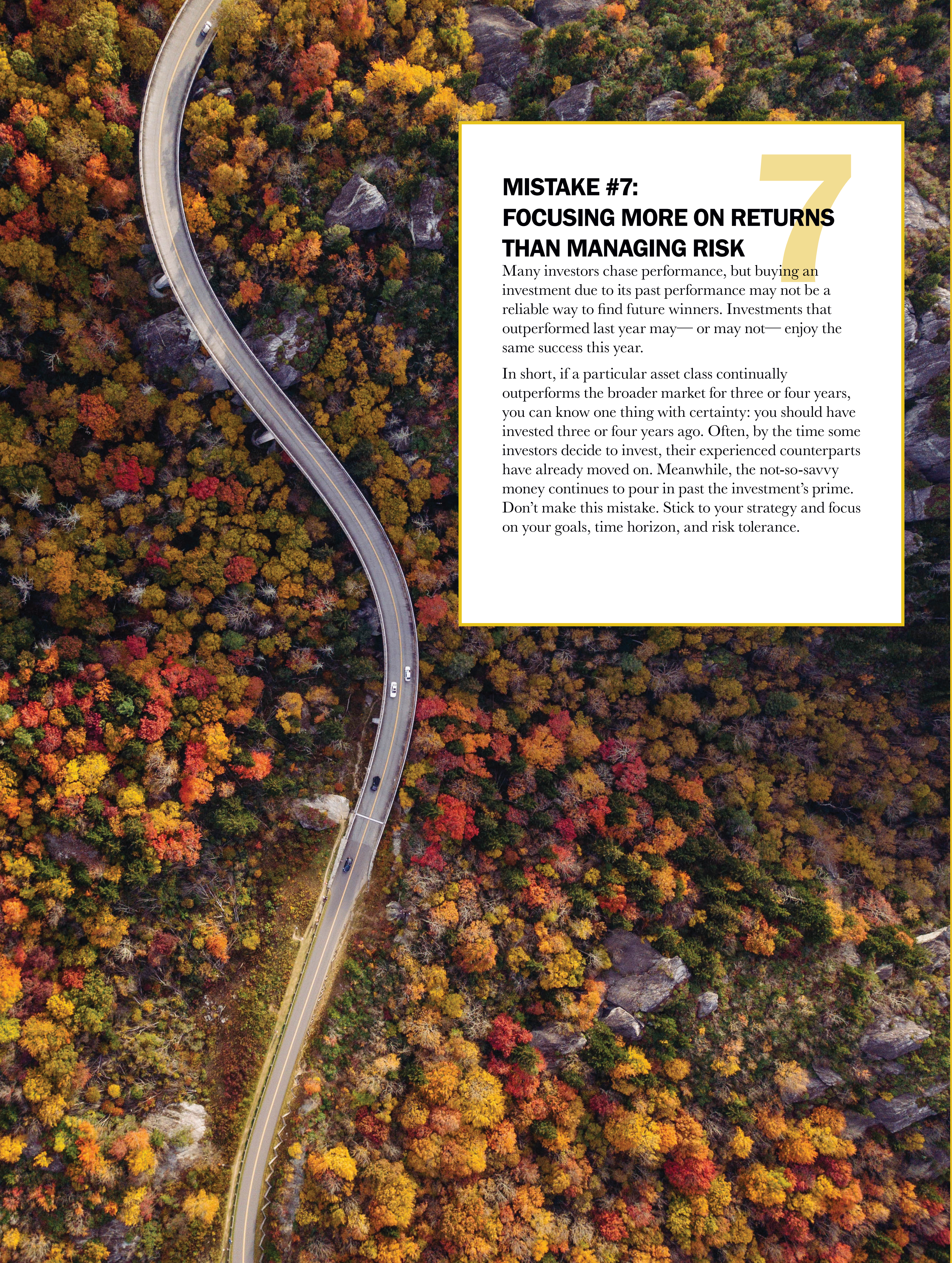
It has been said that early merchants developed an innovative way to manage their risk: they divided their shipments among several different vessels. That way, if one ship sank or was attacked, the rest stood a good chance of getting through, and the majority of the shipment could be saved.

Your investment portfolio may benefit from that same logic. Diversification is an investment principle designed to manage risk. However, diversification offers no guarantee against a loss. The key to diversification is to identify investments that may perform differently under various market conditions.

On one level, a portfolio should be diversified between asset classes, such as stocks, bonds, and cash alternatives. On another level, a diversified portfolio also should be diversified within asset classes, such as a diverse basket of stocks.

For example, let's say a stock portfolio included a computer company, a software developer, and an internet service provider. Although the portfolio has spread its risk among three companies, it may still not be properly diversified, as all three firms are connected to the technology industry. A portfolio that includes a computer company, a drug manufacturer, and an oil service firm, by contrast, may be considered more diversified.



MISTAKE #7: FOCUSING MORE ON RETURNS THAN MANAGING RISK

Many investors chase performance, but buying an investment due to its past performance may not be a reliable way to find future winners. Investments that outperformed last year may— or may not— enjoy the same success this year.

In short, if a particular asset class continually outperforms the broader market for three or four years, you can know one thing with certainty: you should have invested three or four years ago. Often, by the time some investors decide to invest, their experienced counterparts have already moved on. Meanwhile, the not-so-savvy money continues to pour in past the investment's prime. Don't make this mistake. Stick to your strategy and focus on your goals, time horizon, and risk tolerance.

MISTAKE #8: IGNORING THE IMPACT OF TAXES

When reviewing investments, one factor to consider is the after-tax return of an investment. At first glance, a 5% return beats a 3% return any day of the week. However, if those returns have different tax treatments, then the situation might change.

You might want to consider the impact of taxes whenever you:

- Buy or sell investments
- Develop a financial strategy
- Discuss your estate or philanthropic approaches

This article is for informational purposes only and is not a replacement for professional advice. Make sure to have your investment professional speak with your tax, legal, and accounting professionals before modifying your investment strategy for tax considerations.

MISTAKE #9: AVOIDING PROFESSIONAL ADVICE

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One third of all retirees and workers work with a financial professional, and four in ten workers who don't currently work with a financial professional intend to do so in the future.[4]

Professional guidance can help, which is why financial professionals are one of the most common sources of information when it comes to preparing for retirement.[5]

Successful investing requires the ability to position your portfolio to reflect your time horizon, goals, and risk tolerance. This level of complexity can make working with an investment representative critical to your ability to pursue your goals.

CONCLUSION

Investors who recognize and avoid these nine common pitfalls may give themselves an advantage in pursuing their investment goals.

An investment outlook requires a personalized strategy that accounts for your current and future needs, investment time horizon, and appetite for risk. These factors help ensure that no matter how the markets perform in the short term, your investments can be positioned to work toward your goals. Along the way, sticking to your strategies and not letting emotions get the best of you may be essential.

With discipline and focus, you may be able to strategically turn your dreams into financial realities. Above all, investment representatives can apply their expertise to help you pursue your goals.

If you have any questions about the information included in this report or would like more information about our services and experience, please contact us. We are happy to meet with you to help you build the financial life you desire.

Sincerely,

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