



faith . discipline . patience

So, over the last few weeks you figured out your goals, your current financial situation, and you insured against some big plan spoilers.

Next, finally, it's time to think about how to invest that nest-egg to support your goals.

Here are some foundational thoughts I adhere to when I construct a portfolio:

- I don't trust the stock market in the near term (3-5 years), and I don't trust bonds for the long-term (5 years or more).
- I prefer to have 3 – 5 years of expected principal withdrawals invested in something stable like money market or CDs.
- I believe diversification is more dependable than hitting the ball out of the park by finding the next Amazon or Apple. I think that mostly takes luck.
- I think owning rental properties can be a good diversifier but it takes work and entails added expenses like maintenance, insurance, and taxes.
- I believe it's more important to avoid behavioral traps like acting on recent performance or on scary news than to figure out which particular stock might be better than another.
- I like for my investments to be liquid. I don't like it if I for whatever reason must accept that I can only access a portion at a time or pay heavy penalties to get out anytime soon.
- I believe history teaches valuable investment lessons like 'stocks for the long run'. Look up stock prices for when you were born and stop and think about why the price level went up so much. Cheat sheet: according to politicalcalculations.com, 70 years ago the S&P 500 was at 23. Today it is around 4,400. So, \$1,000 invested at birth would today be worth more than \$190,000. For 60-year olds, the index was at 70 when they were born, and 50-year olds started at 107.

The hard thing is not to quit on stocks at the wrong time and imagine 'this time it's different'. I think past is prologue even as circumstances continuously change.

You will have noticed I have so far ignored inflation which needs to be included to arrive at the actual value of money, not just the number on your statement. And, yes, inflation explains my distaste for bonds for the long run, and it raises the bar for all investors. But we'll get to that next week. Until then,

Good luck.

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