Registered Investment Advisor Firm

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Building Wealth Mistakes

Investing can be a tricky business – one mistake can cost you financially in the long run. Even the most intelligent investors make mistakes when investing, and some mistakes are more common than others. In the world of investing, there are no sure bets. But mistakes are also a learning experience and even the most intelligent investors are guilty of some of these mistakes. Below is a brief discussion of the more common ones.

Making decisions with your emotions- Investing can get emotional – money can cloud choices with "fear, greed and nervousness", tempting investors to move their investments around. One of the best things you can do for your investments is to leave them alone and focus on a long-term investment plan. Avoid impulsively selling an underperforming asset and stay the course with a diversified portfolio that is able to withstand inevitable short-term rises and declines in the market. That doesn't mean you shouldn't re-analyze your allocations and assets periodically. Have a good reason for your decision – not an emotional one.

Dipping into the market sporadically- Lumpy investing is when an investor invests inconsistently, preventing one from taking advantage of dollar-cost averaging. Investing a fixed amount of money in the market on a regular schedule reduces risks.

Using cash- Millennials in particular are guilty of this investing mistake; they prefer to use cash investment to set aside money they don't plan to touch for at least a decade. This is one of the worst ways to earn returns. If your investment horizon is longer than 10 years, the stock market is an appropriate investment. Cash is not and especially if you're not seeking out the most competitive returns.

Not knowing how taxes affect your return- Some investors don't realize taxes can affect your investments, before and during retirement. If you are working and have many years until you need to access your money, your taxes and strategy are a lot different than when you are retired and pay taxes as you

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withdraw money from your retirement accounts. Consult a financial advisor to create a retirement plan with taxes in mind.

Waiting for the "all-clear sign" to time the market- The all-clear sign is the moment you're finally comfortable financially – but there is a problem in that thinking. You're technically never at your highest level of comfort and, when you are, it's when the markets are overvalued. Even a well-intentioned effort to enter the market at a "good" time cannot work out, despite having expert insight and training, if your timing doesn't align with market-timing. So don't time the market. Timing the market has shown time and again that trying to outsmart the collective wisdom of the millions of smart, well-informed people who trade in the market is very hard to do consistently. Disciplined rebalancing keeps you away from that market timing trap. Remember the old adage: it's not about timing the market; it's about time in the market. The longer your money is in the market, the more long-term growth it will have.

Disembarking from your long-term plan- Letting daily trends influence your portfolio moves can end up putting your return in a worse place. Many studies found that investors who hold an S&P500 Index Fund have better returns than those who buy and sell stocks. It is important to develop a long-term investment plan and stay the course in order to reach your financial goals. This plan should be designed to provide a clear road map for achieving a range of goals and needs, during both up and down markets.

Not diversifying your portfolio- There's more to diversifying your portfolio than owning several stocks – it helps decrease risk if you spread investments across different asset classes. Many investors do not realize you must also consider asset allocation as well as how your investments move in relation to one another, which is known as correlation.

If you need help in avoiding some of the common investing mistakes or creating a retirement plan, contact me at (707) 648-2024.

Q: I am under 55 and owe $45,000 on my credit card, should I use my retirement money to pay in full?

A: You should try to pay credit card debt as soon as possible. Carrying balances costs you money and doesn't help your credit score. Cashing out an IRA or 401(k) to pay off debt is not wise, since you'll trigger huge taxes and penalties. Add in the future tax-deferred compounding you lose and the total cost is far more than you'll save in interest. Look to your budget to find the money.

FED Watch

The January FOMC meeting met expectations of no rate change. Currently there is very little chance of a rate hike the rest of 2019 and a 20% chance of a decrease by January 2020. The Fed has indicated it will slow down rate increases. The Fed will continue the

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process of reversing quantitative easing by allowing assets to mature off their balance sheets, rather than re-investing them and plan to complete by year end.

Next meeting:
March 19th and 20th.

Castle Rock Wealth Management

Castle Rock Wealth Management is a Hybrid Advisory firm servicing the needs of clients across the United States.

Castle Rock Wealth Management custodies some client assets at Charles Schwab & Co. Bob's office is located at 714 Marin Street, Suite #C, Vallejo, CA 94590. The telephone number is (707) 648-2024.

If you have questions or would like further information on this month's topics or any other financial or investment related subjects, please contact me by phone or through my email address at:
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