

## Are You Playing the Investment Lottery?



When the stock market is roaring, you might feel pretty smart. But are you prepared for the inevitable downturn? Many do-it-yourself (DIY) investors, perhaps even you, have lopsided investment portfolios – too much in certain stocks, funds or regions and not enough in others. Or they play the averages, investing in index funds that rise and fall in lock step with the markets. And when the markets do tank, DIY investors tend to act on gut instinct and limited access to information.

So, ask yourself: *Have I been smart or have I been lucky?* Luck should have no place in investing. What is required: an investment strategy that can protect and increase your wealth, so you can attain your goals.

A wealth advisor that is a “fiduciary” – required by law to act in your best interest – can put in place a strategy for investing that makes the most sense for you, in terms of risk, return, cash flow, tax-efficiency, and in context of your entire asset base, not just investments. The end result: peace of mind and confidence in your future.

### How Expert Advice Can Make A Difference:

#### Asset Allocation and Risk Management

What you invest in and in what proportion can make a big difference in your long-term return. Down markets actually test how well you’ve made those choices. More often than not, when you see abnormal fluctuations in your portfolio during choppy markets, then your portfolio might not be very well built, akin to a beach bungalow trying to make it through a hurricane. Can your portfolio weather the storm?

If not, then why not? Usually because there is not enough emphasis placed on managing risk from the very beginning, when your portfolio was first constructed.

**What an expert wealth advisor can do for you:** Build a portfolio that targets your specific needs in terms of risk, return, tax and cash flow management. How? By including only investments that are likely to compensate you for the risk entailed; by making sure your portfolio is truly diversified and behaving as expected; by making you aware of near-term opportunities to enhance your return or lower your risk: and by optimizing the cash flow from your investments.

## Behavioral Coaching In Extreme Markets

If you want your investments to keep growing (after inflation and taxes), there is no way to totally avoid risk in the financial markets. Market declines are inevitable and they provide opportunities to buy low and potentially sell high. But they can also be scary. If you sell and lock in a large loss, you can forfeit years of wealth accumulation. Don't let this be you.

**What an expert wealth advisor can do for you:** Provide perspective and assurance. How? By modeling worst-case and likely scenarios, so you can see how the duration and extent of the downturn will affect your near- and long-term goals.

## Rebalancing

If your portfolio is customized to suit your finances and risk tolerance, it is then appropriately balancing stocks to bonds, international to domestic, as well as perhaps some alternatives to ramp up diversification and cushion downturns. That balance is typically upset as markets rise and fall in value.

**What an expert wealth advisor can do for you:** Rebalance and re-adjust your portfolio to the target asset allocation during rising markets, so you end up selling pricey assets and reinvesting in laggard ones. And vice versa.

## Investment Tax Strategies

Unless you're a CPA or have a lot of time on your hands to study the US Tax Code, you need an advisor who can help you avoid investments that can cost you dearly in capital gains and investment income taxes. Research has shown that tax-aware investing can significantly contribute to the long-term growth of a portfolio.

**What an expert wealth advisor can do for you:** Advise and execute tax strategies that most DIY investors cannot do in a consistent way. The focus then stays on your "real" return — after taxes, fees and the impact of inflation are subtracted.

Tax planning strategies include:

- Matching tax-generating assets with tax-advantaged accounts.
- Offsetting gains with losses whenever appropriate.
- Using tax-exempt and tax-advantaged accounts to invest as warranted.
- Investing with asset managers who seek to minimize gains and dividend distributions.
- Closely monitoring the after-tax return on your investments and reporting taxable distributions to your accountant.

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### Investment cash flow monitoring and modeling

Are you being realistic about your budget? Have you done cash flow modeling and projections over the next several decades? How well are your investment portfolio(s) positioned to support your actual expenses and future needs and requirements? Things like:

- Healthcare and long-term care
- Insurance coverage
- Retirement and business succession planning
- Required minimum distributions from IRAs and other tax-deferred accounts
- Estate planning and multi-generational wealth transfer

**What an expert wealth advisor can do for you:** Answer all these questions and more.

### The Bottom Line

Strategic investment management that includes expert asset allocation, risk management, tax and cash flow strategies can add value on and beyond a do-it-yourself approach. This is especially true if the wealth advisor you choose is also a fiduciary. A fiduciary has an obligation to act in your best interest at all times with no hidden fees.

Laird Norton Wealth Management is a fiduciary and provides a full-service, boutique experience that includes: Strategic Investment Management, In-Depth Financial Planning, Expert Trust & Estate Planning.

**Learn More:** To find out more about how the professionals at Laird Norton Wealth Management can help you plan the retirement of your dreams, call or email us to set up an appointment today.

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