5 Strategies Every Investor Needs to Know

You may feel like you can't retire successfully or don't know how to leave the legacy you desire. You want the absolute best path forward for your assets, but you may have worked with an advisor in the past who has kept your portfolio relatively static and hasn't shown results. You don't have to climb this mountain on your own. You may be frustrated that your previous financial advisor didn't treat your hard work and diligent savings with integrity.

Not only did they not understand how hard you have worked, but they didn't have a clear vision of how to steward your savings with a clear road map for success. More than integrity and vision, though, you want to work with someone who has proven results, who can treat you as a unique person, and who also has helped others in a similar situation. At Pennsylvania Financial Group, we have found that one factor contributes to our clients achieving their financial goals more than anything else - their probability of retirement success. Put simply, this goal positions you so you will not run out of money during retirement.

Once you have this goal as your destination point for the rest of your life, here are five strategies every investor needs to understand to sow the seeds for your lifelong success. We will discuss two basic strategies first and then get into some specific strategies later down the page, so keep reading.

1. The Importance of Asset Allocation

The first and most important strategy for any investor is to diversify their portfolio across various asset classes. This strategy will help to protect your wealth if one asset class under performs. When it comes to investing, your choice of assets is essential. But even more important is how you allocate those assets. That's because different asset classes perform differently at different times.

For example, stocks have historically outperformed bonds over the long run. But in the short term, stock prices can be very volatile. On the other hand, bonds tend to be more stable in price. The key is to diversify your portfolio across different asset classes. That way, you'll be able to weather the ups and downs of the market and still reach your long-term retirement goals.

2. The Dangers of Chasing Performance

Many investors make the mistake of chasing performance. They see that a particular investment has done well in the recent past, and they pour money into it without doing any research. This performance chasing is a dangerous strategy. Just because an investment has done well recently doesn't mean it will continue to do well. In fact, chasing performance is an excellent way to lose money. It's essential to focus on quality when it comes to the assets you do invest in. Look for companies with solid fundamentals and a history of success.

The key is to invest for the long term. That means picking investments you understand and are comfortable holding for many years. So don't get caught up in the short-term ups and downs of the market.

3. The Importance of Tax-Efficient Investing

If you're in a high tax bracket, you need to be especially careful about how you invest. Taxable accounts need special attention to detail. Through the use of tax-free municipal bonds, tax-efficient exchange-traded-funds, or tax deferred vehicles, you require an extra layer of planning to accomplish this task.

The bottom line is that you need to dictate when and how much tax you pay annually and not have it dictated to you by your investment choices. If you're in a high tax bracket, it's especially important to invest in a tax-efficient manner.

4. The Power of Compounding

Compounding is the process of earning interest on your investments and then reinvesting those earnings to make even more interest. Over time, this can have a dramatic effect on the growth of your portfolio. For example, let's say you invest $10,000 at an annual return of 10%. After one year, you'll have $11,000. But if you reinvest that $11,000 and earn 10% on it again, you'll end up with $12,100 at the end of year two.

As you can see, the effects of compounding can really add up over time. So that's why it's so important to start investing early. The sooner you start, the longer your money will have to grow.

5. The Importance of Estate Planning

Estate planning is important, because you need to ensure your assets are passed on to your heirs in the most tax-efficient way possible. There are several different estate planning strategies that you can use. But the key is to work with a financial planner who understands your unique needs.

Remember investing is a marathon, not a sprint. Don't get caught up in the short-term volatility of the markets. Instead, focus on your long-term goals and objectives. Pennsylvania Financial Group is a Pittsburgh-based financial advisory group committed to sowing the seeds for your lifelong success. We have over 50 years of combined experience helping clients save and invest for their future.

Our experience is impressive, but even more so than that, we give you a vision of what your future may look like. When we meet, we look at the most important factor - your probability of retirement success - as our number one long-term goal and determine a strategy to get you from where you are now to where you want to be.

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Asset allocation, which is driven by complex mathematical models, cannot eliminate the risk of fluctuating prices and uncertain returns. Asset allocation should not be confused with the much simpler concept of diversification. A diversified portfolio does not assure a profit or protect against loss in a declining market.

For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Cetera Advisor Networks LLC nor any of its representatives may give legal or tax advice.

This example is hypothetical only, and does not represent the actual performance of any particular investments. Investments in securities do not offer a fixed rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and when sold or redeemed, you may receive more or less than originally invested.

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