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Avoid These 10 Investor Mistakes

Avoid these common investor mistakes when making decisions about your investment portfolio:

1 Chasing performance. Investors often move out of sectors that are not performing well, investing that money in high-performing investments. But the market is cyclical; and often those high performers are poised to underperform, while the sectors just sold are ready to outperform. A classic example is technology stocks in early 2000. Many investors rushed to purchase technology stocks just as they reached their peak and were headed for a long slide down. Rather than trying to guess which sector is going to outperform, broadly diversify your portfolio across a range of investment sectors.

2 Looking for get-rich-quick investments. When your expectations are too high, you have a tendency to chase after high-risk investments. Your goal should be to earn reasonable returns over the long term, investing in high-quality investments.

3 Avoiding the sale of an investment with a loss. When selling a stock with a loss, investors often focus on the loss. They may perceive the loss as a mistake, which can bring about a myriad of emotions. Investing is better approached objectively because an investment is either performing according to your needs, or it isn't. When evaluating an investment, objectively review the fundamentals and its prospects. Make decisions to hold or sell based on that investment's performance and projected performance within your overall plan.

4 Selecting investments that don't add diversification benefits to your portfolio. Diversification helps reduce your portfolio's volatility, since various investments respond differently to economic events and market factors. Yet, it's common for investors to keep adding investments that are similar in nature. This does not add much in the way of diversification, which historically has often provided a sound strategy to buffer from market swings.

5 Not checking your portfolio's performance periodically. Knowing how your financial plan and retirement funds are doing is part of the due diligence we recommend you do as an investor, however, that doesn't mean you need to go through the exercise alone. Accountability is a key part of ensuring you are meeting your long-term financial goals. How often your accounts are reviewed depends on how far you are in your investing horizon.

When most are in their 30s and 40s, the focus should be on aligning expenses and income, hitting your sav-

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Bonds and Interest Rate Changes

With interest rates at such low levels, you might be wondering what could happen to your bond portfolio if interest rates rise. Basically, interest rate changes affect bond prices as follows:

✔ **Interest rates and bond prices move in opposite directions.** The price of a bond will decrease in value when interest rates rise and increase in value when interest rates fall. The price of an existing bond changes to provide the same return as an equivalent, newly issued bond. Since you'll receive the full principal value at maturity, holding a bond until maturity eliminates the impact of interest rate changes.

✔ **Interest rate changes have a more dramatic effect on bonds with longer maturities.** Since long-term bonds have a longer stream of interest payments that don't match current interest rates, their prices must change more to compensate for those interest rate changes.

✔ **Bond price changes are less significant for bonds with higher coupon rates.** Bonds with coupon interest rates near or above current interest rates will experience the least amount of price fluctuation. ❍❍❍

Avoid These 10

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ings goals, and insuring yourselves, your income, and your property. Generally speaking, when you are younger it is recommended to auto-transfer a portion of your monthly income to your investing funds, without focusing too much concern on market volatility.

As you near age 55+, your financial plan will need to evolve to reflect your changing needs. As you transition from Wealth Accumulation to Income Distribution, you are likely to need more consistent performance reviews to ensure your plan is on track. Once you retire, your income will begin streaming from different buckets, rather than the majority of it coming from a paycheck. That's why you will need to lean on your financial advisor.

6 Letting market predictions cause inaction. No one has shown a consistent ability to predict where the market is headed in the future. Use caution when listening to the *talking heads* who are likely overly optimistic or overly gloomy. Instead, approach investing with a plan you believe in and understand. Also, review it consistently to ensure your financial plan is meeting its target goals. When you have these numbers compiled with your advisor, then make decisions based on what is in your best interest. This can be complicated math, so make sure you're working with someone who is qualified to review and create these projections with you.

7 Expecting the market to continue in its current direction. Investors have a tendency to make investment decisions based on current trends in the market. Thus, if the stock market has been performing well for a period of time, investors tend to move more and more funds into that area. However, there is a tendency for markets to revert back to the average return when they have an extended period of above- or below-average returns. For instance, following an extended period of above-average returns in the 1990s, the stock market experienced a significant downturn, helping to bring the averages back in line.

8 Not understanding that *Saving* and *Investing* are two different concepts. Saving involves not spending current income, while investing requires you to take those savings and do something with them to earn a return. Those we know who are the most successful at putting aside funds for savings and investing separate the two. Generally, they create auto transfers so that a certain dollar amount of their monies are transferred automatically to a separate savings account and to a separate retirement account. Find ways to make the habit of allotting savings as automatic as possible.

9 Considering only pretax returns. One of the most significant expenses that can erode your portfolio's value is income taxes. Thus, don't just consider your pretax returns, but look at after-tax returns. If too much of your portfolio is going to taxes, there likely are strategies we can recommend that can help you keep more of the money you've already earned.

10 Not realizing that help is only a phone call away. The investment and insurance worlds have become very complex, with a vast assortment of options available to help consumers meet their financial goals. You may feel overwhelmed, thinking you need to make these decisions on your own. We want you to know you are not alone — we are just a phone call away.

Do You Need Life Insurance?

Life insurance is one of those things many people know they probably need, but they don't really want to think about. After all, considering life insurance involves planning for what will happen after we're gone — an uncomfortable subject for many people.

Life insurance is actually a key part of financial planning. Not everyone will need this type of insurance for the same reason, though everyone should seriously evaluate how a tragedy can impact your estate.

If you have children, a spouse who doesn't work, family members who have cosigned on your student loans or mortgage, or elderly parents you care for, life insurance can help ensure that these people don't face additional financial burdens during an already difficult time.

When might you be able to forego life insurance? If you're single, have no dependents, and have little debt, life insurance may be unnecessary. However, if you are retired and support a spouse, children, or others who would have difficulty getting by financially after your death (perhaps because you receive a generous pension benefit today that will shrink or disappear after your death), you may still want to consider insurance.

Life insurance can also be an estate-planning tool. If you have a large estate and are worried about the effect estate taxes will have on what you leave to your heirs, the proceeds of a life insurance policy can be used to cover those expenses.

Even if you may not have needed life insurance in the past, it's important to remember your life insurance needs can change over time. Generally, whenever you experience a major life event, it's a good idea to review your life insurance needs. Events that might trigger a need to buy a new policy or increase your coverage include getting married, having a baby, buying a house, getting divorced, or receiving a major promotion or raise at work.

The amount of life insurance coverage you need depends on your specific situation. First estimate how much money your loved ones would need immediately after your death to cover your final expenses (such as funeral costs and outstanding debts). Then estimate how much cash your family will need to sustain themselves after your death; that number can be hard to determine, but you should think about your lost income, whether your spouse will be able to continue working, possible college costs for your children, and other expenses. Finally, combine those two numbers to get a sense of your total life insurance needs.

We don't want you to be insured unnecessarily or to have too many policies. Let us review your existing policies. Our recommendations will be based on your present day and future needs. Also, consider attending our Legacy Planning or Caregiving events.

Long-Term Care Insurance: A Useful Planning Tool

Americans are living longer. Someone who is in their mid-60s today can expect to live well into their 80s. That's great news, but with longer life spans come certain challenges. One is an increasing need for long-term care.

That care doesn't come cheap. The national median daily rate for a private room in a nursing home in 2014 was $240 — $87,600 per year — a price that has increased by an average of more than 4% every year for the past five years (Source: Genworth, 2014). Fortunately, there are options available to help pay for long-term care: Long-Term Care (LTC) Insurance. Over the last five to ten years, the types of LTC insurance you can purchase have evolved to be more consumer-friendly, and the options you now have in the marketplace are very encouraging.

How Long-Term Care Insurance Works

Long-term care insurance can help to cover the daily costs for people who need help performing certain basic activities of daily living (ADLs) — typically eating, using the bathroom, continence, dressing, bathing and moving from place to place. Policies typically cover care in a nursing home, assisted-living facility, at home, in hospice, at an adult daycare center or in other care facilities.

LTC policies work much like other types of insurance. Once your doctor certifies that you need assistance with at least two ADLs, you should qualify for benefits. Some policies will start paying those benefits immediately, while in other cases, there will be an elimination or waiting period before benefits begin. The amount paid and how long benefits last will depend on the policy's specific terms, and there may be a daily or lifetime cap on the total dollar value of the benefits. Benefits may also be paid out for a lifetime or stop after a certain period, like one or five years.

Why You Need Coverage

The costs of long-term care can be astronomical, and families often discover too late that the resources they thought would be available to pay those expenses aren't there. Many assume that Medicare will pay for care, but that program typically only pays for acute care, not the long-term, skilled nursing care that patients with conditions like Alzheimer's need. At most, Medicare will pay some of the costs for up to 100 days in a skilled nursing facility, but only if certain conditions are met. Medicaid will pay for long-term care, but you need to have virtually no assets before qualifying for benefits.

While the wealthy can often pay for long-term care out of pocket, that is not how you stay wealthy. Ideally, you need to plan to shift the cost of long-term care for yourself and your loved ones outside of your pocketbook and onto the bottom line of an insurance carrier. Why do so few people have long-term care insurance? Some of it has to do with being denied coverage; some has to do with the historical cost of policies compared to the benefits received.

Why Long-Term Care Insurance Costs So Much

Many insurers stopped offering long-term care policies once they were confronted with the high cost of paying out benefits. Those companies that continue to sell policies have raised rates, sometimes by as much as 50%, and tightened underwriting standards, so that people with common conditions like diabetes find it more costly to get a policy. Women are also finding LTC insurance more expensive, since insurers have started charging more for their female customers, as they live longer and are more likely to make claims.

The Solutions

People who want to buy long-term care insurance or who are facing a rate hike on their existing policy do have options.

1 The first option is to bite the bullet and pay the increased cost for traditional long-term care insurance.

2 Look at policy benefits and riders and make adjustments, if permitted by your policy. Consider making a policy replacement if there is a policy that exists now that better meets your needs.

3 If you're relatively young, buying a policy early can reduce premium costs, though you'll have to factor in the cost of paying premiums over a longer period of time.

4 If you're relatively young, increase your savings rate now so you can afford to pay for long-term care if/when you need it.

5 Some insurers have started offering hybrid long-term care policies, which combine features of life and long-term care insurance. This means you pay the premiums and have the option of advancing the death benefit and using it for long-term care expenses. Additionally, if you end up not using the long-term care feature, your heirs receive the policy's death benefit.

The worst possible approach is to ignore the pending need. We're here if you have questions. Keep your eye on our event calendar for our next Caregiving Event, where we'll discuss this in detail. ❍❍❍

Tarragon Almond Chicken Salad

This is an easy and very popular chicken salad. It's great on a sandwich, on a tortilla chip, or as recommended here, on a bed of Romaine Lettuce and Spring Greens. This one can be personalized by omitting any of the veggies or almonds. You can chop the ingredients as large or small as you prefer, but you don't want the chunks of veggies or chicken to be too large.

1.5 – 2 lbs. Chicken Breast, cooked and chopped

1 large Red Bell Pepper, washed and finely chopped

½ Cup Almonds, chopped; optional

½ Cup Celery, washed and finely chopped

½ Cup Chives or Red Onion, chopped

¼ – ½ Cup Mayonnaise; Add to taste

3 – 5 Tablespoons Dried Tarragon; Add to taste

Romaine Lettuce, washed and chopped

1 Tomato, washed and chopped

Spring Greens, washed and chopped; optional

Tortilla Chips; optional

Precook your Chicken Breast with Olive Oil, pepper, and lightly salted. Let cool.

In a large mixing bowl, add together the first six ingredients. Eyeball the amount of mayo you use by adding in ¼ cup in with the meat and veggies first. Mix together until well blended, then sprinkle in 3 tablespoons of Tarragon. Taste the mixture, and add additional Tarragon and Mayonnaise until you get the flavor and consistency you like.

Serve on top of a fresh lettuce, with tortilla chips on the side. For additional flavor, use your favorite vinaigrette dressing. I recommend an Italian, Dijon, or Champagne Vinaigrette.

Investment Answers News

Thanks again to those who attended our summer events. We had some small social events, including wine and beer tastings, and a canvas painting party. Some of our larger events were focused on Income Planning, Social Security, and on making financial plans for long-term medical expenses for yourself and your loved ones.

You are always welcome to attend our events. We love spending time with you and always look forward to reconnecting. If you know someone who would benefit from meeting Travis, inviting them to events is a wonderful way to make an introduction.

Oftentimes, family, friends, and coworkers aren't interested in talking about their finances openly. However, having a financial advocate working on behalf of you, your loved ones, and your Estate is like sleep insurance. That peace of mind comes in handy when the unexpected happens, as it so often does.

Our weekly email is another great way to introduce someone to Travis. We include our calendar of events, a weekly market update, a video of Travis, some useful articles and resources, popular recipes, and encouraging words. Anyone who would like to request our weekly newsletter can sign up at **www.InvestmentAnswers.net** and click on "Newsletter SignUp."

Happy 4th Anniversary to Amy Lindroth, your Client Relations Desk Manager!

Financial Thoughts

When asked what their worst financial habits were, 14% of respondents said spending more money than they made, 28% said spending too much on unnecessary things, and 23% said not saving any money (Source: Allianz LoveFamilyMoney Study, January 2014).

The average dollar amount spent before discussing it with a spouse is $396 for women and $1,231 for men (Source: Experian Credit Score Marriage Survey Report, 2014).

The risk of early death is 32% higher for single men than married men and 23% higher for single women than married women. The average married man outlives the average unmarried man in the United States by eight to 17 years (Source: *American Journal of Epidemiology*, March 2015).

Young men and women of married parents living in intact homes are 44% more likely to graduate from college (Source: *REP.*, March 2015).

In 2014, the average cost of an American wedding was $29,858. The average amount couples spent on an engagement ring was $5,598 (Source: *Real Weddings Survey*, 2015).

Divorce reduces the average person's wealth by 77% (Source: *REP.*, March 2015). ❍❍❍