HoyleCohen
WEALTH MANAGEMENT

Key **Investment** Questions
to ask yourself....

Many Individuals and families have a need and desire to accumulate wealth. Accumulating through various means like saving regularly is key, however, many historical models show if you just accumulate and do not put that money to work for you (i.e. via investing), you actually lose out due to inflation and other factors.* When deciding to invest the inevitable initial question is, "What should I invest in?" and the options are endless.

The answer to the question usually depends on the needs, temperament, and available resources of each individual or family. **The "best" investment for one person is often not the best for someone else.** The process of choosing the most appropriate investment can be made easier by carefully considering, and answering, the following questions:

What are your investment goals?

In other words, "What do I want the money to do for me?" For example, an investor might need to have additional income, to meet current living expenses. Other common needs include saving for long term goals such as a home, retirement, a child's education, or a dream vacation, and/or for a quickly available source of emergency funds.

How liquid does the investment need to be?

The term "liquidity" refers to how quickly an investment can be turned into cash, without losing any of the invested dollars. The question might also read, "When will the money be needed?" For example, investments meeting longer term goals such as retirement generally do not need to be as liquid as those designed to hold emergency funds.

What is your risk tolerance?

Can you afford to risk losing a portion, or even all, of your investment without it affecting how you live? What would be the impact of a loss on your investment goals? In general, risk is related to return: the higher the risk, the higher the potential return; the lower the risk, the lower the potential return.

What is the impact of income taxes?

Income taxes can have a significant, negative impact on your investment results. For example, many high-income individuals invest in municipal bonds because the interest from such bonds is generally exempt from federal income tax; in some instances, the interest is also exempt from state income tax. Qualified retirement plans, life insurance policies, and annuity contracts are used to accumulate funds for retirement because of their tax-deferred nature; generally, no taxes are due until the money is withdrawn.

It is important to pay attention to the impact of taxes on your investment portfolio.

> "Growth is driven by compounding, which always takes time. Destruction is driven by single points of failure, which can happen in seconds, and loss of confidence, which can happen in an instant."
>
> — Morgan Housel, The Psychology of Money

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How much money is available to be invested?

The investment tools and options available to an investor can vary depending on the amount of money available. For example, direct investment in certain types of **alternative investments (i.e. Private Equity, Real Estate, Hedge Funds, etc.) and some stocks** may sometimes require a relatively large investment. Many mutual funds, however, will accept smaller contributions on a monthly basis, and because they are diversified, generally offer lower risk than buying one stock at a time.

What is the economic outlook?

The state of the economy can change the mix of desirable investments. For example, during periods of high inflation, tangible assets such as real estate, precious metals, and collectibles such as coins and art, have tended to produce good results. During periods of stable or declining inflation, intangible assets such as stocks and bonds have generally done well. Of course, there is no guarantee that history will repeat itself.

** The costs of not investing - The Balance 2022*

What is the skill and knowledge needed to manage the investment(s) available?

As your wealth grows it can become more complicated to manage it to your best advantage. The tools and options available to investors have become many and varied in the past decades. Sometimes an investor may not have the specialized skills and knowledge needed to properly select or manage an investment. In such instances professional investment advice, or investments where such advice is available, should be considered.

A good advisor can help identify opportunities to help protect and grow your assets keeping an eye on fees and taxes. **Fiduciary Advisors** are required by law to offer financial advice and product recommendations that are in their clients' best interests. **Fiduciaries have two main duties while managing money:**

1. **Duty of care.** Under this, fiduciaries are required to make informed business decisions by reviewing all of the available information about your financial life before making recommendations or plans.
2. **Duty of loyalty.** This refers to the requirement that a fiduciary not use their position to further their interests, such as making financial product recommendations they may make a commission on.

Our Wealth Management Blog

At HoyleCohen, we welcome an educated client. The more you know, the more you will be able to take advantage of our tailored process and capabilities.

Check out our Wealth Management blog to gain access to a wide range of topics designed to broaden your understanding of important financial and "life" topics. Remember, wealth is not just about the money – it's what we do with it that really counts.

Investing. Refocused.

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