THE BRIGGS GROUP
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Watch Your Step!
Avoid These 10 Common Investor Pitfalls

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Following a difficult 2022, the vast majority of fixed income and equity asset classes find themselves in positive territory on a year-to-date basis. The current global market recovery offers investors a crucial opportunity to reflect upon their investment strategies with an eye toward making informed decisions for the future. While the global economic and market dynamics of the recent past led many investors to say, "this time is different," here are ten common pitfalls, which, we believe if avoided, served you and your balance sheet well.

Undefined investment objectives – If the last few years have taught us anything, it's that we never know what challenges might be around the corner. Rather than making frantic, sudden changes to avoid the proverbial bumps in the road, long-term investment success involves constructing a well-diversified portfolio aimed at providing the appropriate levels of risk and return needed to meet your unique objectives. In our opinion, even after thoughtfully building your portfolio, a certain level of resilience will be required to navigate the day-to-day, month-to-month and year-to-year volatility of the market. Be sure you have a pre-defined process in place to return to during volatile market periods to ensure you are still on track.

Lack of diversification – Over the years, numerous academic studies have shown the mix of asset classes in your portfolio have a far greater impact on investment outcomes than security selection or market timing. With equity and fixed income market leadership frequently shifting, we believe an appropriate level of portfolio diversification offers the best path toward arriving at your stated risk and return goals. Many times, investors attempt to magnify returns by taking on large exposure in one particular security or sector; however, when markets push back against such concentrated positions, the results can be disastrous (...hello cryptocurrency).

Investors-turned-traders – Jean Jacques-Rousseau said, *"Patience is bitter, but it's fruit is sweet"*. Experiencing the ultimate "fruits" of any investment strategy requires time. Frequent tactical modification of your portfolio can reduce returns through greater transaction fees and/or taxes, but it can also lead to selling winners too early or buying losers too early. Investors should always have a process to determine when portfolio metrics have shifted meaningfully enough to warrant a strategic reallocation or rebalancing.

Misaligned risk – The assumption of risk is a necessary evil in investing. However, taking on too much risk can lead to outsized variations in performance that may take you outside your comfort zone; this rarely ends well. On the other hand, taking on too little risk may result in returns that cause you to fall short of your financial goals. Understanding the level of risk you're comfortable with as well as the level of risk required to achieve your goals is an exercise that must take place multiple times throughout your investing lifetime.

Falling victim to info-mania – There is no shortage of media outlets, social media influencers or publications aiming to grab your attention by sharing "tradable" information. However, with one yelling "buy" and the other shouting "sell," what is an investor to do? Before taking any action, it is necessary to discern what information is relevant and what is merely noise. One good rule to keep in mind: in most cases, by the time the "news" arrives in your inbox or alerts, it has likely already been factored into market prices.

Timing the market instead of time-in the market – The temptation is ever present, but seeking to capture that "perfect" market moment to invest is not only extremely difficult; it's also horribly ineffective. An investor who was out of the market during the top five trading days for the S&P 500 Index from January 1, 1980 to December 31, 2021 would have experienced a 43% reduction in their cumulative return versus staying fully invested (see our Bear Market Field Guide from June 2022). This vast difference between the two outcomes suggests investors are far better "staying the course" rather than attempting to trade in and out of the market at just the right time.

Letting the good times roll – As Warren Buffett famously opined, "*Be fearful when others are greedy and greedy when others are fearful.*" Now, this certainly isn't advocating investors try timing the market or to sit on large piles of cash until stocks are down (which was previously addressed). However, recency bias is real and often leads to investors adding to already outsized positions in their portfolio. Maintaining a diversified portfolio across fixed income, equity, real assets and, in some cases, alternative investments, allows investors to thoughtfully take chips off the table in areas that might be running a bit hot while leaning into areas of the market which might be more attractively valued.

Becoming your own worst enemy – *Is there anything you can think of that has the ability to stir up emotions more than money and finances?* According to a recent survey conducted by CreditWise[1], finances were dubbed by participants to be the leading cause of stress in their lives – ahead of work, family and even politics! The process of growing, maintaining and distributing wealth is bound to bring with it significant emotions; many of which, if left unchecked, could lead to making decisions detrimental to longer-term results. As a forward-thinking long-term investor, it's important to partner with an experienced, objective advisor who can guide your portfolio during volatile market climates.

[1]*CNBC/Capital One CreditWise Survey, June 15, 2023.*

Failing to control what you can when everything is out of control – No matter what level of planning you do, you cannot determine with any degree of precision when the spaghetti is going to hit the fan, which is true for both life and financial markets. However, where the power of precision evades us the power of preparation shines. On your own, you won't be able to make markets move higher, but you might just be able to save more! Continuous investment of new capital over time can have as much, or more, influence on wealth accumulation as the return your portfolio achieves. Similarly, while you can't predict when the markets will fall, it is likely you can come up with creative ways to spend less.

Not understanding active vs. passive management – In the seventh iteration of "The Next Chapter in the Active vs. Passive Debate" the Research Team at Fiducient Advisors measured the efficacy of actively managed mutual funds across 17 different asset classes[2]. Despite the very favorable equity investing environment captured during the ten-year evaluation period ended December 2022, our primary observations remained consistent with those of past versions. The fact of the matter is even the best active managers may spend a considerable amount of time in the bottom half of their peer group. The question then becomes, *is sitting through an underwhelming period of performance ultimately worth it?* The answer is, it depends. For some asset classes where index replication is easy and the probability of consistently generating additional (above-index) returns are historically low, a passive approach which provides broad diversification and reduced costs is warranted. In other asset classes, where index replication is more difficult and the odds for excess returns are more favorable, active management makes sense. Educating yourself on where to spend your active budget and understanding what the path to success looks like goes a long way toward avoiding the ill-fated sale of the "loser" and the untimely purchase of a "winner".

For more information, including how you can seek to avoid these common pitfalls in your personal financial journey, please contact any of the professionals at Fiducient Advisors.

[2] *The Next Chapter in the Active vs. Passive Debate, as of April 26, 2023.* The Next Chapter in the Active vs. Passive Debate - Fiducient (fiducientadvisors.com)

Material Risks Disclosures

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.