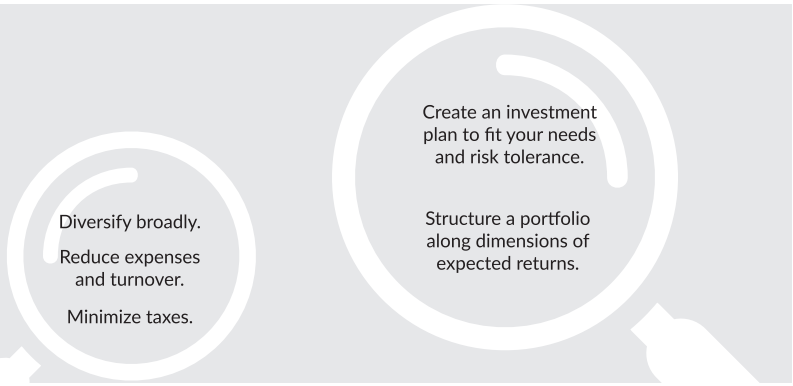
TIMELESS PRINCIPLES OF INVESTING

USA FINANCIAL
& TAX SERVICES

FIG_20-04

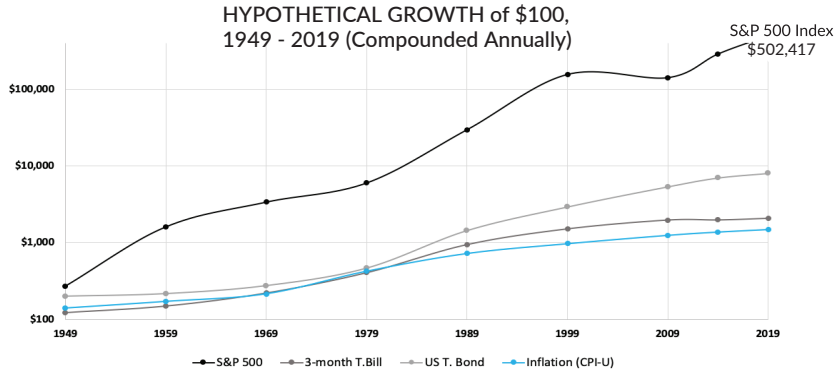
ONLY FOCUS ON WHAT YOU CAN CONTROL

How your investments perform are entirely out of your control. Between business decisions, interest rate changes, market movements, and economic or societal events—there are numerous factors that influence your investments. But don't worry about them. Instead, simply focus on optimizing what you can control.



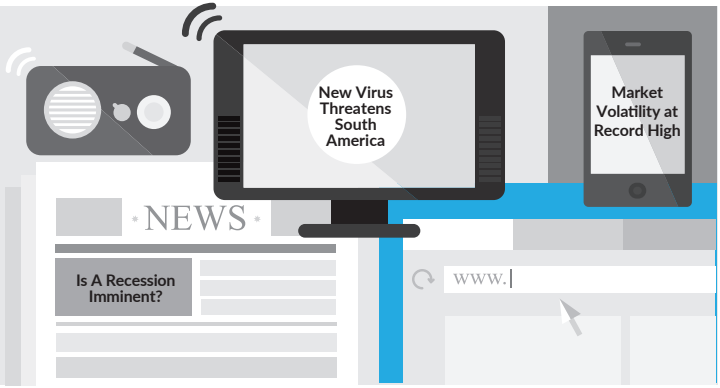
TIME IS ON YOUR SIDE

Historically, the financial markets reward patient investors who can envision the market's long-term effects. People expect positive returns on their investments, and over time, the equity and bond markets have done a good job providing wealth growth that has more than offset inflation.[1]



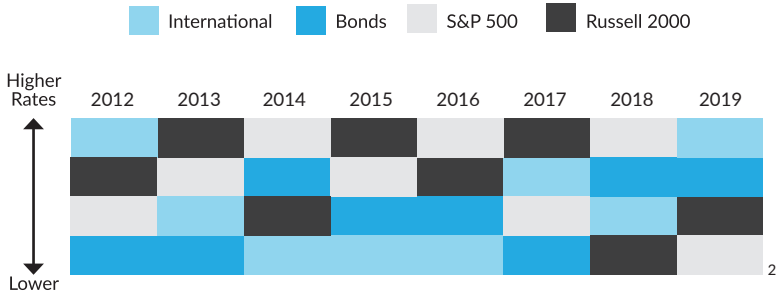
CANCEL THE NOISE

The media and its endless new cycles do a pretty good job at creating anxiety, doubt, and uncertainty in the minds of investors. It can get confusing when one article sparks anxiety in a certain sector or stock, while another pumps it up as the hottest buy. It can get exhausting. With so much information and seemingly infinite data, sometimes it's prudent to tune out the day-to-day noise and set your eyes on long-term goals.



DON'T TRY TIMING THE MARKETS

Chances are you've heard the term, "buy low, sell high" as being the quintessential roadmap to investment success. However, there's a problem with that thinking—you never know how the markets will operate each year. Or which segments will outperform the rest. What may have been hot last year may not do so well this year. And chasing strong market performances is rarely a winning strategy. Instead, work with your financial professional to develop a sensible investment strategy that'll protect and grow your investments regardless of the current environment.[2]



Sources: Yahoo Finance, MSCI EAFE

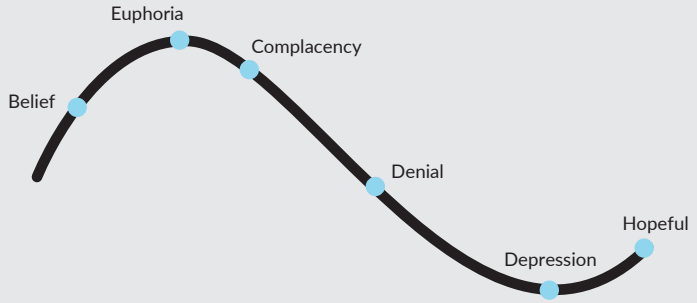
All exhibits are for illustrative purposes only. Past performance is no guarantee of future results. Indices are not available for direct investment, and their performance does not reflect the expenses associated with the management of an actual portfolio.

UNDERSTAND ALL YOUR RISKS

While market risk—or the risk of your portfolio losing value—is always a concern, you should also be thinking about other risks in your life like inflation, healthcare costs, and a potentially longer lifespan. Those "other" risks can be the ones that threaten your money in retirement the most. While you shouldn't act reckless about your investing risks, you should also make sure that fear of investment loss isn't creating more risk in the long run.

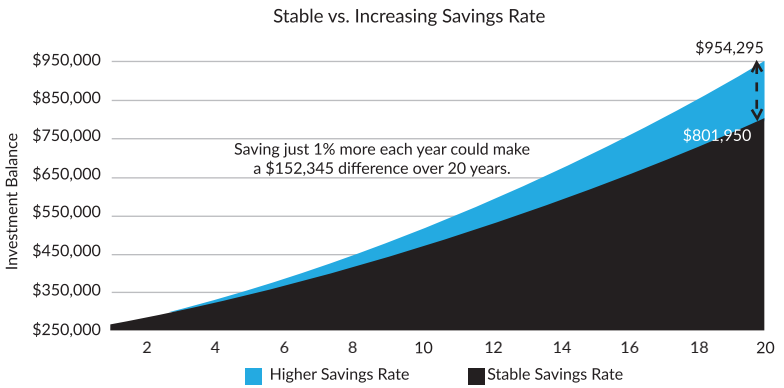
AVOID THE EMOTIONAL ROLLER COASTER

The psychology behind a market cycle can debilitate your portfolio's long-term outlook. For example, a recent Dalbar study found that while the S&P 500 dropped only 4.38% in 2018, the average US investor in the stock market lost 9.42% in the same year.[3] That's more than double the losses. This is because many investors tend to make poor decisions about buying and selling when they're driven by the psychological forces of fear and greed.



SAVE MORE, SPEND LESS

It's one of the best things you can do to improve your long-term financial outlook. Consider this simple example: if you earn $100,000 a year, have $250,000 in savings, and invest 10% of your salary each year at a 6% nominal annual return (with 3% annual inflation), you'd have $812,750 in just 20 years. And if you're able to ramp that savings rate up just 1% more each year to a maximum of 15%, you'd have $966,269.[4] That's quite a difference.



LEAVE IT TO US

As a trusted financial professional, we can help you create strategic and customized portfolios that can withstand uncertainty and cater to your unique goals. Because even if no one can control the market, we can help you use them to realize your long-term financial goals.

Diversification does not eliminate the risk of market loss. There is no guarantee investment strategies will be successful.
See back page for additional exhibit information and important disclosures.

855 Farmington Ave | Farmington, CT 06032

(860) 430-2138

www.usafinancialandtaxservices.com

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1. Source: Aswath Damodaran, NYU Stern. S&P 500 return includes price appreciation and reinvestment of dividends. Treasury bond return includes coupon and price appreciation. Treasury bill return is a three-month rate. Inflation return is the Consumer Price Index (All Urban Consumers) compounded annual rate. Past performance is no guarantee of future results. Indexes are not available for direct investment. Historical performance does not reflect taxes and fees associated with the management of an actual portfolio.

2. The indices mentioned are unmanaged and not available for direct investment. Past performance is no guarantee of future results. All data is sourced from Yahoo Finance and MSCI unless otherwise noted. All data are as of 12/31/14. S&P 500 measures the performance of large capitalization US stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX, and NASDAQ. The weightings make each company's influence on the Index performance directly proportional to that company's market value. Russell 2000 measures the performance of small capitalization US stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX, and NASDAQ. MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East. Barclays Aggregate Bond Index (formerly the Lehman Brothers Aggregate Bond Index) includes US government, corporate, and mortgage-backed securities with maturities of at least one year.

3. Dalbar, Inc. (March 25, 2019). Average Investor blown away by market turmoil in 2018 [Press Release]. Retrieved from: https://www.dal-bar.com/Portals/dalbar/Cache/News/PressReleases/QAIBPressRelease_2019.pdf

4. This example is for illustrative purposes only and does not represent an actual investment. The hypothetical calculation assumes a starting. savings balance of $250,000, 6% nominal return compounded annually, 3% annual inflation (resulting in a 2.91% inflation-adjusted annual return), and a salary of $100,000 that increases by 3% inflation each year. Annual contributions are made at the beginning of the compound-ing period. This hypothetical example does not reflect important factors like the timing of investment returns, taxes, and the fees associated with managing an actual portfolio, which may cause actual performance to vary significantly over time. Past performance does not guarantee future returns. Your results will vary.

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