



# YOUR FINANCIAL FUTURE

Your Guide to Life Planning

February 2018



**Chris Dumford CFP®**

Horizon Wealth Management  
699 Hampshire Rd  
Suite 201  
Westlake Village, CA 91361  
805-446-2868  
[cdumford@horizonwm.com](mailto:cdumford@horizonwm.com)  
[www.horizonwm.com](http://www.horizonwm.com)

CA Insurance Lic# 0A11543  
[www.linkedin.com/in/chrisdumford/](http://www.linkedin.com/in/chrisdumford/)

## In This Issue

### Is Your Portfolio Mix Right for Today's Market?

Assessing your current asset allocation is the first step in ensuring you are on the right course to meet your investment goals.

### Investors: Don't Let Fear Keep You on the Sidelines

Fear is a powerful emotion, and market losses can be fear inducing. But history shows that emotion is a poor compass for charting your investment course.

Call your financial advisor -- together you can decide if changes in your portfolio management strategy may be necessary.

### Is Your Portfolio Mix Right for Today's Market?

To help you determine if your asset allocation is appropriate for today's market environment, complete the following worksheet.<sup>1</sup> Then, call your financial advisor -- together you can decide if changes in your portfolio management strategy may be necessary.

Savings/ Investments	Stocks	Fixed Income	Cash	Real Estate	
Savings, checking, money markets, CDs <sup>2</sup>			\$ _____		
Stocks, stock funds <sup>3,4</sup>	\$ _____				
Bonds, bond funds <sup>5,4</sup>		\$ _____			
DB plans, DC plans, IRAs, annuities, profit sharing plans <sup>6</sup>	\$ _____	\$ _____	\$ _____		
Cash value of life insurance <sup>7</sup>			\$ _____		
Primary residence, vacation homes, investment properties				\$ _____	
<b>TOTALS</b>					<b>Grand Total</b>
Add columns down and then this row across to get the grand total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Calculate asset classes as a percentage of total portfolio	% _____	% _____	% _____	% _____	100%

<sup>1</sup>Asset allocation does not assure a profit or protect against a loss.

<sup>2</sup>An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. CDs are FDIC insured and offer a fixed rate of return if held to maturity.

<sup>3</sup>Investing in stocks involves risks, including loss of principal.

<sup>4</sup>Investing in mutual funds involves risk, including loss of principal. Mutual funds are offered and sold by prospectus only. You should carefully consider the investment objectives, risks, expenses and charges of the

*investment company before you invest. For more complete information about any mutual fund, including risks, charges and expenses, please contact your financial professional to obtain a prospectus. The prospectus contains this and other information. Read it carefully before you invest.*

<sup>5</sup>Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.

<sup>6</sup>An annuity is a long-term, tax-deferred investment vehicle designed for investment purposes and contains both an investment and an insurance component. They are sold only by prospectus. Guarantees are based on the claims-paying ability of the issuer and do not apply to an annuity's separate account or its underlying investments. The investment returns and principal value of the available sub-portfolios will fluctuate so that the value of an investor's unit, when redeemed, may be worth more or less than their original value. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal.

<sup>7</sup>Life insurance policies are subject to substantial fees and charges. Death benefit guarantees are subject to the claims-paying ability of the issuing life insurance company. Loans will reduce the policy's death benefit and cash surrender value, and have tax consequences if the policy lapses.

© 2018 DST Systems Inc. All rights reserved.

1-397469

**One of the key determinants to investment success over the long term is having a disciplined approach to balancing short-term risk (stock price volatility) with long-term risk (loss of purchasing power).**

## Investors: Don't Let Fear Keep You on the Sidelines

While the U.S. stock market, as represented by the S&P 500 Index, has risen a stunning 295.19% as of December 29, 2017, since its low on March 9, 2009, some investors are still reluctant to participate after the near market collapse that accompanied the 2007-2008 financial crisis.<sup>1</sup>

Fleeing the market certainly may have felt like the right thing to do at the height of the financial crisis. But history shows that making investment decisions based on emotion has never proven successful. For instance, greed may have led an investor to own too many technology stocks when the bubble burst on that industry in 2000. Alternatively, fear may have caused investors to cash out of stocks following the crash of 1987 and miss some or all of the subsequent rebound.

Fast forward to 2017, and the reality is that investors who missed the extraordinary rally that has occurred since March 2009 may have helped to put their long-term accumulation goals at risk. This is especially true for investors with shorter time horizons, such as those approaching retirement. Consider this: From 2013 through 2017, U.S. stocks recorded an average annualized return of 15.8%, compared to 0.3% for money market securities.<sup>2</sup> The nearly nonexistent returns associated with cash-like investments could have a powerful impact on investors' purchasing power over time.

### Maintain Balance to Manage Risk

One of the key determinants to investment success over the long term is having a disciplined approach to balancing short-term risk (stock price volatility) with long-term risk (loss of purchasing power). Finding a "middle ground" in your investment philosophy -- and portfolio makeup -- may go far toward helping investors manage overall risk and realize their investment goals.

For instance, history supports the case of stocks, as they have tended to outperform other asset classes as well as inflation over long periods of time.<sup>3</sup> But investors who are too focused on the long term may overallocate their portfolios to stocks -- and overexpose themselves to short-term volatility risk. Alternatively, investors who are extremely averse to short-term risk may do the opposite and face heightened long-term risk.

### Easy Does It

How might this balanced approach to risk be used to get investors back in the market? One of the best ways to take emotion out of investing is to create a plan and stick with it. And one of the best ways to do that is through a systematic investment plan called dollar-cost averaging (DCA).<sup>3</sup> Dollar-cost averaging is a process that allows investors to slowly feed set amounts of money into the market at regular intervals.

Although DCA does not assure a profit or protect against a loss in declining markets, it can help achieve some important objectives. First, it gives investors a measure of control while eliminating much of the guesswork -- and emotion -- associated with investing. Second, DCA can help investors take advantage of the market's short-term price fluctuations in a systematic way -- by automatically buying more shares when prices drop and fewer when prices rise.

It is important to remember that periods of falling prices are a natural part of investing in the stock market. But by maintaining a long-term focus and following a balanced approach to managing investment risk, you may better position yourself to meet your financial goals. A qualified financial professional can help you identify which strategies may be best for your situation.

<sup>1</sup>DST Systems, Inc. Stocks are represented by the daily closing price of Standard & Poor's Composite Index of 500 Stocks (the S&P 500), an unmanaged index that is generally considered representative of the U.S. stock market. The percentage increase represents the gain through December 29, 2017. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

<sup>2</sup>DST Systems, Inc. For the five years ended December 29, 2017. U.S. stocks are represented by the S&P 500 Index. Money market securities are represented by the Bloomberg Barclays 3-Month Treasury Bill rate. Example does not include commissions or taxes. Past performance is no guarantee of future results.

<sup>3</sup>Investing regular amounts steadily over time (dollar-cost averaging) may lower your average per-share cost, but this investment method will not guarantee a profit or protect you from a loss in declining markets. Effectiveness requires continuous investment, regardless of fluctuating prices. You should consider your ability to continue buying through periods of low prices.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

The financial consultants of Horizon Wealth Management are registered representatives with and Securities are offered through LPL Financial. Member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates.

<b>Not FDIC/NCUA Insured</b>	<b>Not Bank/Credit Union Guaranteed</b>	<b>May Lose Value</b>
<b>Not Insured by any Federal Government Agency</b>		<b>Not a Bank Deposit</b>

This newsletter was created using [Newsletter OnDemand](#), powered by Wealth Management Systems Inc.