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Top 10 investing tips for 2017

By Jill Cornfield • *Nov. 1, 2016*

1. Hold your own year-end review

We're coming to the end of the year, a good time to pretend you're a corporation and check your financial performance. Review your current portfolio and see if you need to adjust anything to keep your investments in line with your goals and objectives.

"Has there been a life event that changes the way you want your portfolio to work?" asks Thomas J. O'Connell, president of International Financial Advisory Group in Parsippany, New Jersey. A birth, death, retirement or a family member entering college can all have an impact on how you should invest during the new year.

2. Resolve to learn something

If you're one of those people who thinks, "I have no idea how bonds work" or "What the heck is an ETF?" it's time to educate yourself.

You don't have to be Warren Buffett to gain a reasonable working knowledge of investments and retirement rules.

Just choose a couple of things you know you don't understand and make it a goal to learn something about them. For instance, you might want to look up the difference

between mutual funds and exchange-traded funds, because if you think 2017 will be a good year for the stock market, it may be the year for putting some ETFs in your portfolio.

Or, maybe it's about time that you understood the relationship between bond prices and interest rates.

3. Know your tolerance for risky business

Say the market drops, and you look at your balance and it's lower. "That's going to happen," says Will Branch, investment analyst for MillenniuM Investment & Retirement Advisors in Charlotte, North Carolina. If the mere thought makes you feel ill, imagine it really happening.

You might need to take some risk off the table. Branch recommends this rule of thumb to make your allocation more comfortable: Whatever your age is, take that number and use it as a percentage of your total holdings for safer, fixed-income investments like bonds.

4. Read up

Top tip for investing? Read, says Ethan Braid, a founder of HighPass Asset Management, a fee-only investment advisory firm in Denver. If Bill Gates can read 50 books a year, you can read six, he says.

Braid recommends several titles: "The Most Important Thing" by Howard Marks; "Stocks for the Long Run" by Jeremy Siegel; and "The Warren Buffett Way" by Robert G. Hagstrom.

Reading gives you a good foundation, a process to think about retirement and a way to view the world of investing, Braid says. "If a layperson could just accomplish 10 percent of what a Bill Gates does, you could really make a difference in your life," he explains.

5. Know that interest rates will probably rise

Many experts will tell you that today's rock-bottom interest rates will probably rise. At least a bit. If they do, two areas can challenge investors: bond duration and adjustable-rate loans.

"You'll want to switch to shorter-duration bonds," says David Fleisher, CEO at Firstrust Financial Resources in Philadelphia. He explains that they're generally less sensitive to rising or falling interest rates than those with longer durations. And, if you hold a mortgage or other loan with an adjustable rate, you can expect your costs to rise.

If rates do go up, take heart. "It's because economic growth is on the right track, unemployment is low and the economy is on the path to a solid recovery," says Omar Aguilar, chief investment officer of equities at Charles Schwab in San Francisco. "I think the markets will respond very positively."

6. But rates may not budge

Even without an increase in interest rates, bonds are still important part of your portfolio, offering risk control and diversification says Karyn Cavanaugh, senior market strategist at Voya IM in Charleston, South Carolina.

So, invest in multi-sector bonds, which diversify their assets among several fixed-income sectors, including U.S. corporate bonds, foreign bonds and high-yield U.S. debt securities. "(These) do well in flat markets when rates aren't raised at all," says John Moninger, managing director of retail at Eaton Vance in Boston.

Also consider a bond ladder, a portfolio of fixed-income securities with different maturity dates. This helps minimize interest rate risk, and can help generate income even when rates are stalled.

7. What are you losing to fees?

In a workplace retirement plan, your investment fees should be plainly stated, but in many IRAs or after-tax brokerage accounts, you may have to look harder. Braid, of HighPass Asset Management, recommends carefully reviewing every statement.

Shifting to ETFs can be a way to reduce total expenses, because the fees are lower, says Kevin Stophel, a financial adviser with Kumquat Wealth in Chattanooga, Tennessee. The change can cut your fees by as much as a full percentage point, in some cases.

8. Don't dis cash

Stophel recommends reconsidering cash as a specific asset class, because he says stocks are flying too high. "The debt-to-equity ratio is at a value above where it was before the Great Recession," he explains. Amid low interest rates and expanded debt on company balance sheets, market valuations may be out of line with realistic future earnings.

In other words, it's not a bad time to be conservative. Remember: "Only bet what you can afford to lose," Stophel says.

In even simpler terms, we're long overdue for a market correction after seven years of a bull market.

9. Master your emotions

People make the worst decisions when they're under duress. "If the market's dropped 600 or 1,000 points, you might as well just stay in and ride it out," says Branch, of MillenniuM Investment & Retirement Advisors.

People who were in stocks in 2008 and rode out the crash by staying in did well over time, he says. "(The market) did bounce back. People in their 20s who are investing through a workplace plan should realize they're buying their stocks on sale." People who are closer to retirement need to make a plan and stick to it.

10. Review your investment mix

When was the last time you looked at how your money is allocated? People often make investment choices and then do nothing for years, even decades, says Earle Allen, a partner with Cammack Retirement in New York.

If that's your case, Allen recommends reviewing periodically -- once a year is adequate. "Make sure the allocation mix still makes sense for (your) current life situation," he says.