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6 Myths about Stock Investing

When it comes to investing in stocks, there's a lot of misinformation. Those myths can lead to confusion about whether investing in stocks is really safe, how much money you can make with stock investments, and even whether it is something the average investor can participate in.

The truth is that investing in stocks can be one way to put yourself on the path to a secure financial future. Before you get started, it's important to review six of the biggest myths about investing in equities.

Myth #1: Investing in Stocks Is Like Gambling

People often liken stock investing to gambling, but that's not really a fair comparison. Yes, there's risk involved with buying stocks — and you should be highly skeptical of anyone who tries to sell you on risk-free investment opportunities of any kind. But the risk that comes with buying stocks isn't the same as that which comes with gambling.

When you buy stock, you are buying something: a share of a publicly traded company. You make money if you make a wise, informed purchase (i.e., you do your research and purchase stock in a company that does well). In gambling, the odds are always stacked against you; eventually, the house will win. And you usually have just one chance to make money when gambling. If you buy a stock whose value later dips, you can sit tight and wait for it to rise in price again.

Myth #2: You Have to Trade a Lot to Make Money in Stocks

Not necessarily. In fact, some top investors, like Warren Buffett, advocate trading very little if you hope to make money in the stock market. Trading frequently can cost a lot of money, since you'll incur trading fees and have to pay capital gains taxes on any profits. You can make money in stocks by carefully selecting solid stocks and trading only when necessary (for example, to rebalance your portfolio). This set it and forget it approach to investing works well for many people — and has the added benefit of involving less stress and less work for you.

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Frankly Speaking

Thank You for STAYING Invested!

The last 2½ years have been rough. Both the Russia-Ukraine war and Covid are ongoing battles. Domestically: a housing & homeless crisis, Jan. 6, rising rates, inflation, and gun violence. Yet, you've stayed invested, watched the markets tank, and now start to recover because over time, that's what markets do! Remember it's time in the market, not timing the market.

If you've continued to invest via a systematic program to your 401k or IRA (or both!) you've seen the share values or NAVs drop then recover recently, along with your balances. All it took was a little self-discipline and a lot of faith! How could this work FOR you? Increase your contributions now while the market is still 'soft' but on an upswing and enjoy the ride. If you have questions or concerns about this, please contact me! ❍❍❍

6 Myths

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Myth #3: Stock Investing Is Just for Rich People

Think your typical stock investor looks like a Wall Street banker? That's a popular stereotype, but it's not a realistic one. People from all walks of life invest in stocks. Millions of Americans are invested in stocks through the mutual funds they own in a 401(k) plan or other investment accounts. And with the increasing availability of low-cost, online investing tools, you don't need to have millions to invest in stocks.

Myth #4: You Can Time the Market

Novice investors may think it's possible to time the market. In other words, they believe they can watch for signs and always buy when the market is at its lowest point and sell when it's at its peak. In reality, few of us have a crystal ball. You might get lucky sometimes, but pure market timers usually end up losing more money than they make.

Few individuals are able to consistently and accurately predict what the market is going to do over the long term. Plus, emotions tend to get in the way when most of us invest, causing us to make rash decisions driven more by fear or greed than logic. Instead, many professionals recommend developing a long-term, consistent strategy and investing with that in mind, rather than attempting to get out in front of the market's swings.

Myth #5: A Stock That's Done Well in the Past Will Do Well in the Future

There's a reason that investing materials come with a disclosure: Past performance is no guarantee of future results. Even once-hot stocks can eventually tank. Remember companies like Kodak and Bethlehem Steel? Stock in these businesses once seemed like an ultra-safe investment to many, but the world changed and these companies flailed.

Or investors may suddenly sour on a stock that's enjoyed a nice run-up in value and then its share price plummets. That's not a reason to avoid stocks entirely, but it is a reason to pay attention to overall trends in the market and not get too caught up in the excitement over a particular company or industry.

Myth #6: I Watch a Lot of Financial News. I Can Pick Stocks with the Best of Them.

Everyone else is watching those same financial shows, so you're not getting any special knowledge or information that way. Financial markets are actually quite complex. That's why many people choose to work with financial professionals when investing, relying on their knowledge and expertise to help them make investment decisions. Please call if you'd like to discuss stock investing myths in more detail. ❍❍❍

4 Reasons Your Child Should Work Part-Time

Don't feel guilty about your children working while attending college or feel that a part-time job will only interfere with their college experience. Working as little as a few hours a week can be remarkably beneficial.

It Boosts Accountability— Encouraging your children to work part-time as soon as possible and setting a portion of their earnings away for college can give them a much better appreciation for their college education. Nonworking students can struggle to understand just how expensive their tuition and living expenses are and the sacrifices involved in paying those costs.

A part-time job provides them with a stronger sense of the work and sacrifice involved in paying their tuition and other expenses.

It Can Cut Down on Costs — Even the smallest contributions can quickly accumulate, decreasing the balance of their tuition bill, paying for the new laptop they need, or cutting down on the monthly student loan payments they'll owe after graduation. Whether they contribute $50 or $500 a month, it's either money they won't owe after graduation or money saved that you can put toward your retirement or investments.

It Teaches Life Skills — Whether they're answering phones or delivering pizzas, part-time jobs provide teenagers and young adults with a different set of skills than what they'll derive in class. Because they're interacting more with adults in a real-world setting, they'll develop the vital communication and problem-solving skills that they'll need in their post-college career much sooner, which could lead to greater opportunities earlier on. Moreover, regardless of whether they're in high school or college, working even a few hours a week while attending school allows them to master work-life balance, so they're better equipped for the realities of adulthood.

It Encourages Networking — There's a well-known saying that success is closely linked with who you know. Sure, they'll make friends in the dorm, but a part-time job encourages them to connect with peers on a different level that could lead to valuable opportunities in the future. A job allows them to further develop their individual talents and strengths. ❍❍❍

Financial Planning for Every Stage of Life

Financial planning is a lifelong process. And just as your life evolves, so should your financial plan. While everyone's financial plan needs to be customized to their personal situation, below are some financial planning tips for some major life stages.

Recent college graduate

New college graduates aren't usually thinking much about financial planning. They're likely to be more worried about getting that dream job, paying down student loans, and moving out of mom and dad's basement. But that's exactly the reason why young people need a financial roadmap. Once they score that first job, a financial plan can help make sure they're sticking to a budget, on track to pay off student loans, saving for big goals, and even setting aside enough for retirement. While some people may think your early 20s is too early to start thinking about saving for your golden years, setting aside even small amounts now will mean having to save a whole lot less down the line.

Just married

You've just tied the knot, which means you've also officially merged your finances. Even if you were living together and sharing financial details and responsibilities premarriage, a wedding is a good reason to take stock of your financial situation as a married couple. A clear financial plan will help ensure that you're on track for your biggest shared goals, whether that's buying a house, retiring at 55, or sending your kids to a private college. It will also help you tie up any financial loose ends, like changing the beneficiary designations on retirement accounts and insurance policies. In fact, it may be a good idea to start your financial planning before the wedding. Sitting down to talk about your finances and your goals can help make sure you're on the same page and avoid surprises after you tie the knot.

New parents

If you've just welcomed a bundle of joy into your home, you have a lot on your plate. It's easy to let financial planning fall by the wayside. But as your family composition changes, so should your financial plan. If you already have a plan in place, it may need a reset. And if you don't have one at all, you need to form one. Issues your plan needs to consider after you have children include making sure you have adequate life insurance coverage, getting started saving for college, and updating your estate plan to ensure that your child will be provided for should the worst happen.

Big promotion

When you finally earn that big promotion, it will hopefully come with a corresponding bump in salary and other perks. You need a plan for what to do with that extra cash. And if your promotion came with benefits like stock options or deferred compensation, you need a plan for dealing with that as well. A financial plan will help you avoid the problem of lifestyle creep and make sure that the money you're earning is helping to pursue your financial goals.

Ready to retire

As your retirement date nears, you'll also need to do a financial check up. Even if you've been saving for years, a financial advisor can help you estimate how long your savings will last and what kind of income you can expect in retirement. You retirement financial plan should also include suggestions about reducing risk in your investment portfolio as well as a plan for increasing your savings if necessary (such as working longer or delaying Social Security benefits). Your retirement financial plan may also address issues such as where you'll live (you may downsize or move to a less expensive location to stretch your budget) as well as issues such as how you'll pay for healthcare or long-term care as you age.

The bottom line: As your life changes, so should your financial plan. If it's time to update your financial plan — or to get started with planning for the first time — please call. ❍❍❍

Financial Management for Students

You're off to college. It's an exciting time filled with firsts — the first time living away from home, the first time you're on your own for meals and laundry, and the first time you have to manage your own money. It's important to get off on the right foot with managing your money, because the financial decisions you make now will impact you later. Following are some tips:

Develop a Budget — First make a list of your monthly income sources, including wages, savings, and any allowance from your parents or others. Next, you will want to make a complete list of all of your expenses, including school supplies, laundry, meals outside of your food plan, and personal care items. On a monthly basis, you should track your expenses and add new expenses as you discover them. Hopefully, you will have more income than expenses, but if not, you need to start deciding what stays and what goes.

Identify Wants Versus Needs — Part of becoming financially responsible is learning the difference between wants and needs. You will need to determine the amount of money that is absolutely essential to pay your expenses. After a few months, it will become easier to distinguish wants from needs. As you track expenses on your budget, you will be able to ensure the essentials are covered and determine how much you have left over.

Set Up Checking and Savings Accounts — Find a bank or credit union on campus to establish a checking and savings account. You will want to make sure they have convenient ATMs on or near campus so you can avoid any out-of-network ATM charges. Most financial institutions offer free checking and savings accounts to students, but you should make sure you understand what fees may be associated with your accounts and any policies that will impact your accounts.

Use Credit Cards Wisely — While it can be a double-edged sword, you need to use credit to establish a good credit rating. This will be important when applying for a job, securing an apartment, and buying a car. You should open a credit card and use it to pay for expenses, being sure to pay off the balance each month. By doing this, you are showing you are financially responsible and you are establishing a good credit history. ❍❍❍

Which Goal Is More Important?

Which is the most important financial goal — saving for your retirement or saving for your child's college education? Consider these tips:

✔ **Your retirement savings won't be considered in financial aid formulas.** The federal financial aid formula does not consider retirement accounts, including 401(k) plans and individual retirement accounts (IRAs), when calculating your expected family contribution. Thus, you may actually increase your financial aid award by saving in retirement accounts.

✔ **You can still use these retirement assets to help pay for college costs.** Money in IRAs can be withdrawn to pay higher-education expenses before age 59½ without incurring the 10% federal tax penalty, although income taxes will be assessed. If the money is withdrawn from a Roth IRA, your contributions can be withdrawn at any time without penalty or taxes, while earnings can be withdrawn before age 59½ by paying income taxes but not the 10% tax penalty. With 401(k) plans, you typically can't withdraw the money before retirement unless it is for a hardship, but you can borrow funds if permitted by the plan. ❍❍❍

Financial Thoughts

Only 30% of U.S. households have a long-term financial plan. Among households with at least $75,000 in annual income, 43% have long-term plans (Source: Gallup, 2022).

Households in the United States with a savings account have a median balance of just $7,000. This figure only includes people who have a savings account (Source: Federal Reserve, 2022).

Individuals who are born poor are more likely to remain poor throughout their lives. Only 4% of children born at the bottom quintile rise to the top. However, 40% of people born in the top quintile remain there for the rest of their lives (Source: Pew Charitable Trusts, 2022).

Approximately 84% of Americans have higher family income than their parents did at their age (Source: Pew Charitable Trusts, 2022).

Approximately 20% of Americans don't save any part of their annual income, while 21% set aside 5% or less, 25% set aside 6% to 10%, 11% set aside 11% to 15%, and 16% save more than 15% of their income (Source: Bankrate, 2022). ❍❍❍