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The Small Guide to Self-Directed Investing 📈

by Christopher Cole

Disclaimer

This guide is general guidance provided for educational purposes only and should not be construed as tax or financial advice. Investing of any kind involves risk, including the possible loss of the money you invest. Providing personalized financial planning or investing advice takes time, it is essential that you conduct your own research by assessing your unique goals and circumstances, and draw conclusions for yourself using critical thinking. Seek independent and professional advice that acts in a fiduciary capacity and is fee-based, with strong evidence of competence, ethics, and trust, and no conflict of interest.

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Foreword

> *If you practice being better at managing your money, you practice being better at managing your life."*
>
> *— Paula Pant*

Four months ago, I had strictly no knowledge about personal investing. One could say that I was part of the ⅔ of the global population considered financially illiterate. It was by coincidence that I stumbled on a video by Rob Berger entitled "What If Schwab Went Bankrupt?" which caught my attention. It so happened that this particular video sparked an unexpected interest for investing, which would undeniably change the course of my life.

My dad, 70 and retired, was never much of a do-it-yourself investor. Quite the opposite, he had for most of his life hired an expensive advisor at a well-known Wall Street firm to manage his savings, having full faith in their supposed expertise and morals. It turned out without surprise that he had been invested in 37 different securities, most of which were individual stocks and actively managed funds. I was disheartened to see that my father's incredulity had been taken advantage of by the wolves of Wall Street, which ultimately led me to write a short guide on the basics of investing, hoping it would give him enough knowledge and confidence to take control over his investments.

I now wish to pass this guide on to you. It provides all the information you need to better understand the key concepts of evidence-based investing, and will walk you through several simple yet powerful steps that will set you on the right track towards a healthier financial future. Feel free to share this guide with anyone who you believe could also benefit from the information.

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1. Preamble

> *Investing in your own financial literacy may be one of the best investments that you can make."*
>
> *— Ben Felix*

The world of investing can seem intimidating and risky, at least this is what the financial industry wants you to believe. With so many people believing that only those "in the industry" know the things that they don't, this notion of exclusivity has always been promoted by the industry itself, or it would otherwise not exist at the level of profitability it exists today. Investing is before all a business which gains off of people's mistakes, the industry makes more money the less efficient you are, so it supports the idea of complexity to exploit uninformed investors. Financial brokers and Wall Street shenanigans aim to profit off the fears and greed of "know-nothing" investors by convincing them to buy into "opportunities of a lifetime", the latest fads and frenzies, think crypto, or have them in expensive and complex investment strategies. You must be careful and protect yourself against those people who sound so caring, so right, with a great sales pitch about how "guaranteed it is you can't lose". These really are just salespersons earning a commission off you when they direct your investments in a certain way. The investing part is actually the easiest of all for an advisor, yet it is where they make most of their money by charging expensive fees. The reason is that by getting a percentage on your money, they get paid regardless of how well or poorly the market is doing. Wall Street is not going to go out of their way to tell you how to care for your money, their focus is almost certainly not on giving you any financial advice that is in your best interest. Your future should be more important than their sales targets, so financial planning should not be a game of chance.

Forget all the bogus, becoming financially literate may in itself be one of the best investments you ever make. As the saying goes, if you want something done, do it yourself. Learning the basics of evidence-based investing is all you need to know, and trust me, it might sound daunting, but investing isn't all that complex. The terminology behind it can be very intimidating, and yet the basics are very simple. The goal of this guide is to give you all the information and tools you need to be able to make informed decisions that are in your best interest, and your best interest only. In and of itself, this could lead to some really amazing long-term results. I hope what you are about to read will convince you to take very simple steps that could individually lead to more money for you to either spend later in life, pass on to loved ones, or donate to charity. Remember, if you choose not to follow these steps, you are making a choice that would likely be a setback to getting you were you should be financially, and the consequences either way are life-changing. Regardless of what you decide, I'm sure this will motivate you to do the right thing. Let's dive in.

2. Philosophy

> *The beginning is the most important part of the work."*
>
> *— Plato*

A. Why Bother Investing

A good starting point is asking ourselves why we need to invest in the first place. Investing is primarily done to facilitate consumption in the future. To put this in perspective, money saved in cash, or a cash-equivalent, depreciates over time due to being exposed to the risk of inflation, resulting in a loss of purchasing power. In other words, what you are able to buy with the same amount of money today is greater than what you will be able to buy in the future. A good example illustrating this is looking back at the 1950's where a piece of gum was worth 5 cents, but is closer to $1 today. It's worth mentioning that inflation is nothing to be afraid of, it has always existed and is an inherent byproduct of our economic systems. Now that we know that cash is a poor hedge against inflation, we must turn ourselves to ways that will allow us to grow our wealth at a rate outpacing inflation. It turns out that the returns of the stock market have historically been very effective at doing just that, by and large surpassing the returns of cash and bonds. As most people during their working life do not accumulate enough by the time they retire, the reason to invest in assets that will deliver positive higher-than-inflation returns becomes a clear necessity.

B. Follow the Math

How you make decisions about investing should be based on the same way doctors make their recommendations, by reading the scientific literature and not Men's Health or Reader's Digest. Follow this reasoning and make decisions that are supported by academic evidence and **based on hard facts, not feelings or people's opinions**. I can't emphasize this enough, any legitimate recommendation should come from empirical evidence, which means you should always be skeptical about what you read, particularly online and on social media. The Wall Street Journal, the New York Times, Money magazine, Bloomberg Businessweek, Investor's Business Daily, all of those publications would tell you, if they were honest, that they are not geared toward long-term investors, but toward speculators, traders, and market timers. Trustworthy sources you can count on originate from the peer-reviewed academic research, and nowhere else. Evidence-based investing should be the building-blocks of any sound decision-making process, and is the best way you can avoid the scams and lies that will come your way. Lastly, learn not to rely on your emotions. We make lousy judgments about what the future might hold based on biased feelings, in any given moment.

C. Ignore the Noise

> “*We have long felt that the only value of stock forecasters is to make fortune-tellers look good.*”
>
> — *Warren Buffet*

The successful "do-it-yourself" way of investing can be pretty boring and straightforward, far from the levels of excitement craved by the sensational media, hence why you never hear or read about it. You by and large must learn to tune out the noise surrounding the market, this includes all extravagant forecasts from self-proclaimed financial gurus and other talking heads who don't know where the market is going but pretend that they do. The truth is no one can predict the stock market, not even experts. Investing is a faith based industry where predictions are based on speculation, and anyone preaching certainty is just blowing smoke. Financial and economic forecasts are often wrong and causes nothing but hurdles to our long-term investment journey, which is why having a sensible **lifelong investment strategy** and sticking with it regardless of what the market is doing will help us stay the course and prevent irrational emotions from corroding sound investment decisions. Read and think more, **ignore the pundits and the prognosticators**, don't get caught up in clickbait, and you will do better than the vast majority of investors.

D. Learn the Basics

> “*Part of demystifying investing is taking mystery and fear out. It isn’t complicated but there are things to know, and once you know it, it’s kind of easy. Anyone can do it!*”
>
> — *Rob Berger*

The truth is that investing isn't as hard as it seems. The way you should invest $1,000 is no different to how you should invest $1 million. Investing comes down to 4 simple objectives:

1. **Diversification**: We want to invest in a broad array of stocks and bonds
2. **Stocks**: While we want bonds in our portfolio, stocks should represent the majority of our investments as they are what makes us money in the long term
3. **Low Cost**: We want to minimize the costs of our investments and optimize our tax efficiency because they impact our savings
4. **Simplicity**: We want to keep our portfolio as simple as possible

Although you can accomplish all four objectives in many different ways, there is peer-reviewed academic research and robust empirical evidence suggesting that there is a right way for most people to invest, which is in **low-cost index funds**. If your goal is a reliable long-term outcome, then there is no better approach but to invest in low-cost index mutual funds and exchangeable traded funds (ETFs), you will in almost every case win in the long run. Don't let the jargon intimidate you, index mutual funds and ETFs simply involve **a basket of thousands of stocks and bonds** that are part of well-known indexes, like the S&P 500, and aim to track the returns of the market as a whole. Index funds are considered by many to give investors the best chance for long-term financial success.

E. Asset Classes

✼ Part A

When it comes down to asset classes, know what you are aiming for before shooting:

- **Cash** is best for short-term requirements, usually anything within 5 years
- **Bonds** are most useful for planning outgoings in 5–10 years. That's because you can know the returns you will get in advance, so long as you hold them until they are redeemed "at maturity". Bonds are also used to reduce the volatility of your portfolio
- **Stocks** are best for long-term investing since they deliver the highest returns over longer periods. Adding new money regularly, holding for many years, and reinvesting the income can also help manage the volatility

✼ Part B

Some investors choose to invest in individual stocks. This is not advisable as attempting to pick winning stocks is largely a losing game. The reason is that companies looking like great long-term investments today can run out of business 10 years from now. Just think of Enron, BlackBerry, Eastern Air Lines, and Lehman Brothers, which all used to be major players on the stock exchange. The point is that **any stock can go to zero**, and the longer you hold an individual company, the higher the probability of loss is. In addition, accurately predicting a company's long-term success is impossible to do without speculating, and not something you can do consistently. This is why we invest in **a globally diversified portfolio of index funds** with thousands of companies, that way we reduce our risk if any one of those firms were to disappear, taking their share price with them. If in spite of this you still have a hankering for picking stocks, this should never exceed 1 to 2% of your portfolio's net worth, but be warned that you are by and large speculating more than you are investing.

✼ Part C

> “*The single most important decision we have to make in retirement is how much we allocate to our stocks and bonds.*”
>
> — *Rob Berger*

As part of any good investment plan comes an **asset allocation**. Asset allocation is the exercise of determining how much of each asset class you should hold in your portfolio. The goal is simply to have appropriate amounts of stocks, bonds, and cash to have enough money to live on in retirement, which will result in different portfolios for different people. Having the right asset allocation is one of the most important determinants of expected investment outcomes: a more aggressive portfolio with a higher expected return might allow you to achieve a goal more quickly, or with less additional savings, but it may also make the outcome more uncertain, and be harder to stick with when markets are volatile. On the other hand, picking an allocation that is too conservative can have an enormous implied cost due to lower expected returns. Simply put, a portfolio becomes less risky and has a lower expected return as the allocation to bonds increases. Having the right amount of stocks in a portfolio should be sufficient to hopefully meet your financial goals without introducing the potential for catastrophic failure due to large declines at the wrong time.

As a general rule, a sensible equity portion to have during retirement is between 50% and 75%. Knowing that stocks outperform bonds in the long run, but are also riskier, you want to make sure the equity portion of your portfolio does not exceed your ability to stomach the volatility. Nevertheless, tending towards the higher allocation of 75% stocks if you can afford it may be a sensible decision. You can however choose any range that you feel comfortable with, and while there are plenty of sensible options, the extremes tend to be the least favored ones.

Risk/Return	Equity Allocation of Portfolio
Very Low	0–20%
Low	20–40%
Medium	40–60%
High	60–80%
Very High	80–100%

Most retirees have a 60/40 portfolio, that is 60% stocks and 40% bonds, while others choose to gradually decrease their risk by reducing stock exposure as they age. There is no optimal answer for what asset allocation is best for you, it truly depends on each person's unique financial objectives, risk tolerance, time horizon, and current and future demands on capital. The decision about how much risk to take (how much stocks to own) should be driven by **your ability, willingness, and need to take risk**. The key takeaway is to make sure that you are invested in an asset allocation that you can stick with no matter what.

The following table indicates several reasonable asset allocations to choose from:

Risk	Allocation	U.S. Stocks – Int'l Stocks – Bonds
Aggressive	70/30	35 – 35 – 30
Moderate	60/40	30 – 30 – 40
Conservative	50/50	25 – 25 – 50

Base your asset allocation on how much fixed income you need to cover your expenses and how well you could handle a bad market. Follow these steps to figure out an allocation framework that's right for you:

(1) Stress test whatever spending rate you are currently on
(2) Look at your anticipated portfolio withdrawals and make sure they are reasonable
(3) Compare (1) with (2) and use that to drive your future spending

Vanguard offers an online quiz that walks you through a series of questions to help gage your appetite for risk and draws an allocation based on your answers. Vanguard does have a tendency to recommend over-conservative portfolios, so I wouldn't take it as gospel, but you should use it as a guideline and then come up with an allocation that feels right for you.

F. Rebalancing

Choosing a stocks-to-bonds allocation is one thing, but keeping it in place is another. As the market is open and subject to fluctuations, the value of each security in our portfolio earns a different return, resulting in a change in weighting of our assets. **Gradually, our asset allocation will deviate out of our set tolerance**, eventually by a lot. The idea behind rebalancing is to periodically sell portions of our "winners", the assets that have gone up in value, and use the proceeds to buy more of the assets that have gone down in value, setting the weights of each asset class back to its original "target" allocation. The point of rebalancing is to smooth out the zigging and zagging between our different asset classes, helping us stay within our acceptable risk tolerance.

💡 Rebalancing keeps the expected risk level of our portfolio at or close to the target value, but it does not necessarily improve returns

There are different approaches to rebalancing, the first and most common is to rebalance **based on time**, typically once at the end of every calendar year, which is perfectly reasonable to do. Other possibilities include to rebalance on a monthly or quarterly basis, the latter matching when dividends are payed out. These can have downsides as studies have shown that rebalancing too ofter can hurt our returns, or there may be times when our asset classes simply haven't moved by much. On the other end, Jack Bogle, the founder of Vanguard, was of the view that you shouldn't rebalance at all and let your portfolio drift to wherever the market takes it. Although this is certainly one approach, it likely isn't the most reasonable as your portfolio would drift to the assets that have the higher expected returns (stocks), **making it riskier over time**.

The third approach is called opportunistic rebalancing and is deemed the best way to go about rebalancing, particularly for those with significant investments in taxable accounts. The concept is not based on time, but rather focuses on rebalancing **only if one asset class deviates by a set percentage**. In other words, you only rebalance if one asset class goes above or below say a 10% threshold of its original allocation. The opportunistic approach can be a great way of thinking about rebalancing from a tax perspective and has shown to have slightly better returns than the previous methods mentioned.

⚠️ In a taxable account, every sale of an appreciated asset may trigger a taxable gain

I understand that rebalancing can be a difficult topic to wrap your head around, I hope some of this will be helpful as you think through how you want to rebalance. You could take the Jack Bogle approach and decide never to bother with it, but this could potentially mean deviating from your risk tolerance, or choose the simple approach and rebalance once every year. Either way, this isn't something I would lose too much sleep over.

G. Withdrawing

Reaching retirement is a big change for anyone. You are now living off your nest-egg of investments and the income you used to received through your paycheck is now in the form of a state pension, which will likely not adjust with inflation. Fortunately for you, your investments in addition to your pension are a pretty safe bet you won't be living in the streets anytime soon. That being said, there is one very important rule every investor should know about which is called the 4% variable distribution rule and is based on an analysis of historical U.S. market conditions and inflation data.

✻ Part A

> *If you are a do-it-yourself investor investing in low-cost index funds and relying on the 4% rule, you're in pretty good shape."*
>
> *— Rob Berger*

Essentially, the 4% rule is a constant inflation adjusted spending strategy giving retirees a framing on how much money they can pull out of their investments each year with the confidence that they will have **a steady income stream lasting 30 years**. In other words, the most you can spend from year-to-year in retirement, adjusting for inflation, with the goal of **not running out of money**. It follows the principle that financial independence is reached when you have enough money so that 4% of your savings will cover your annual expenses, or if we reverse the math, you would need 25 times your annual expenses.

The rule states the following:

(1) In your first year of retirement, add up the total worth of your savings
(2) Multiply that by 4% which gives your safe spending amount for the year
(3) Divide that by 12 to have your monthly allowance
(4) The following year, adjust (2) by the rate of inflation to know your new spending limit
(5) Repeat step (4) every subsequent year, sort of like working in lockstep

🔎 To know the current rate of inflation (which varies each year), head to the U.S. Bureau of Labor Statistics, under Customer Price Index, or CPI. This only applies for the U.S., but a quick Google search will tell you the official CPI for France

CPI is one of the best drivers of any increases or decreases from your withdrawals from year to year. That being said, you could instead consider following the R-CPI-E, which is an adjustment of the CPI based specifically on the spending patterns of the elderly (Americans over 62 years old), but not without its own limitations.

Although **nothing can be certain** in that we don't know and never can know what the exact safe withdrawal rate will be when we retire, it's worth telling ourselves that the 4% rule has consistently survived very difficult times since 1926, including the worst 30-year period in U.S. history, and should be taken into serious consideration by anyone getting near or entering retirement.

Note that in its study, the 4% rule has been criticized by the academics for having omitted certain important variables. In addition, many believe that 4% is now too aggressive in today's world, and that **a more reasonable guideline should instead be closer to 2.5%, at highest 3.5%**. Remember that the lower you can afford to get by on, the safer position you will be, especially considering our current economic landscape of high inflation.

✻ Part B

The 4% rule is a powerful way of gaining an insight on your spending as it can alert you of potential problems such as if you are spending too much, or maybe too little. It's also a great tool for **implementing a budget**. However, the rule does not account for investment fees, which are a key consideration in determining a safe withdrawal rate; all else equal, lower fees mean a higher withdrawal amount.

⚠️ Paying someone 1% in management fees will reduce your first year withdrawal amount by 10% for the rule to work

To put this in perspective, let's apply that to real money. If a portfolio is worth $1 million, 4% of that is $40,000, which is what you can spend in your first year. But paying someone 1% in fees would lower that amount to $35,000. You now understand why fees matter so much and how they can impact your money.

✻ Part C

Although the 4% rule is certainly a sensible strategy to implement in retirement, it's not necessarily "the" best approach either. One great benefit is that the amounts you withdraw remain fairly consistent and you don't have to make big adjustments to how much you are spending each year. Nevertheless, it is important to mention that **there are significant shortcomings to the rule** where confidence starts to decline when we consider certain factors:

- The first is that the 4% rule is based on the assumption that your retirement will last **no more than 30 years**, and falls apart over longer retirement periods.
- The second is that the study behind the rule took into consideration data from the U.S. only, completely omitting international data, which is unlikely to be representative of the returns of a globally diversified portfolio.
- The third is that most retirees don't spend the same amount of money on an after-inflation basis year in and year out. Studies have shown that as we age, say into our 80s and 90s, we tend to become more conservative with our money and spend less, yet the cost of long-term care can increase significantly later in life.
- The final is that it completely ignores what is currently going on in the market. This means having to potentially cut back on your spending during a bad-market year, or when inflation skyrockets for an extended period of time.

There is a website called ficalc.app that lets you evaluate your withdrawal strategy. It stress tests your financial situation and gives you a percentage of how likely you are to meet your withdrawal requirements during your retirement based on how much you take out each year. This is a great way of finding out what safe withdrawal rate is right for you.

The key takeaway is that **being flexible and willing to adjust your spending habits** based on market conditions and inflation level will give you the best chance of living through your entire retirement with sufficient money. Remember, the more money you keep in your portfolio, the better you can live through the bad market years that may happen in the future, and the greater the likelihood is you won't run out of money.

✻ Part D

Arguably, the best way to determine your safe withdrawal amount is to ask yourself how much money you would need in a year just to get buy **covering your most basic standard of living.** Think cutting back on as much as you can, no discretional purchases or hefty vacation, without going off the deep-end either. What amount of your portfolio would you need just to cover your essential lifestyle? As a general rule of thumb, you want that number to be between 2–3%. If it turns out you can't cover your expenses without going over, it likely means you need to continue growing your savings before you can actually live off of them in retirement.

I'll also mention that your safe withdrawal strategy should not be something that you set to stone and never change as you move through retirement. On the contrary, you should evaluate these numbers on a yearly basis to check whether they are still in-line with your expenses and lifestyle, and make any necessary adjustments accordingly.

H. Changes

> *One of the hardest things to investing is sticking to your approach because it's always going to be the case that some other approach is making more money."*
>
> *— Rob Berger*

Once you have established your investment strategy, **make sure you stick with it regardless of how good or bad the market is doing**. The reason is that the market delivers the return over the long term, and you lose money shifting from one perfectly reasonable asset allocation to another perfectly reasonable asset allocation. Staying the course no matter what will help you whether difficult periods with confidence.

💡 Ask yourself what portfolio would I be comfortable owning if I couldn't make any changes to it for the next 25 years

Keep in mind that the long-term buy & hold investor only has to make very few changes to his investments and can go years without doing anything. You should not feel the need to make changes in the short-term, and a market fall should not be something to be afraid of or alarmed by. Remember, you should:

- always follow your plan regardless of market variations
- never change your plan based on market conditions

Additionally, you are free to monitor stock market variations on a daily basis, but the truth is that the long-term buy & hold investor has always outrun the active investor. Inevitably, if the active investor sells, the passive "know-nothings" and long-horizon investors win.

> *If you like spending 6 to 8 hours per week working on investments, do it. If you don't, then dollar-cost average into index funds."*
>
> *— Warren Buffett*

What reasons are there to disagree? Ask yourself what do you think you know about investing that Warren Buffett doesn't — the answer is probably nothing.

I. Hold Tight

> *As far as you are concerned, the stock market does not exist. Ignore it."*
>
> *— Warren Buffet*

Remember one very important thing, a time will come when the market will crash. These times usually involve a lot more than just a falling stock market. We may be at war, unemployment and inflation may be sky high, or the banking system may be on the verge of collapse. **Whatever happens, do not sell!** There is always a narrative associated with a falling market, and the narrative is ofter scarier than the drop itself. Think of all the hard times the world has gone through over the past two centuries: world wars, political conflicts, revolutions, terrorist attacks, depressions, recessions, and pandemics. Dark skies lie ahead, but it's always darkest before the dawn. The economy moves in cycles and **the stock market has always bounced back**, rewarding those investors who didn't panic during bad events and stuck to their strategy. Having an investment plan that can sustain any of those types of turbulent environments and having the discipline to stick with are both essential for investment success. Additionally, having an emergency fund and not investing in the stock market any money that we will need within the next 5 years are additional elements that will help us get through the hardships. The reason for the latter being that stocks tend to be volatile in the short term, which can result in significant losses.

J. Keep Calm

> *People don't behave necessarily rationally in a really bad market."*
>
> *— Harold Evensky*

In the moment when things are uncertain, it can be challenging to make good long-term decisions. The worst thing an investor can do is panic and sell when the market declines. Losing hope and bailing out at the wrong time, as a consequence of fear taking over the rational decision-making process, is called committing portfolio suicide. By locking in your losses, you make them permanent, cancelling out your chances of recovery. In simple terms, you are doomed to fail if you panic. A 50% devaluation in stocks over the short-term should not cause any long-term investor distress. And even if stocks continue to drop, **this is why you made a plan and invested in a risk-appropriate portfolio**, and now is the most important time to stick to it. Look at the past, bear market have happened regularly over the last century and are bound to happen again in the future. Expect on average **one in every 3½ years!** Save enough liquidity to be able to pull through the hard times, but under no circumstances should you ever think of cashing out during a bad market. Remember that hanging on through periods of uncertainty has produced reliably positive long-term outcomes. If you can implement a methodical decision-making process as opposed to an emotional one, you will likely be better equipped to make better decisions and feel less anxious during challenging times.

K. Debt

> *If you're really smart, you're going to make a lot of money without borrowing. There's no interest in it."*
>
> *— Warren Buffett*

Borrowed money can significantly reduce how much you get to spend each year from your investments, and **having little to no debt is one of the best ways to withstand ugly markets** as you will be in a much better position to ride the ups and downs over the weeks, months, and years that follow. Arguably, you can survive pretty much anything if you live debt-free.

💡 Getting your debt under control is one of the best things you can do to survive bad markets

Getting out of debt is not something that will happen overnight, but it should be a plan of yours. Your portfolio already has a great potential to generate income.

L. Saving

> *Saving even relatively small amounts of money over time will add up to huge results and turn into piles of cash."*
>
> *— Rob Berger*

It goes without saying that saving money for the future is important at any stage, and this includes during retirement. Remember than even a 10-year retirement makes someone a long-term investor. A small 1% increase in your savings' rate can significantly grow your portfolio's value over time, and by the same occasion reduce the time needed to reach financial independence. **Getting rid of unused subscription services, shopping around for better prices on car insurance, and chasing off debt**, are all good examples of where to start. In addition, putting money aside without it hurting your lifestyle adds an extra layer of protection against ever running out of cash.

3. Current Investments

A. Risk

A good rule of thumb is to **never take more risk than you are comfortable with**. Always think about your personal risk tolerance and remember that a stock market crash can hit you hard, especially if it strikes in retirement. Being in a nearly-all-equity portfolio means your volatility is very high, think of how you would react if your investments lost 30% in value over the next bear market! Another concern is having your investments in individual stocks, **concentrating your volatility to those unique sources of risk**. Just imagine how hard the fall would be if one or several of these companies go bankrupt.

Of equal importance, a portfolio that is nearly entirely isolated to the United States, without any meaningful exposure to international markets, is a gamble. Despite being well respected for its safe regulatory environment and high historical returns, the U.S. stock market, just like any other risk asset, **can have very long periods of underperformance**. As a matter of fact, there is an estimated 3% probability that the U.S. market could do worse than totally risk-free treasury bonds over 20-year periods. This has already happened 3 times in the past, so why take the risk? The bottom line is that it makes absolutely no sense in today's world to concentrate all your investments to just one country. Remember, **only a foolish investor puts all their eggs in one basket**.

B. Fees

> *"If returns are going to be 7 or 8% and you are paying 1% for fees, that makes an enormous difference in how much money you're going to have in retirement."*
>
> *— Warren Buffett*

People often times don't look at their fees as significantly as they should, which is a big mistake. Fees matter, every basis point counts as they erode your wealth over time, so it's indispensable to **minimize the fees associated with both your advisor and the funds you are in**. Having looked at your accounts, you are currently paying over 1% of your money per year just in expenses alone; money that is paying for someone else's car, vacation, or kid's education, and that could instead count toward your personal savings. As with everything in investing, you have to run the numbers. Although 1% can look small, it is higher than the industry standard, and even seemingly small fees can have a significant effect on reducing the value of your portfolio and what you have to spend each year.

Buyer beware! Some investment products charge what is called an "expense ratio" which comes in addition to management fees. Additionally, certain actively managed mutual funds have front-end loads, meaning your advisor gets money off you every time you buy shares of that security. This is the reason behind your advisor calling you every year, they wouldn't be able to make as much money if you otherwise didn't make changes. Firstly, there is no reason to pay load fees, it has nothing to do with how the fund is managed or how it performs. Secondly, being a successful investor is all about sticking with your strategy from beginning to end and not jumping ships. If you are invested the right way, you shouldn't have to make changes to your portfolio at all.

You now understand how bad investments can cost you in the long run. This is not to say that all of your positions are necessarily bad or cannot work out well for you, but it certainly means that **you are not maximizing the diversification and returns you could otherwise be getting without taking any more risk**. Not only does your advisor have an incentive for selling you high-fee products to get an immediate commission, which is a huge conflict of interest, but you are getting less diversification and paying higher fees than you would with low-cost index funds, which do not pay commissions. Remember that lower expenses lead to higher returns, and the bigger the commission the worst the investment. You should systematically choose commission-free funds with reasonable expense ratios, and always know what you are paying others by translating percentages into a dollar amount. **The sooner you get out of those investments, the better off you are**.

Moreover, the relationship between you and your advisor should be systematically established **without any conflict of interest, obligation, or high-pressure sales pitch**. There are people charging by the hourly who will look at your portfolio and give you an honest second opinion without trying to sell you something or make recommendations other than in your best interest. Any good advisor worth their salt would point out to the fact that having over 75% in equities during retirement is severely risky, and that paying anyone 1% in fees is unjustified in today's world. For comparison, Vanguard charges 0.30% while making a profit — if that doesn't tell you something about how sly some actors in the financial industry can be. More on financial advisors in Section 8.

I appreciate that you have tied an emotional connexion to your current broker and may feel a sense of confidence investing with them, but understand that you are paying more with them than you would over at a commission-free broker like Vanguard, Fidelity, or Schwab. Most wealth management firms are also commission-brokerage firms, which means you pay commissions to get into products and every time you make a transaction. **They are also conflicted firms** in the sense that they are both a registered advisory firm, they have a legal requirement to act in their client's best interest, but also a member of FINRA, which cancels that fiduciary responsibility and replaces it with the inferior "suitability standard". In other words, as long as the advice is suitable for the client, **it does not have to be in their best interest**. How they define "suitable" is of course at their discretion. This naturally poses a problem, where the advisor can legally sell products that generate large commissions for the advisor, at the expense of the client.

What is even more important to emphasize is that most of Wall Street only cares about making the most profit off their clients — think of the upper hand the financial industry has in trying to sell to ignorant people expensive investment products without their best interests at heart. People can sell you a lot of bad things by making them sound really good if they are in a position of authority. Just ask yourself if you would be willing to pay a lawyer 1% of your wealth annually and perpetually regardless of whether they made you win the case. No financial firm can control what the market does, no advisor can predict the future (as much as you might be led to believe that they can), and no one but the market itself is actually responsible for making you money. The bottom line is **no one cares more about your money than you do**, period.

4. Suggested Portfolio

Below is **a very simple and globally diversified low-cost portfolio** which takes into account your age, time horizon, and financial goals. It consists of only 6 funds which are all ETFs, the reason being that index ETFs are considered very good investment products, they are generally less expensive than traditional mutual funds, with their cost having continuously fallen over the years, to the point that investing is almost free in terms of management expense ratios. Furthermore, ETFs are inherently more tax-efficient as they distribute fewer capital gains, often not at all. This is an advantage when trading in a taxable account.

Ticker	Name	Category	Holdings
AVUS	Avantis US Equity	U.S. Stocks	2,300+
AVUV	Avantis US Small Cap Value	U.S. Stocks	750+
AVDE	Avantis International Equity	Developed Markets	3,300+
AVDV	Avantis International Small Cap Value	Developed Markets	1,350+
AVEM	Avantis Emerging Markets Equity	Emerging Markets	3,450+
VTEB	Vanguard Tax-Exempt Bond Index Fund	Municipal Bonds	7,500+

By owning a portfolio of different asset classes, **you benefit from diversification**. When one asset class has a bad year, another will likely have a good one. As a result, you dampen the ups and downs of your portfolio value. With this portfolio, you are covering entire sectors and regions in over **18,500 companies** with exposure based on your risk tolerance. Call that diversity!

➥ **About dividends**

The topic about dividends tends to get people very excited. Investors like dividends purely for psychological reasons, to the point where dividend investing is almost more of a lifestyle than an investment philosophy. I appreciate that for a lot of people, aiming for stocks with high dividend yields seems like a sensible approach, but the truth is that reaching for dividends is not a good strategy. Despite being an important component of total returns, **dividends are not "free money"**, nor should they be seen as an investment return. They are just moving money from one pocket to the other. The distribution of dividends results **in a reduction in share value**, and dividends alone are not an indicator of a good stock to own. A much more accurate metric of predicting a company's success is looking at total returns, and this regardless of whether the company pays any dividends. If it can help you feel better, remember that most stock ETFs already pay some kind of dividend anyway.

💡 Dividends in and of themselves don't make us wealthier. They are not an indication about the quality of an investment, nor a guarantee for better future returns

The best thing you can do if you hold dividends is reinvesting them back into the market. Because you are in a taxable account, you want to make sure to **never automatically have your dividends reinvested** back into the funds that payed them. You will pay taxes on your dividends anyway, so you might as well direct them towards funds that need rebalancing.

5. Next Steps

Now that you have all this this mind, the big question is whether you actually want to make changes to your investments. In any case, you must figure out an **investment plan** tailored to your personal financial goals.

Start by asking yourself the following:

1. **Stick to what you have (you're up for a bumpy ride)**

- Can I stomach heavy risk and serious losses in case of a bad market?
- Am I OK with paying high fees and having no control over how my money is invested?
- Do I accept having little diversification with barely any safe investments like bonds?

🔎 Bonds are considered a safe blanket lowering volatility, your shock absorbers against market crashes and inflation if you will

Remember that people in retirement are advised to have a good exposure to bonds and to never exceed 75% in stocks.

2. Build an globally diversified portfolio (recommended)

- Would I rather invest in index funds and increase my diversification?
- Am I willing to reduce my volatility by owning more bonds?

If you answered "yes" to both of these, you will have to sell most if not all of your current investments.

⚠️ Selling securities in a taxable account can be a taxable event due to capital gains

Figure out what your best strategy is based on your tax situation; would there be more consequences if you sold all at once as opposed to over 2 or 3 years? You might want to ask a tax professional about the best way to make that transition.

Below is a table summarizing the 2023 tax brackets that apply for **long-term capital gains**. They come in addition to your ordinary income and depend on your filing status, you file as "Head of household" (HOH). The rates change every year so make sure to have the most up-to-date numbers by heading to this website.

Tax-filing status	0% tax rate	15% tax rate	20% tax rate or more
Single	$0 to $44,625	$44,626 to $492,300	$492,301 or more
Head of household	$0 to $59,750	$59,751 to $523,050	$523,051 or more

Figure out what your tax bracket is based on how much short- and long-term capital gains you have accumulated, then decide whether to sell out all at once if you are within the 0% tax bracket, or spread out across multiple years to reduce taxes.

💡 You certainly want to avoid any short-term capital gains, if at all possible

3. What about risk?

Investing is a risky business where your capital can go down, and while choosing to diversify your portfolio will make it less volatile, what it cannot do is shield you completely from any losses. No investment strategy can, not even one owning just bonds. You will at times, just like you have in the past, face market drops of 20, 30, or even 50% in value, and setting that expectation from the beginning will at least put you in the right frame of mind to avoid making mistakes that can hurt your financial future. Remember that **losing money is part of the process of growing your savings over time**, and you win by staying invested over the long term.

6. Other Decisions

A. About your investments

1) Am I happy with selling my current investments and reinvesting them?
- If yes, what is my investment plan?
- If not, what would I rather do?

2) Am I comfortable with my current stocks-to-bonds allocation?
- If not, what asset allocation suits me best?
- How will I make the transition?

B. About your cash

✻ Part A

Setting aside a cash-cushion from your investments is very important to weather a bad market as it allows you to deplete your assets without any volatility. **Make sure you save anywhere from 6 months to a year's worth of living expenses in cash,** this should give you enough of a shock absorber to get through a really bad market. However, the decreasing purchasing power of cash over time can be financially damaging. This is why you should be careful not keeping too much aside because the absence of market returns will have a real drag on your portfolio and safe withdrawal rate. If having some extra cash at hand is something that can help you sleep better, then why not, but try to keep your buffer **as small as you can tolerate**.

💡 Aim at having 2% of your portfolio is cash during retirement, and never exceed 10%

Taking too much money out of your portfolio in cash, as safe as it may feel, can really weigh down on the overall returns of your investments. Worse even, completely getting out of the market will cause your savings to devalue over time, resulting in a significant cost of capital. You will be a lot less well off financially if you make that decision.

✻ Part B

Deciding where to hold cash is very important, which is why a good cash management system is necessary. The fundamental banking setup includes the following:

1) a general **checking account** covering day-to-day expenses, this includes a debit or credit card and check-writing ability

The benefit of a traditional "brick-and-mortar" bank is that you can physically go to a branch and speak to someone in person when a problem arises or you have a specific request. Traditional banks typically have higher fees (including possibly hidden fees) covering account management, cards, banking services, and administration. Digital banks like Wise stand out as **less expensive and more reactive** banking alternatives. Depending on your circumstances, it can be advised to hold accounts at both types of banks, however, you always want to check the fees associated with your accounts, and shopping around for better offers is always a good idea.

2) a **cash-reserve account** where you hold your emergency fund and any short-term excess savings. You want to earn as much interest as possible but also have quick access to your money

Arguably, the best place to hold your excess cash is in a money market fund. This is a low-risk type of mutual fund that **pays higher interest rates** than a traditional savings account, although some banks offer high yields as well. Vanguard has a good choice of money market funds, including some tax-exempt ones. A word of caution, withdrawing from a money market fund to a checking account will take a certain time before you can actually access your cash, usually within 2 to 3 days.

Another option is Wise's interest-earning account paying higher yields than what you get through the cashback-only rewards of a standard account, while still being able to withdraw instantly. The trade-off is that Wise charges an **annual fee of 0.47%** (excluding currency exchange costs).

⚠️ Yields are high right now but only for a limited time and will ultimately go down

You could settle for a simple cash-deposit account but you'd be giving up on yields. Regardless of where you choose to hold your cash, always make sure the bank or firm offers **FDIC insurance**, or some similar **safeguarding policy**, so that your money is protected in case it were to collapse or become insolvent. Note that any amount held exceeding the maximum compensation threshold is unlikely to be covered.

7. Which Broker to Choose?

What generally makes a bigger difference is what you are invested in rather than who you are invested with. That being said, fees always matter and so does SIPC protection. A good question to ask yourself is will you still be happy staying with that broker 10 years from now, because once your capital gains start building up, getting out will likely mean having to pay taxes. You should then ask yourself if you are comfortable paying the very high fees that come with a traditional brokerage firm. Keep in mind that there are **commission-free brokers** which have significantly lower fees while providing excellent services. Household names include Vanguard, Fidelity, Schwab, and E*TRADE. In terms of which one is better, **I highly recommend Vanguard**. They are a very well established firm that always acts in accordance with ethical standards and in their investors' best interests. I found their onboarding team very accessible and responsive, and had an account opened within hours. Other major benefits of investing with Vanguard include:

1) Having control over your holdings
2) Paying no commission fees
3) Having access to financial advice at a reasonable cost

The user experience of their website is clean with every key feature an investor needs, some of which include the ability to trade within clicks and transfer money directly to and from your bank. They also have a dedicated customer support line if you prefer getting things done over the phone by speaking to a real human.

Lastly, having all of your investments in one place can simplify the process of managing your finances (rebalancing, withdrawing, etc.), but can also give you a better overview of your gains comes time for tax filing. Despite this, some argue that spreading your monies across multiple brokers adds more security in case the website is down or your account got hacked. Although both arguments are reasonable, I would do what works best for you and your comfort level.

⚠️ Only ever hold your investments at a **registered broker** that is a member of SIPC

8. Getting Help

I appreciate that this may all sound very overwhelming. The goal of this guide isn't to turn you into a financial expert, but to provide you with sufficient knowledge so you can make future decisions about your investments confidently. All it takes for the do-it-yourself investor is to put down in writing a sensible financial plan, adopting the right portfolio, and sticking with it thick and thin. Of course, the 4% rule and rebalancing add a bit more complexity, but far from anything impossible to do on your own. Having said that, I get that DIY isn't for everyone, and that you might want professional help. Many people value a relationship with a financial advisor for many reasons. Consulting with an expert can save a lot of time by minimizing the need for large amounts of upfront research, and relieving some of the stress related to the task of implementing a financial plan, reducing the time spent in inaction. Additionally, expert advice can reduce complexity and help overcome poor decision-making due to narrow framing, confirmation bias, short-term emotions, and overconfidence. Surely enough, Vanguard has a 5-question quiz to help you evaluate whether working with a dedicated advisor is something right for you.

A. Financial Advisors

Rob Berger made a list of low-cost financial advisors he recommends (none are affiliates), where he mentions **Mark Zoril**. You can reach out to Mark by email but beforehand please make sure you read the Q&A section of his website to make sure the services he offers can suit your needs. His company **PlanVision** can help you work out an investment strategy, put together a low-cost portfolio of index funds, and even give you tax planning guidance, all for an annual subscription fee of $239, which goes down to $96 per year after that. Another advantage of Mark is that he works with **expats** on issues relating to living oversees. You can set up an appointment with him, usually by videoconferencing, and he will run through your finances and answer your questions. That being said, he will only go so far as recommending you his best approach, but the tasks of staying the course, managing withdrawals, and rebalancing will ultimately be your responsibility. More about Mark Zoril here.

Vanguard also has advisors who can help you manage your investments, and would come as a nice addition to Mark, even if you don't intent to stick with them in the long run. Note that Vanguard advisors are **fiduciaries** who don't earn on commission, meaning they are required to act in your best interest, and can help you create a custom financial plan, manage your accounts, and minimizing taxes. Although Mark seems great for expat-related questions and tax advice, Vanguard might be better for things like retirement goals, rebalancing, withdrawals, etc. Their service costs 0.30% on assets and gives you unlimited access to real advisors.

I would call Vanguard on +1 (610) 669-1000 and explain to them your situation, that you are currently invested in expensive actively managed funds and would like to move into a very simple portfolio of low-cost index fund, and see what they say! There is no commitment involved. You can ask them any questions, whether about transferring to Vanguard, or about the benefits of joining their advisory program. Nevertheless, please don't neglect **doing your own due diligence first**. Only you can decide for yourself which advisor, if any, is best for you.

B. Doing Your Taxes

Another important consideration is whether to change tax accountants, or get rid of any altogether. There are low-cost companies that guide you through the U.S. tax filing process in exchange for a flat fee. They offer a wide range of services, **including doing your taxes for you**, and I would suspect even their most premium subscription would cost less than what Basil charges. Below are several popular names, I'm sure you can find articles on the web giving comparisons and ratings.

1. TurboTax
2. H&R Block
3. TaxSlayer
4. TaxAct

C. Rob Berger

I know I mention Rob a lot, that's because his YouTube channel provides a wealth of knowledge on topics ranging from personal investing to managing you finances in retirement. He is very active and releases new videos weekly, I encourage you to keep an eye out and see if any can be of interest. You will find answers to most questions about investing, and his explanations couldn't be more comprehensive. A lot of what I learned comes from him! Other great educational channels on investing include Ben Felix and Paul Merriman — you can't go wrong with either.

9. Security

This section isn't directly related to investing, but touches on several very important topics that are worth mentioning. The goal is to make you aware of ways to **safeguard your accounts so they are less vulnerable to fraud, scams, and hacking**, keeping in mind that nothing can completely eliminate that risk. Although you might think that you have never been hacked and therefore shouldn't worry about any of this, but trust me, it's better to be safe than sorry, especially considering how easy some of the recommendations below are to implement, and how big of a difference they make. After all, why run the risk, no matter how small, of losing your money just because you clicked on that one malicious link, or gave your password away to someone on the phone who you thought was your advisor. In 2022, 58% of consumers globally were victims of online fraud, knew someone who was a victim, or both. You must also realize that you can entrust your money with the safest institution in the world, but they won't protect you any better if your account password is "12345". This leads me to my first point about passwords being your first line of defense.

A. Passwords

We all know how much of a pain passwords can be, that's why we tend to go with short and easily memorable ones, but the truth is that these are the worst types of passwords you can have because of how easily guessable they are. As a rule of thumb, you always want to choose a password that is **minimum 16 characters in length**, that uses both upper and lower cases, has at least 1 number and 1 symbol ($#!&*_?). You also **never want to reuse the same password** across multiple accounts. A really good technique is to use passphrases instead of traditional passwords, for example:

```
Dancing5-Admiral-Elephant%
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Another great way is to use a password manager. The idea behind it is that **you only have to remember one strong master password**, and the software automatically creates incredibly complex passwords for all of your accounts which you don't have to remember, hence why the term "manager". There are many companies that provide free password managers, like Bitwarden, while others charge a small fee.

B. Two-Factor Authentication

Something you want to make sure to enable is two-factor authentication (2FA), especially for **your email, banking and financial accounts**, it adds a layer of security. You might have heard of 2FA, it's that thing that asks you for a one-time security code every time you try to log in, usually by text message. This means even if hackers knew the password to one of your accounts, they would also need to have access to your phone to get in. I can't emphasize enough how you want to have 2FA enabled on all of your accounts that offer it.

That being said, getting security codes by SMS isn't the best or safest option as SMSs are vulnerable to hacking (SIM-swap, phishing) and can be very inconvenient in case your number changes, you lose your phone, or when there's no network coverage, in addition to potentially triggering carrier fees. A much better option is to have an **authenticator app** that generates time-based security codes that renew every 30 seconds directly from your phone, and **can even be used offline**. A great authenticator app I recommend is called Authy which lets you sync your security codes across all your devices, and backs them up so you can recover them in case you lose your phone or get it stolen. Note that 2FA through an authenticator apps is not as frequently available as SMS.

C. Virtual Private Network

Every time you go on a website it tracks what is called your IP address; a sequence of letters and numbers that uniquely identifies a device. The website then uses that IP to figure out your location in the world. What a virtual private network, or VNP, does is it masks your real IP address and **replaces it with one from a different country** of your choosing. For example, I could be logging into my Vanguard account in France, but if I use a VPN and tell it I want my IP to be in the U.S., what Vanguard will actually see is a browsing connexion originating from the States. In addition to that, using a VPN also encrypts all the data that goes from my device to a website's server. This is why so many people warn against logging into personal accounts over public Wi-Fi, as without encryption, **hackers can see whatever information leaves your computer**, including passwords. Most VPN services charge a small monthly fee, although there is one that is both free and trustworthy called Proton VPN. They are highly focused on security and also offer a password manager (paid).

D. Encryption

Encrypting your data touches on my previous point as it is a vital part of keeping information private. "End-to-end" encryption basically serves as the guarantee that a conversation **cannot be accessed or intercepted** by anyone but you and its intended recipient. Examples of unencrypted communications are phone calls, emails, SMSs (green text bubbles), weak-security Wi-Fi, and websites using outdated protocols (like HTTP). Any information being transmitted through these could potentially be seen by malicious actors, posing serious privacy and security risks. This is why you are warned against giving any personal data, like credit card or social security numbers, over the phone.

WhatsApp, for instance, has always maintained that all its messages are end-to-end encrypted, but there is a loophole where messages reported as abusive can be viewed in plain by the company. As you see, it can be very difficult to trust firms about encryption, even those that advocate it. One messaging platform that offers "zero-access" encryption is Signal Private Messenger, this is ideally where you would want to share sensitive information, if at all necessary, provided the other person has the app installed as well. It is also recommended to set a **disappearing message timer** for even more peace-of-mind, although it won't protect against screen-shots. In any event, it's important to keep your communications as private as possible, especially when sharing confidential information.

In addition, always make sure to surf on the web using an encrypted connexion, usually a green padlock icon will show up next to the search bar indicating the connexion between you and the website is secure. **Never sign into your accounts over public Wi-Fi**, and always be reluctant to give information over unencrypted waves, unless you are absolutely certain the person on the other end can be entrusted with it for legitimate purposes.

E. Security Questions

Some banks and financial services may ask you to set up security questions, typically the name of your mother's maiden name, or your favorite hobby. You want to be careful with those common questions as you'd be surprised how **easily guessable they are**. The name of your birthplace isn't necessarily hard to find, and may even be available on public records. It's not that security questions are bad altogether, they do add an extra layer of security, but you might want to think about what kind of answer you put down, either by making sure no one, not even your close circle, could possibly figure them out, or simply by making up incorrect answers.

F. Be Fraud Smart

Scammers are using increasingly sophisticated fraud techniques via email, text, or even through fake websites to **get personal information from you** (e.g. name, email, phone number, passwords, account details) and use them to gain unauthorized access to your finances. Be vigilant of account takeover, also known as phishing attacks, these attempt to steal your account credentials or infect your device with malware by tricking you into clicking a link or downloading an attachment. If you receive an SMS or email saying that "your account security has been compromised" and requiring you to provide personal information or change your account password via a link, **it's a scam!** Sharing your personal details via this link would lead to your account being stolen.

You should **always be nervous before clicking a link**. When reading an SMS, or opening an email, it's crucial to never click any link or download anything you don't completely trust or understand, especially if it comes from unknown senders. Scammers may also use cloned websites with small changes to the URL to trick you into thinking that you are buying from a genuine retailer. If you can't tell, get in touch with the business yourself to check. The best way to contact a company is through the contact page on their official website, or directly via their app on your phone.

Impersonation scams are when criminals pretend to represent organizations such as your bank, financial advisor, government authorities, or delivery services. This type of fraud can be some of the most damaging, scammers will try to steal your money by convincing you to **move money into a fake account**. They can use stolen personal information to trick you into thinking they are legitimate, sometimes taking months to build trust with their victim. They can confirm your name, date of birth, or address, and claim to be from a company's fraud department, appearing to know about transactions on your account. Scammers can even fake telephone numbers so that texts and calls appear genuine. If you are told "your money is in danger", this should be a warning sign. Only scammers will try to rush or panic you, telling you that your money is at risk and you need to act urgently by moving your money to a "safe account". **Genuine institutions will never ask you to do this**, or ask for personal information like passwords, personal details, or security codes. Never give in to someone who appears insistent and urges you to do anything about your money. **Always take a moment to stop and ask yourself, could it be fake?** It's absolutely fine to reject, refuse, or ignore request.

The bottom line is to be wary of strange links asking for personal information, and of people pressuring you about your accounts being "compromised". If you think that you have been duped, fallen for a scam, or suspect that your account is showing fraudulent activity, freeze your cards, change your passwords, and contact your bank immediately. You should also report any incidents to the police. You can read more about the latest scams here.

G. Thinking Ahead

You are highly encouraged to **name one or several trusted contacts** to your financial accounts. This will help protect your assets in case of suspicious activity, or if you experience cognitive decline. Just like an emergency contact, that person should be able to provide an informed and objective assessment about your wellbeing and health status, and should not be authorized to transact on your account to prevent any conflict of interest.

Consider also completing a beneficiary designation if you intend to pass on your funds after you die. This will generally determine **who inherits the account**, without being subject to probate, and will override provisions of your will or trust regarding distribution of your assets. If you choose not to designate a beneficiary, the assets will be added to your estate and divided according to the laws in your state. You can name anyone as a beneficiary, this includes individuals, trusts, charities, or organizations, but you are recommended to seek advice from your financial or estate planners first to ensure coordination with your overall estate plan. Note that Transfer on Death Plans may not necessarily be the best option from a tax perspective. You should also **review and update your beneficiary designations** whenever you experience a major life event, such as a birth, marriage, divorce, or death in the family.

10. Take Away

Thank you for making it all the way to the end! I know I've thrown in a lot of information and I hope at least some of it was helpful. Regardless of how you decide to handle your investments, the key message is to understand that your current portfolio is unsuitable in many ways. Most retirees look for a defensive strategy that will soften the blow in case of a bad market or crash, but also provide them with sufficient income to cover their expenses. Whatever you choose to do, you must remember that although your portfolio does generate income, it is **expensive, poorly diversified, overly complex, and highly volatile**. I really hope that you won't continue to take the punishment any longer, and if all of this sounds too overwhelming, start by taking small steps one at a time. Give it some thought and try to come up with an investment plan that suits your financial goals (how much money do I need), time horizon (for how long), and risk tolerance (how much risk am I willing to take), so you can make the best decisions about your money moving forward. **If you want the future to be brighter, don't wait to make changes, do the right things now**.

😘