Eagle Strategies LLC

PLANNING ESSENTIALS

7 Tips for Long-Term Investing Success

When you are investing for goals that are 7 to 10+ years into the future—goals such as saving for your retirement or a young child's education—it's helpful to think of the process much more in terms of a marathon than a sprint. Because of their long duration, however, it can be easy to become distracted by other more pressing needs or lose motivation to continue saving for goals that seem so disconnected from everyday life.

KEY TAKEAWAYS:

1. **When you save and invest for specific, quantifiable goals** (rather than just putting money away for some undefined future need), it provides you with far more motivation and focus.

2. **The further into the future your goals, the less you need to worry about short-term volatility** and thus the more you can afford to take on some extra investment risk to fuel long-term growth.

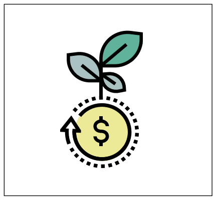
3. **Over time, the power of compounding (especially when combined with tax deferral) can be your greatest ally;** the sooner you can start saving, the easier it will be to reach your financial goals.

So, what exactly can you do to become a better long-term investor?

Typically, the most successful long-term investors are those individuals who spend considerably more time on planning—evaluating and quantifying their financial goals, assessing their lifestyle demands and income needs—than they do on selecting specific stocks, bonds or mutual fund investments. They stay disciplined, tune out short-term market volatility and generally adhere to the following basic principles:

1. ***Have a specific goal*** – Investing with no other purpose than "to make money" often leads to frustration. When you align specific investments to specific goals, it allows you to better calibrate how much risk is necessary to deliver a high probability of reaching that goal. It also helps keep you motivated to put money aside each month towards achieving those goals.

2. ***Start early*** – While how much you save each month matters, it's nowhere near as important as when you begin to save. The sooner you start, the more time your "investment snowball" has to roll down the hill and grow. This is due to the power of compounding: a return not only on your original investment, but also on all the interest, dividends, and capital gains that accumulate. Over time, your money grows faster and faster (especially in retirement accounts where growth is tax-deferred or tax-free). Look at these hypothetical scenarios which illustrate how the return on saving $10,000 per year for a decade at an earlier age would dwarf the return earned by three times that amount, over a 30-year period, if savings began at a later age:



HYPOTHETICAL SCENARIO 1

$10,000/year investment
From age 18–28
Total investment: $100,000
Average annual return: 7%
Portfolio value at Age 65:
$1,807,091

HYPOTHETICAL SCENARIO 2

$10,000/year investment
From age 35–65
Total investment: $300,000
Average annual return: 7%
Portfolio value at Age 65:
$1,010,730

The above example is for illustrative purposes only and not intended to represent the performance of any specific investment

3. **Take full advantage of tax deferral opportunities** – We all value the comfort of having a little extra disposable income in our paychecks, but don't let the lure of a few more dollars today dissuade you from preparing for tomorrow. Just like compounding, tax deferral provides another opportunity for your savings to grow faster. Many advisors suggest that you try to contribute at least 10-15% of your pre-tax income to your retirement plan. But at a minimum, make sure you at least contribute enough to take full advantage of any matching contributions your employer may offer (it's free money!).

4. **Build an emergency fund** – As general rule of thumb, try to set aside enough cash to cover at least six months of living expenses to protect against an unexpected crisis like a job loss, or to cover an unplanned major expenditure. This will help protect you from having to prematurely liquidate long-term assets (potentially at a point in time when both the economy and the stock market are slumping).

5. **Take smart risks** – Although you certainly don't want to invest in a way that's going to make you anxious or keep you up at night, it's important to understand that some investment risk is likely necessary in order to reach your goals. The current rate of inflation combined with historically low interest rates on savings and CDs means that if you're not investing, you're actually falling behind. Time is your greatest ally, so you can afford to take more investment risks in pursuing long-term goals while being more conservative with short-term goals.

6. **Don't let emotion drive your investment decisions** – Remember that stocks work best over the long-term, so try not to make buy or sell decisions based on daily, weekly or monthly gains and losses. Perhaps most importantly, whenever markets become turbulent, make a concerted effort to avoid information overload. Between television channels, social media and 24/7 access to a world of financial data, it's easy to get overwhelmed and give in to fear.

7. **Periodically recalibrate, but don't tinker –** Once you and your advisor have established a target asset allocation and created a well-diversified portfolio, try to remain "hands-off." Aside from periodic portfolio rebalancing to bring your investments back to the target allocation, or occasional adjustments to address changing circumstances or revised goals, let the power of time do its work undisturbed.

STAY THE COURSE

The stock market will rise and fall many times over the coming years, but on balance, the long-term trend has always been higher. By creating a thoughtful financial plan and leveraging these seven guardrails to help you stick with it, you'll be well on your way towards achieving long-term investment success.