The Carroll Financial Team of
Wealth Enhancement Group®

INFORMED INVESTOR
IT'S YOUR MONEY

Unforced Errors



By Denis Curcio, CFP®

On average, the market[1] is positive three out of every four years. There has also never been a 20-year rolling period in which the stock market has produced a negative return. This means that over time the probability of positive returns in a well-diversified portfolio is to be expected. So why is it difficult for the average investor to manage a stock portfolio? Emotions. Our emotions can give rise to behavior that leads to unforced errors that change the trajectory of outcomes and our financial plan. Here are ideas to help you minimize unforced errors and avoid game-changing outcomes.

Know Your Game Plan

Every investor has individual financial needs, wants and desires and should have a financial plan designed for his or her specific goals. Investors are often inclined to follow the herd, including acting on a stock tip from their favorite business entertainment show or a well-meaning friend. When the plan changes, the portfolio may be subject to unnecessary risk and often results in a bad outcome. Focus on your plan and make sure you understand how your portfolio is designed to meet your unique goals. Tune out the chatter as it could be detrimental to your carefully designed plan.

> "Stay focused on what's important to you."

Avoid Comparisons

Comparing goals, wealth and returns with others is a recipe for disappointment. As advisors, we frequently hear about your friends' latest stock picks, the second home they've purchased or the great vacation they just took. There is nothing wrong with having these discussions, but don't let them throw you off course. Stay focused on what's important to you. What others do should not have an impact on your situation.

The Players and Expectations

Every week there is a new analyst, market specialist, chart master or doomsdayer publishing his or her current predictions. Remember, most of what you see and hear in the financial media is marketing to encourage more trading and the purchase of products. You should expect a 5% pullback in the market every quarter, 10% every year and 20% or more every market cycle, which typically lasts five years. These pullbacks are normal and healthy activity and have been the pattern for decades. Resist the urge to act on your fears the next time you read about a "market crash" prediction or your greed the next time you hear about a hot investment trend. I am confident a well-diversified portfolio designed to meet your specific long-term goals will perform well over time.

Your Team

It is common for investors to desire the best return or to keep pace with the market. As advisors, we design your plan and portfolio to meet your needs and to help you avoid unforced errors along the way. We are always available for in-depth discussions about how your plan is working in the current market and economic conditions.

[1]*As measured by the S&P 500*

Don't Quote Me!

"Education is not the learning of facts, but the training of the mind to think."

– Albert Einstein

"Summer breeze makes me feel fine."

– Seals & Crofts

"Each day comes bearing its gifts. Untie the ribbon."

– Ann Ruth Schabacker

"Everything we hear is an opinion, not a fact. Everything we see is a perspective, not the truth."

– Marcus Aurelius

"You wouldn't worry so much about what others think of you if you realized how seldom they do."

– Eleanor Roosevelt