DECEMBER 2023 CLIENT QUESTION OF THE MONTH

COMMON INVESTMENT MISTAKES

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We believe investing wisely and avoiding common investment pitfalls is crucial for financial success. Let's identify some of the mistakes you should be mindful of.

1. Not Having Clear Investment Goals

One of the fundamental errors investors can make is not establishing clear and specific financial objectives. It's essential to define realistic goals that align with your risk tolerance and consider the time horizon for pursuing these financial milestones, whether it's saving for retirement, buying a home, or funding education. Having clear goals can help guide your investment decisions.

2. Failing to Diversify

Diversification is a commonly used investment strategy to manage concentration risk. By spreading your investments across different asset classes, you can potentially reduce risk in your portfolio from the impact of a single underperforming investment or sector. The key here is to avoid putting all your eggs in one basket by creating a well-balanced portfolio that seeks to weather market uncertainties. To highlight the benefits of diversification, see our Asset Class Returns chart below. *There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear*.

Asset Class Returns

															2008 - 2022		
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Annualized Return	Annualized Volatility	Sharpe
Fixed Income 5.2%	Emerging Markets 78.5%	Small Cap 26.8%	Fixed Income 7.8%	Emerging Markets 18.2%	Small Cap 38.8%	Large Cap 13.7%	Large Cap 1.4%	Small Cap 21.3%	Emerging Markets 37.3%	Cash 1.8%	Large Cap 31.5%	Small Cap 19.9%	Large Cap 28.7%	Commodities 16.1%	Mid Cap 8.8%	Emerging Markets 21.5%	High Yield 0.54
Cash 1.8%	High Yield 58.2%	Mid Cap 26.6%	High Yield 5.0%	Mid Cap 17.8%	Mid Cap 33.5%	Mid Cap 9.7%	Fixed Income 0.5%	Mid Cap 20.7%	Developed International 25.0%	Fixed Income 0%	Mid Cap 26.2%	Large Cap 18.4%	Commodities 27.1%	Cash 1.5%	Large Cap 8.8%	Small Cap 21.1%	Fixed Income 0.51
Asset Allocation -23.5%	Mid Cap 37.3%	Emerging Markets 18.9%	Large Cap 2.1%	Developed International 17.3%	Large Cap 32.4%	**Asset Allocation 7.1%**	Cash 0%	High Yield 17.1%	Large Cap 21.8%	High Yield -2.1%	Small Cap 25.5%	Emerging Markets 18.3%	Mid Cap 24.7%	High Yield -11.2%	Small Cap 7.1%	Mid Cap 19.3%	Large Cap 0.50
High Yield -26.2%	Developed International 31.8%	Commodities 16.8%	**Asset Allocation 1.3%**	Small Cap 16.4%	Developed International 22.8%	Fixed Income 6.0%	**Asset Allocation -0.8%**	Large Cap 11.9%	Mid Cap 16.2%	Large Cap -4.4%	Developed International 22.0%	Mid Cap 13.6%	Small Cap 14.8%	Fixed Income -13.0%	High Yield 6.1%	Developed International 18.1%	**Asset Allocation 0.49**
Small Cap -33.8%	Small Cap 27.1%	High Yield 15.1%	Cash 0.1%	Large Cap 16.0%	**Asset Allocation 17.4%**	Small Cap 4.9%	Developed International -0.8%	Commodities 11.8%	**Asset Allocation 14.8%**	**Asset Allocation -4.6%**	**Asset Allocation 20.7%**	**Asset Allocation 12.5%**	**Asset Allocation 14.3%**	Mid Cap -13.1%	**Asset Allocation 5.9%**	Commodities 17.1%	Mid Cap 0.43
Commodities -35.6%	Large Cap 26.4%	Large Cap 15.1%	Mid Cap -1.7%	High Yield 15.8%	High Yield 7.4%	High Yield 2.5%	Mid Cap -2.2%	Emerging Markets 11.2%	Small Cap 14.6%	Small Cap -11.0%	Emerging Markets 18.4%	Developed International 7.8%	Developed International 11.3%	Developed International -14.5%	Fixed Income 2.7%	Large Cap 16.3%	Small Cap 0.31
Mid Cap -36.2%	**Asset Allocation 23.4%**	**Asset Allocation 12.5%**	Small Cap -4.2%	**Asset Allocation 11.9%**	Cash 0%	Cash 0%	Small Cap -4.4%	**Asset Allocation 8.8%**	High Yield 7.5%	Mid Cap -11.1%	High Yield 14.3%	Fixed Income 7.5%	High Yield 5.3%	**Asset Allocation -14.6%**	Developed International 1.8%	**Asset Allocation 10.9%**	Developed International 0.06
Large Cap -37.0%	Commodities 18.9%	Developed International 7.8%	Developed International -12.1%	Fixed Income 4.2%	Fixed Income -2.0%	Emerging Markets -2.2%	High Yield -4.5%	Fixed Income 2.6%	Fixed Income 3.5%	Commodities -11.2%	Fixed Income 8.7%	High Yield 7.1%	Cash 0.0%	Large Cap -18.1%	Emerging Markets 0.6%	High Yield 10.1%	Emerging Markets 0
Developed International -43.4%	Fixed Income 5.9%	Fixed Income 6.5%	Commodities -13.3%	Cash 0.1%	Emerging Markets -2.6%	Developed International -4.9%	Emerging Markets -14.9%	Developed International 1.0%	Commodities 1.7%	Developed International -13.8%	Commodities 7.7%	Cash 0.5%	Fixed Income -1.5%	Emerging Markets -20.1%	Cash 0.6%	Fixed Income 4.0%	Cash 0
Emerging Markets -53.3%	Cash 0.1%	Cash 0.1%	Emerging Markets -18.4%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Commodities -24.7%	Cash 0.3%	Cash 0.8%	Emerging Markets -14.6%	Cash 2.2%	Commodities -3.1%	Emerging Markets -2.5%	Small Cap -20.5%	Commodities -2.6%	Cash 0.3%	Commodities -0.19

Asset Class Key

Large Cap:	S&P 500	Developed International:	MSCI EAFE	Fixed Income:	Bloomberg Barclays US Agg
Mid Cap:	S&P 400	Emerging Markets:	MSCI Emerging Markets	Treasury Bills:	Bloomberg Barclays 1-3M Treasury Bills
Small Cap:	Russell 2000	High Yield	Bloomberg Barclays US Corporate High Yield	Commodities:	Bloomberg Commodity Total Return Index

Asset Allocation Weights

Large Cap:	40%	Developed International:	9%	Fixed Income:	30%
Mid Cap:	4%	Emerging Markets:	3%	Treasury Bills:	3%
Small Cap:	4%	High Yield	5%	Commodities:	2%

Source: Bloomberg. Past performance does not guarantee future results and it is not possible to invest directly into an index.

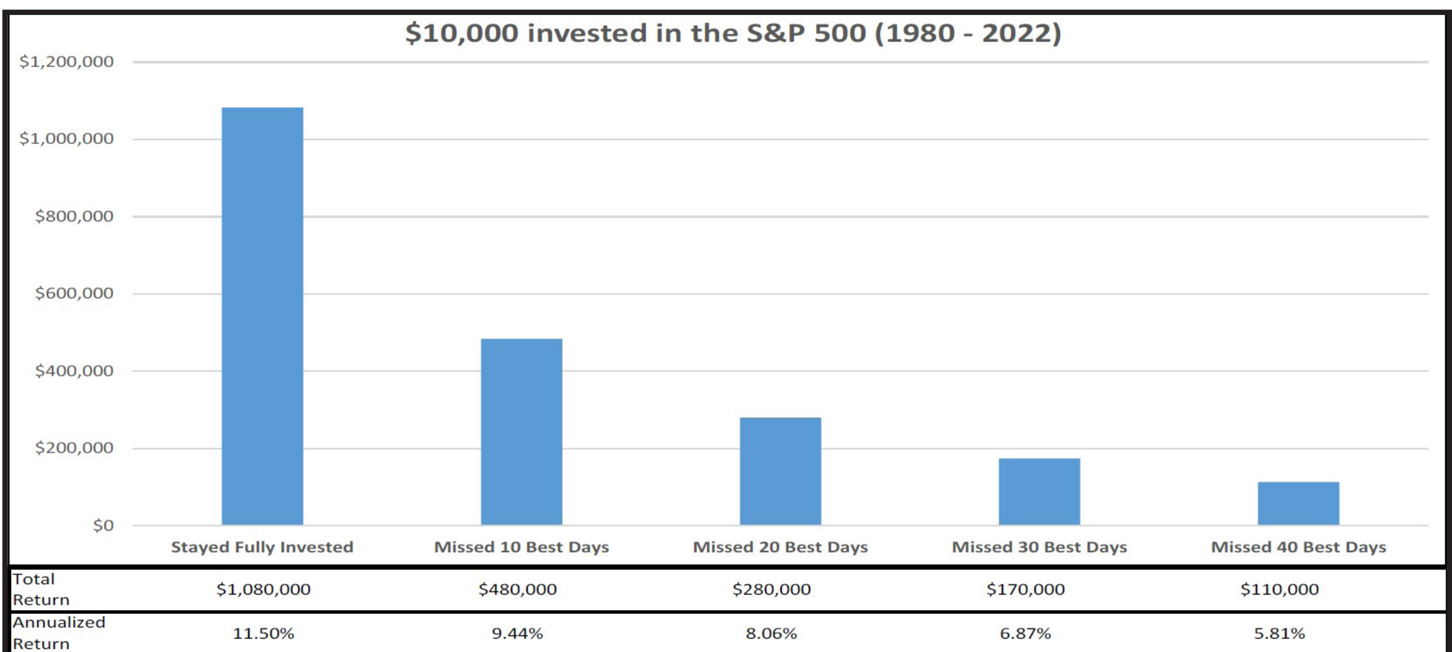
3. Trading Too Much and Too Often

Another common pitfall is the tendency to engage in frequent trading. While it might be tempting to act on every market fluctuation or news piece, this approach may incur trading costs and short-term capital gains (tax consequence) while possibly damaging the potential for long-term gains and overall return. We believe it's important to adopt a strategic decision-making process rather than acting on impulse. Remember, successful investing is a marathon, not a sprint. *No strategy assures success or protects against loss. All investing involves risk you should be prepared to bear.*

4. Trying to Be a Market Timing Genius
Attempting to predict market movements is an overwhelming challenge. Rather than trying to market time, we believe that successful investors develop a long-term perspective that is not based on the illusion of timing the market perfectly.

During periods of market stress, it is impossible to know when the market bounce will occur, but we do know that missing the bounce has historically had a severe negative impact on total return, see chart below. There will always be a reason to sell, but with a long-term investment strategy, investors are less likely to succumb to impulsive decisions such as selling their investments or moving them into cash based on short-term market movements or news events. This discipline helps avoid such costly mistakes while seeking to mitigate taxes and pursuing long-term growth. Please see our Client Question on **Market Timing**.

A slow and steady approach to investing seeks to reduce short term volatility, preserve and manage assets over time. Expecting a portfolio to do something other than what it is designed to do is a recipe for disaster. This means you need to keep your expectations realistic with regard to the timeline for portfolio growth and returns. *No strategy assures success or protects against loss. All investing involves risk you should be prepared to be*



	Stayed Fully Invested	Missed 10 Best Days	Missed 20 Best Days	Missed 30 Best Days	Missed 40 Best Days
Total Return	$1,080,000	$480,000	$280,000	$170,000	$110,000
Annualized Return	11.50%	9.44%	8.06%	6.87%	5.81%

Source: Bloomberg. Past performance does not guarantee future results and it is not possible to invest directly into an index.

5. Working with the Wrong Advisor
Choosing the right financial advisor can have an impact. Unfortunately, investors sometimes make the mistake of working with an incompatible advisor. Researching and vetting potential advisors for your distinct needs is very imperative. Moreso, it's recommended to regularly review their performance to ensure your financial plan and investment portfolio align with your evolving financial goals. Please watch our video on **Finding the Right Financial Advisor**. *There is no guarantee that working with an advisor will help you reach your goals.*

6. Letting a So-Called "Market Authority" Influence Your Decision
Acknowledging that you are not immune to the constant barrage of news, noise, and prognostications is important. In today's 24-hour news environment, with several financial television stations, radio networks, and countless publications, there is always someone willing to offer a gloom-and-doom outlook. We often have conversations with our clients regarding a so-called expert's prediction on an upcoming market crash. It's important to remember that media outlets are not paid to provide personalized financial advice; instead, negativity tends to capture people's attention. Please see our Client Question on **Dire Market Predictions**.

7. Letting Emotions Get in the Way

Emotional decision-making can become a significant limitation to successful investing. Emotions, like fear and greed, often lead to impulsive actions and poor decision-making. While no strategy guarantees success, developing a disciplined approach is essential to navigate the inevitable emotional highs and lows of the market. Working with an experienced advisor can help you structure a personalized plan and safeguard against emotional influences when it comes to investing. Please see our Client Question on **Framework for Navigating Current Market Conditions**.

8. Not Controlling What You Can

Identifying factors within your control is a foundational principle of investing. While market forces are external, you can mitigate some risk by planning and maintaining focus on a long-term strategy. Developing a disciplined approach, such as dollar cost averaging, involves investing equal amounts over an extended time period, regardless of fluctuations in price levels. This method helps to avoid being influenced by short-term volatility, as the investment gradually occurs over time. We believe this approach helps to pursue your long-term financial goals. *Such a plan does not assure a profit and does not protect against loss in declining markets.*

In summary, we believe successful investing lies not only in avoiding these common mistakes but also in embracing a disciplined strategy. At Winthrop Wealth, we attempt to mitigate common investment mistakes by following a **Total Net Worth Approach** which combines financial planning and investment management through a rigorous and disciplined process. Our proactive approach to wealth management involves anticipating changes, identifying opportunities, and seeking the best life imaginable for our clients. While many external factors are beyond our control, we do have control over our philosophy and process to help navigate these challenges effectively.

We believe in the benefits of staying **D**isciplined, **O**pportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses. In our opinion, adhering to a structured process and executing on all these components should help keep our clients on track toward pursuing their long-term objectives. To learn more, please see our Client Question on our **Total Net Worth Approach**.

DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

Financial planning is a tool intended to review your current financial situation, investment objectives and goals, and suggest potential planning ideas and concepts that may be of benefit. There is no guarantee that financial planning will help you reach your goals.

Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.

Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear.
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