



Managing Your Own Investments? Common Gaps to Consider in DIY Financial Plans [Ep. 9]

Transcript

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But we have a number of do-it-yourselfers that are clients.(...) And it's about finding out what's important to them. They've done it for so long, many people actually still like to do it, but they realize that there's more important things in life. And that might be the reason they change.(...) (Upbeat Music)

(...)

Today's episode is gonna be fun. We're gonna talk about do-it-yourselfers when it comes to investing.

(...)

I'm sure a lot of people out there might assume we're gonna say that, "No, you shouldn't do it yourself. You should only use us or an adviser." Not true. We've met a lot of people. You can definitely manage your own portfolio and do your own financial planning. It's just, you wanna be aware of certain pitfalls, which we're gonna dive into. It'd be aware of the time commitment and just how to minimize the chance of blowing up your portfolio.(...) Robert, why don't you kick us off about,(...) what do you think those are? Well, I would say the largest pitfall is or shortcoming of do-it-yourself investors is overconfidence. People thinking that they can beat the market. And I can tell you, as you know, through over two decades of doing this, we've seen dozens, dozens of people come to us and they were do-it-yourselfers.(...) Sometimes you kind of have that middle of the road where they do okay. Yeah, sometimes. They're not bad investors.(...) Only a handful of times we've ever seen somebody do amazing.(...) And then a lot of times we find somebody that they don't do so well and they lag the market dramatically. Well, that comes to emotions. They got overconfident. They got over sector specific. And they try to make calls in the market due to emotions versus just common sense. Well, we'll click on that, emotions. What do you mean? How can, why are emotions gonna help or hurt an investor? Well, there's two emotions when it comes to investing. Fear and greed. Let's start with greed because it's the easiest one to explain.(...) So with greed, people get sector specific because of some bias they have to that sector and it's doing really well. In fact, right now, let's just use Nvidia, right? People see Nvidia going up, they start buying it. They hold it, they hold it, they hold it. And then what do you think happens? They put 50% of their money in, 60%. Maybe it's a large portion of their entire net worth because of how much it went up. Well, then what happens?

(...)

Common sense would tell you, diversify, take your gains.(...) Even though you have to pay taxes on it, take your gains. It'll be long-term capital gains depending on how long you've held it. Take those gains, diversify it so you hold on because what happens most commonly is the market tends to fall. That stock can plummet, right? And then you lose your gains. I've seen it time and time again. They're biased on a certain stock or a certain sector. So that's greed. Now you have fear decisions.

(...)

I'm sure you've heard the old saying of, "Don't go gambling with your rent money." You don't wanna go to Winstar Casino up the road with your rent money because now you're playing with money that you need, money that determines something, that's at your home. Well, what happens when you start gambling with that money? Emotions come into play.(...) So when things go bad, you tend to get scared and you just walk away, where you normally walk away with less money. So how does that play into the market?(...) Well, let's say the market's doing really well. And maybe a person's diversified or not diversified. This could go either way. But you get a correction or even a bear market where the indexes are falling 15, 20%. The news is selling drama because news doesn't get its ratings by rainbows and butterflies, right? It's all drama. So the news is selling all of this, telling you the market's gonna continue to go down. You can't take it anymore. And so you sell out.

(...)

But if I was sitting there in a normal market, like the market's up, it's doing fine. And I tell a client that common sense, going back 240 years of stock market existence, Common Sense will tell you when the market's up, take some chips off the table. When the market's down, put those chips back in. The worst thing you can do is sell when the market's down. In fact, that's a time that you start putting more back into it. And if you're well-diversified, like we would be, if you're well-diversified, then that volatility creates opportunity for us to take advantage of. If you sell out, you capture those losses. And what do you think happens when somebody sells out? And you've seen it time and time again. You're not gonna get that return back. You're not. And so many times people think they can call the market. So the market dips, they hear the news saying it's gonna continue down. And what do you think happens? Slingshots right back up. This reminds me, and you probably remember this now as a client, but we got a new client right before the tariff announcement that Trump made.(...) And this person said they wanted to be very aggressive.(...) And rightfully so. They're youngish, they don't need the money right now. They make good money and they want to be virtually 100% in stocks. The tariff-- I already know who you're talking about. The tariff announcement happened.(...) One of the quickest drops in history, top five quickest drops in the stock market history, dropped and the gentleman was on the phone wanting to potentially be more conservative.

(...)

And I remember talking to him and saying, you know what, what we need to do is wait. If you're uncomfortable with this volatility,(...) give us some time. I don't know if it'll be a month, three months, six months or a year, ended up being a couple months. But we're gonna get your money back. And then once we get the money back, then let's be more conservative. Right? But I remember telling him, and I know you were part of that meeting,

(...)

you know what's gonna happen is I'm gonna call you back in the near future. I don't, again, I don't know if it's a month or a year, but it's gonna happen. I'm gonna have made you your money back that you lost since you've been a client. Unfortunately, he became a client literally at the top of the market and Trump announced the tariff hikes.

(...)

We're gonna make you that money back. And that is the time that you should be, you should consider to be more conservative. Think of how you feel right now. Think of this uneasiness, this anxiety that you have.

(...)

But I'll tell you what's probably gonna happen, Mr. Client, is after making that money back, you're probably gonna say, no, now I'm comfortable with taking a lot of risk. Right? And it didn't, and that's what he did. Exactly. I mean, fortunately he listened to us, but emotions, I agree, is a huge part. And secretly, I kinda like it when that happens, because when you're able to talk somebody off the ledge and they see that value. That credibility.

(...)

The next time it happens, then you have that same discussion. But it's important to have those discussions before the market falls. I think we're pretty good at that at GDS, because when you're working with people's money, you have to have the tough discussions before something bad happens. So would you say, because financial advisers are humans, right? So just like we're saying a do-it-yourself or could hypothetically, I'm not saying all of them are, but some do-it-yourselfers could be emotional, driven by fear or greed.

(...)

Would you say then that financial advisers, or one that should be, is good, you think is good, is good because it's not necessarily that they're not, they don't have those human emotions, but they have the experience. They've been through it before, so they know what the outcome is gonna be. Maybe not when, but they know what it's gonna be like and how to benefit because of that experience. It's not that they're,

(...)

it's not that they don't experience emotions, but they're going more with their head and less with their heart. Yeah, you know, that's a good question, and I might be a little long-winded on this.(...) As financial advisers, we wanna look at historical trends.

(...)

A great philosopher, Glen Smith, used to say

(...)

that it's not about timing the market, it's time in the market. In history, doesn't always repeat itself, but what's it saying? It often rhymes. It often rhymes. Okay, so we got 240 years of historical trends in the markets, bear markets, bull markets, corrections,

recessions, and when you look at what's the smartest thing to do over that time, which again, as I said earlier, when it's up, take some chips off the table. When it's down, put them back in. That is the best strategy over time. Now, we're financial advisers, we're wealth managers. We're also human. So to say, when you're dealing with people's wealth, that emotions don't play a part in it,

(...)

that would be a lie, it does. People trust us with something so important. I remember, and you remember this,

(...)

February and March, 2020,(...) COVID hits.(...) I remember March 25th, 26th, something like that,

(...)

going home to my wife, Lauren, and saying,(...) she could just tell that there were knots in my stomach because this was a different time. We're in a global pandemic.

(...)

And I remember going home, she goes, "What's wrong?" And I go, "I'm just stressed."

(...)

She goes,(...) I was like, "Clients trust us with so much." She goes, "Well, have any of them complained?" I go, "What's interesting is no, not a one."(...) Not a one. Not a one. That's a Louisiana sign. Sorry, that's my Louisiana coming out. But not a one of our clients have called and complained.

(...)

Lauren's had the opportunity,

(...)

being married for over 10 years, she's had the opportunity to grow and meet some of these clients. And some of them are retired and getting up there in age. And we have some clients, as you know, that worry constantly if the market's up or down. And so she specifically asked about one client. And I go, "No, what's awesome about this is that person hasn't called or wrote or anything. So I'm hoping they're okay." What was funny about that, and the reason this memory sticks in my head,

(...)

is the very next day I got a text from this client.

(...)

And it said, and I'm paraphrasing, but I'm almost to the point, because I still haven't saved my phone five years later.(...) It said, "Hey Robert, I finally had enough courage to look at the accounts and wasn't as bad as I thought it was gonna be with everything going on. So I have one simple question. How are y'all doing? Because we're fine over here.

(...)

And I love that because it shows the impact. And they know we care about them. And what's funny about what my wife said the night before, she goes, "Your clients know that y'all care about them. So just do the strategy that's made sense over time." So it comes back to that. Even though emotions can get into it, you have to trust the process. You have to trust the strategies.

(...)

And it's gonna work out.(...) So sorry to be long winded. No, I like it.

(...)

You talked about fear and greed, emotions. How about sector bias? I know that can be a big deal. Talk to us about sector bias, why that can be a problem. Yeah, that happens a lot. And I know I briefly touched on it in the first question. People tend to think maybe because their son worked at a place or daughter or they worked at a place for so long, or maybe nobody worked at a place. Maybe they're getting their hair cut one day and their barber told them about a stock and they're like, "This is gonna go to the moon." So they start dumping money into it. They start dumping money into it. And it could be a stock, it could be a certain sector.

(...)

Well, what sector's been hot the last year? Tech? Sure. So plenty of people are thinking, "Let's just keep going to tech. Let's keep going." Mag seven. That's right. Well except for Apple lately. Well, and what's interesting about that, if we're gonna get off topic a little bit, but it kind of plays into it, is let's look at the indexes recently. So if people are going sector specific or even playing an index that are an ETF that is sector specific, over the last six months, they could have destroyed their portfolio because seven stocks were holding up

the NASDAQ for the most part. 10 stocks were holding up the S&P.(...) Well, the S&P is made up of 500 companies. So what about the other 490? I'm not gonna tell you that they're all great, but you could make a tactical approach to stay diversified, not get sector specific. Because if that sector dips like it did just in the first week of April of this year,(...) where it's dropping 20 and 30%, what about the other stocks that held up and that became value buys,(...) right? So sector specific is a huge deal in people's minds, especially with do-it-yourselfers. Makes sense, and what about strategy into that? So what strategies are there?

(...)

I guess that depends on the person that you're talking to.

(...)

Sometimes there is no strategy when do-it-yourselfers, they just are biased on a sector. I would say for non-do-it-yourselfers. Like a planning kind of on the investing, not planning financial planning, but planning in terms of investing? It just reminded me of something else, another quote, if you fail to plan, then you plan to fail. So if you don't have a strategy, then you're set up for failure. What's the game plan, right? That's why our first episode, or one of our first episodes, we talked about financial planning. You have to have a game plan and a strategy. You can't be sector specific, you have to be diversified. I would tell you, if Warren Buffett, one of the smartest investors to ever live, wouldn't get sector specific and talks about being diversified,(...) this goes to the overconfidence. Why does an average investor think they're smarter than him?

(...)

In terms of tax implications, and I have some thoughts on this, but I would love to hear what you think. Sure.

(...)

I'm gonna do it yourself for what are some pitfalls that people are missing out when it comes to taxes. Well, let's look at what's going on right now. Taxes is a huge topic and it has been because current tax laws are set to sunset at the end of 2025.

(...)

So it's difficult for CPAs to stay up on tax laws.

(...)

Financial advisers have to stay up on tax laws. It's a full-time job to keep up with the ever-changing world. So how is a private investor who's got other things to do in life, how are they gonna stay up with the intricate details of the tax world? So what happens is they get sector specific, they get stock specific, it goes up,

(...)

Over-concentration. Over-concentration. And people tend to, when they're day traders, they're probably gonna be way more aggressive with their money than we would ever be. So they get heavy into something. Well then they become-- They may be more aggressive than they are even comfortable with, right? And that they realize that they probably are.

(...)

But they tend to also be day traders. Well, what's the problem with that? If it's not an IRA, then it's taxed at capital gains. Well, if you're day trading, then yeah, you could have some gains, but what if you held a stock for, or had a stock for 11 months and three weeks,(...)

and you hear some news and you think it's gonna go down, but you don't wanna pay short term capital gains. Maybe the company that you're in got sued,

(...)

and you think it's gonna go down, but you don't wanna sell because it's done you well, and it would be a short term capital gain. Maybe holding it one more week, maybe they don't know that holding it one more week could be a long term capital gain, and cutting their taxes in half depending on what their income is. So I'm not saying you don't wanna sell it. It depends on what's going on in the company. But know what the laws are, know what's going on, and because if you're day trading, you could literally double your taxes overnight or on any given year by just doing it that way. And wash sell rules, right? Oh, wash sell rules, yeah. So let's say that you're selling a position that you like, but it's getting close to the end of the year, you wanna tax deduction, it's a stock that's down, but you still like it. You wanna tax deduction, so you wanna take those losses. So you sell it and think, well, I'll just buy right back into it. If you buy that stock within 30 days, (...) that loss you got to give on your taxes, it's null and void, doesn't exist anymore. And that's called a wash sell rule. And when people find out about that, it's already too late, you can't reverse it, and they're usually pretty ticked off. So it seems like it takes a fair amount of time. I know we have former financial advisers that are retired that use us, but what are your thoughts on do it yourselfers in terms of how much time they might wanna be spending on their portfolio and just mental energy? It's a full-time job. I would say give it 40 hours a week. And you're right, we do have many former financial advisers that are clients, and they're smart, and they know what to do. But for them, why did they have an adviser?

(...)

Time back in their life.(...) Things that are important to people, things that are important change the older we get. And sometimes when people retire, maybe they've done the career for so long that they're just tired of it. To them, it's I wanna spend time with my kids, grandkids, my spouse.(...) And so for many of them, that's why they do it. But on top of former financial advisers that are clients, and don't get me wrong, I love the fact(...) that former financial advisers use us because they know the industry, and I think it says a lot

about-- They know how the sausage is made. That's right. And I think it says a lot about GDS.

(...)

That they would trust us knowing how it's made.

(...)

But then we have many do-it-yourselfers. And it's always interesting when we talk to a potential client who says I'm a do-it-yourselfer. Because one of the things I like to tell them is we might not be the best fit. Because we don't like to tell somebody what they wanna hear just to gain them as a client. And they need to understand that how our process works is successful and it's led to the success of many people. But we have a number of do-it-yourselfers that are clients.(...) And it's about finding out what's important to them. They've done it for so long, many people actually still like to do it. But they realize that there's more important things in life. And that might be the reason they change.

(...)

Many do-it-yourselfers also use Vanguard

(...)

as a financial institution. Why do you think they use Vanguard?

(...)

Low fees.

(...)

Vanguard was one of the pioneers when it came to ETFs. In fact, we use Vanguard in our portfolios. But yeah, Vanguard's been around for a long time. They're very low fees. That's probably their main-- They actually promote low fees.(...) What was it about five or six years ago that they had an article come out? The place that sells being the pioneer, as you say, in low fees and that's why a lot of people use them. Came out and said, using a wealth manager, an active wealth manager should be a net return on average of 3% a year. So it's worth paying the fee. So the place that talks about-- It's not saying the fee should be 3%. It's saying they should add a net value of 3-- A net value of-- Points, 3%.(...) So paying that one, one and a quarter, whatever anybody charges out there, it should be worth it in a net return on an average year of 3%.

(...)

And so the place that pioneered(...) selling their value by having funds with low fees is also promoting using a wealth manager because what it can do for somebody.(...) So when we're talking to do-it-yourselfers, it's all about finding out what's important to them. Finding out if there is a common ground for them to be a client, what's important? And can we give that to them? What's important, whether it's time back in her life, whether it's greater returns, maybe they don't have a family, it's just greater returns. Can we provide that for them? But you have to fact-find. And then you have to have those tough conversations before they ever become a client, so you're always on the same page. Okay. So as we wrap up this episode, some of the things that jump out at me that we've been talking about are not being emotional, by fear, by greed, being aware of taxes, capital gains, wash-shell rule. It's a lot.

(...)

I don't realize we covered that much, that's a lot. But if you do wanna manage your own money, you can definitely do it, but you need to be focused, don't be sector biased, pay attention to what you have. I would say don't fall asleep at the wheel.

(...)

There's a million other strategies we could talk about in minimizing taxes, how to get out of something, something else that just popped in my head as lately we've gotten some clients who have a significant net worth, but it's all in one stock, right? Exxon Mobil or Apple or whatever,(...) because they work there. And there's ways to slowly get out of it, writing covered calls and whatnot. But beyond that-- Before you say, because you made me think of something. Yeah. I want you to go back and tell a story. JCPenney, you remember this one.(...) Nine years ago, we talk about sector bias. And the client, I'm thinking about this as a client. I hope he listens to this.

(...)

We'll give him a shout out.

(...)

But when we met with him before he was a client, he said, "I know what you're gonna tell me to do.

(...)

"What everybody else told me is sell JCPenney."(...) And we had that conversation. And now, of course, he comes to client events and he brags about it because we did get him to diversify. But talk about that a little bit. Absolutely. This is a gentleman that worked at JCPenney for a long time. Super awesome guy, super cool. He's really cool.

(...)

He was somewhat a do-it-yourselfer in terms of was doing it himself, but not because he enjoyed it necessarily or thought he was good at it. Just hadn't found an adviser, gotten around to interview somebody. Well, he had 99% of his portfolio in JCPenney because he worked there. And that's when we met him and we were able to say, "Hey, we don't know if it's gonna get crushed," which it did.

(...)

But let's go ahead and diversify. You wanna be completely diversified.

(...)

I don't know exactly everything I can share about the situation, but I think it was life-changing.(...) We tell clients, we've helped 300 to 400 clients retire in order to be prepared to help you retire right the first time. Had he missed that ship, we call that the Red Zone, five years from retirement, five years into retirement, and that JCPenney, 99% of his net worth were to evaporate.

(...)

He would've been up a creek and he knows that. But it's funny, sometimes we assume that people do poorly on their investments because they, I don't know, they were greedy, like you talked about, or they're fearful. Sometimes people are kind of asleep at the wheel. They're living their life, they're going to work.

(...)

They're living their life. They're not fully aware that everything they've worked for for 40 years potentially is invested not optimally. And that could be a problem. It's heartbreaking.

(...)

I can't tell you how many times we've had somebody in our office in the last month, six months, a year. They're like, "Man, I wish I would've met you guys

(...)

two years ago, six months ago, so I didn't get slammed in this index annuity or in this product."

(...)

And it just stinks. And that's why I think one of the reasons we want to do this podcast is just try to, we're not saying everybody out there needs to use us. Find your own financial adviser if a lot of it's personality, but find yourself a fee only fiduciary that's not going to pitch you something you don't need, that has a clean background that's going to do what's best in your interest. And there's a lot out of them. We're not the only ones, but do your research. You owe it to yourself and your family, not to wake up one day and have a regret, right?

(...)

Life's not like a video game. You can't blow up your JC Penny and have your millions go to zero. You can't hit reset, rewind time. That money's evaporated. It's gone. Yeah, like you said, sometimes you can't be mad at your money. And luckily for this client, we were able to talk him into it when others weren't, and it worked out well. And of course, now he sings

our praises, but it does remind me of,(...) you'll remember the other scenario that happened. Years after this one,

(...)

I don't want to say where we got the lead from, but we got a lead that came in. And we talked to the gentleman over the phone, and he was a do-it-yourselfer, had about \$3 million in his retirement. And he was starting to retire, but he wanted to continue to do it himself. Wasn't a professional,(...) wasn't in the industry,

(...)

but we met with him. And after about a 15 minute phone call, I remember thinking to myself, ah, it's probably not the best client, because as we like to say, we're not going to tell somebody what they want to hear to gain him as a client, but we would have loved to work with him, but he wanted to take the wheel.(...) Well, then about a year later, and I can't remember everybody that's a potential client that I talked to, about a year later, this gentleman calls, and I happened to remember his name to the T. 12 months, 13 months it passed. And I just very politely said, I was like, well, I remember talking to you, and I remember that you're a do-it-yourselfer, and I remember that it's probably not the best fit for what we do as fee-only active fiduciaries. And he goes, no, my story's changed, can we come in?

(...)

And he and his wife come in, and they sit with us.

(...)

And I know you like to call it, catching a falling knife, right? And he comes in and he sits with us, and he tells us that he made some mistakes over that year period, and the \$3 million, we said, how much is it worth now? That's half a million. A guy who had his retirement set, He goes less than that, you and him. Yeah, a guy who had his retirement set for him and his wife,(...) everything looked great.

(...)

He was on track for his goals. So what did he do?

(...)

He bought JCPenney at the top, as it was falling, he bought it.(...) And I remember you asking, why did you work there? Did you have any relatives? I thought his parents or his uncle or somebody, or the grandparents were the founder or something. None of that. He goes, no, I thought they were too big to fail. And what's interesting is this was only five or six years ago.(...) 15 years ago, we were talking about JCPenney was probably going under.(...) And so our hearts were, I mean, I remember just being heartbroken for them, because it was a sad scenario, and they go, what can y'all do? And at that point, we could help,

(...)

but we can't replace a \$2.5 million loss and a portfolio that goes from 3 million to under half a million.

(...)

In your retirement years, that red zone, that important time of retirement, five years leading up to retirement, five years after retirement,

(...)

single-handedly destroyed his portfolio, and he had to go back to work. And it'll probably work forever, for until the end of his life, to make sure that his retirement's taken care of. So stories like that, that it tears me apart, and it goes back to, if you're going to be a do-it-yourselfer,

(...)

have a strategy.

(...)

Take emotions out of the picture.

(...)

And I would even say, do this strategy in good times, meaning think about what you're gonna do when the market turns, right? What should you, what decisions should you make after you lose money? Because then you're gonna most likely think clearer, rather than lose the chunk of money and then make it emotional. You honestly have to act like you're working with an adviser and you're the adviser, because as us, when we're meeting with a client-- Kind of like what you do, right? All the time, all the time. But you have to, when we meet with somebody, we're having those tough conversations, those game-planning strategies, before anything bad happens. If you're reacting to the market, you're behind it. So you're chasing it. You can't do it. You gotta be ahead. Well, that wraps up that episode. Let's get into the mailbag. I've been given one question. It looks like a three-part question, Robert. Oh goodness, three parts. I don't know if I'm smart enough to answer your three-part question being from Louisiana.(...) I'll give it a shot. How do you go about determining what is the best and most appropriate portfolio allocation for a client? What would make

this change over time? And lastly, is your suggested allocation at all dependent on market conditions at the time? This is from Steven. Steven, okay. Well, thank you, Steven.

(...)

So read the first part. Let's go sector by sector. Maybe you can jump in as well. How do you go about determining what is the best and most appropriate portfolio allocation for a client?

(...)

That's a very good and interesting question.(...) I would say there's no one size fits all. Many firms, and I don't wanna bash or pick on any firms, but many firms have one portfolio. It doesn't matter if you're 30. It doesn't matter if you're 100 years old. It doesn't matter what your risk tolerance is. They just have one portfolio. Doesn't matter, tax bracket, risk tolerance, nothing yet. Right. So we talked in another episode about 90% of advisers don't build financial plans. So here's what normally happens. If they have one portfolio, everybody fits in that. Everybody fits in that portfolio.(...) Let's say the few advisers out there that do have multiple portfolios, what they'll commonly do is look at your risk tolerance and put you in a cookie cutter model.(...) It's not that simple of an answer. Sure.

(...)

Understanding a client's risk tolerance is a piece of the puzzle,(...) but you have to use that in tandem with what are their goals? What have they told you is important to them? What's the game plan? How are you gonna navigate the market? So you use risk tolerance in tandem with the financial plan to come up with a strategy. And if you have multiple investment portfolios like we do, having about a dozen from ultra conservative to ultra aggressive and everything in between, then you can pick an appropriate portfolio for what's going on for their needs and have those hard conversations up front. Yeah,(...) I think you kind of said this, but to go down further on it, it's risk tolerance, when you think you might need the money, in other words, time horizon,

(...)

which leads to the next question they have is, what would make this change over time,(...) right? Which I'll tee you up as you get your water there.

(...)

It really depends on a financial plan, what their goals are, but what would make somebody go from one of our models to another model? Many people are gonna think it's age. And I would tell you a lot of times it is age or when they wanna retire. But as you know, one of our oldest clients passed away a few years ago at 101.(...) She was nearly 100% stocks.(...) And you would think, as you've liked to say in the past,

(...)

how can you be a fiduciary and have a 101 year old and 100% stocks?

(...)

You have to understand the client.

(...)

What are those funds for? She outlived two of her sons that passed away in their 70s. And this is going to her grandkids, who are in their 50s and great grandkids. So first is, what's the money for? Then you have to look at where the market is.

(...)

Depending on when somebody wants to retire and what their goals are for, you can look at where the market is, what's going on. And as they get closer to retirement,(...) some things can commonly change because they need that money to live on. So I don't know if that fully answered it, but you might be able to add some to it. No, it makes sense. You need to keep it fluid.(...) And the client's needs for cashflow changes, portfolio can change depending on what the goals are. And lastly, is your suggested allocation at all dependent on market conditions at the time?

(...)

Maybe you can talk about how within each model, there's deviation of percentage in inequities. So that gives me two answers. So thank you for that one. So let's talk about how the deviation in the models work. So let's say somebody's in a standard 75% equity model. So it's 75% equities, 25% bonds. Well, the market's constantly moving. So it's not gonna be exactly 75% equities. And if you're active fee only fiduciaries, right? And you're actively managing the investment portfolios, then you're gonna do the strategy that's worked for the past 240 years. When the market goes up, your percentage of equities goes up. Well, as the market goes up, what did we talk about earlier? Take some chips off the table, lower that equity exposure. And maybe not even back to just 75. If we get some research or some headwinds, there's no crystal ball, but some headwinds that the market may pull back even further, then we could take that 75% equity model that might have been, have 80% equities in it because of market going up. Instead of rebalancing it to 75% equities, we could take it to 68% equities, 70% equities, because we wanna have some powder dry to take advantage of the difference. How about a real life example? This year,(...) due to the tariff talk,

(...)

Trump tariff talk about increasing tariffs, the market came down. You wanna talk a little bit about how we took advantage, our traders took advantage of that. And we bought some stocks under a hundred bucks, a bunch of other ones that are up 20, 30% in a month, right?

Right, I remember as we were telling clients over the last six months that, hey,(...) there is a high probability that we're gonna-- By the way, past performance doesn't guarantee future results. We're not promising anybody that can happen. That happened with some positions with some clients, not all positions, not all clients. Great disclaimer.

(...)

And I remember the past six months, as we were talking about earlier, where we were telling clients, expect a 7% to 15% correction, if not 20, sometime in the next three to nine months. There was no crystal ball, but we felt very strongly that there was a high probability of that happening. So what did we do? Exactly that. In every model across the board, as you know, we decreased equity exposure, 7%, 10%, 15%, depending on the model and how much equities they held. Why did we do that? Well, the market's up, it's doing well, and we're calling clients and they go, "Well, guys, the market's doing well, why are we selling?" Well, that's when you wanna sell, right? That's the strategy. Take some chips off the table. But I'm paying taxes.(...) But I'd rather pay taxes on gains than no taxes on losses. Yep. Right? So then April, the April 4th, that Friday was April 4th, and then April 7th was a Monday of this year. You know, the market was in complete chaos. It was going down because of the tariffs. Well, what did we start doing? And I love this because it doesn't, you're right, past performance doesn't guarantee future results, and it doesn't always happen like this, although I could probably give you half a dozen to a dozen examples of where some good calls were made. But I remember Monday, April 7th, and April 8th, we started buying back in. And of course, no Crystal Ball. We didn't know the market was gonna rebound and go up another 10, 15% after that drop. But it goes back to common sense. If we're not buying on a 15 to 20% dip, why are the clients paying us? Exactly.

(...)

So timing in the market does have a lot to play with it. Appreciate it. Thanks for that answer. Thank you, everybody, for joining us, and see you next time. (Upbeat Music)

Disclosure:

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