

## Investment & Planning Rules for Financial Success

### The 12/7 Strategy

#### RIA's 12 Investment Rules:

- 1). Cut losers short. Let winners run. Reduce underperforming positions or remove from portfolios on rallies.
- 2). Investments without goals are arbitrary which increases portfolio risk. Set benchmarks you seek to achieve.
- 3). Emotional biases are not part of the investment management process.
- 4). Follow the trend. 80% of portfolio performance is determined by the underlying trend.
- 5). Don't let profits turn into losses.
- 6). Odds of success greatly improve when the fundamentals are confirmed by the technicals.
- 7). Avoid adding to losing positions. This is called "averaging down" and it rarely is effective.
- 8). Remain neutral or long in bull markets. In bear markets increase cash.
- 9). When markets or portfolio positions are trading at extreme deviations from long term trends, do the opposite of "the herd."
- 10). "Buy" and "sell" signals are useful only if action is taken.
- 11). A goal of portfolio management is to achieve a 70% success rate. Consistency wins the long game.
- 12). Manage risk and volatility, not returns.

#### RIA's 7 Financial Planning Rules:

- 1). Take a holistic approach. Proper planning integrates all assets, liabilities and sources of income.
- 2). Don't discount Social Security strategies. Take steps to maximize earned benefits. Coordinate Social Security withdrawals with those of other accounts to minimize the impact of taxes.
- 3). Healthcare costs including Medicare, and senior housing options must be included in the planning process.
- 4). Successful plans are grounded in financial self-awareness which includes prioritizing needs and wants.
- 5). Conversations with loved ones and friends about aspects of your financial plan are important. Make sure your estate, gifting and future housing intentions are clearly communicated. Let your Clarity Team facilitate the discussions.
- 6). Don't Get Fooled By Averages. The financial markets do not return 8% a year. A realistic financial plan includes variability in returns, including losses, over time.
- 7). Accountability Matters. A financial plan not followed is not a financial plan at all. Long term financial goals need to be broken down into monthly objectives and you and your advisor are accountable in meeting those objectives. (It is easier to achieve a savings goal of \$500/month versus \$6000/year).