



BURNS INSIGHTS

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K.I.S.S. Keep It Simple, Silly!

By Noah Burns

Complex financial strategies can be exciting opportunities, but investors are so often distracted by complex strategies that they forget to master the simple financial basics that may be much more impactful to their long-term financial health. In this quarter's newsletter, I'd like to focus on some universal pieces of advice that may seem obvious, but if you master them, then your financial health and wellness may be tremendous benefactors.

1) Don't spend more than you have. During turbulent markets, we often get the question, "what will it take for me to run out of money?" The question is usually in relation to market movements. However, it's not market movements that typically lead to running out of money. Running out of financial assets is much more a byproduct of either overspending or unforeseeable financial (and personal) disasters like long-term care needs.

I can't tell you that your account will not go to zero through market movements, but in diversified portfolios with different types of stocks, different types of bonds, and some cash, the odds are slim. Moreover, the performance of financial markets is far out of your control, and your spending and saving levels can be directly controlled by you. Can't afford a \$50,000 car? Buy a \$30,000 car. Can't afford to live on \$10,000 per month? There are people living happy, healthy lives just on social security. My grandfather was happy with his recliner, a Netflix subscription, and visits from family. As financial advisors, we never control your spending, but we can illustrate to you how much of your assets can be sustainably spent.

As financial advisors, one of the key components of financial health we look at is the savings rate or distribution rate for our clients. For all of our retiree clients, we review distribution rates to make sure they have a clear picture regarding whether their spending rates are sustainable.

If you feel like you may be spending too much from your investments, then please call us, and we can conduct a distribution rate review for you. A lot of times, we find you can actually be spending more money! There's one client of mine that I encourage to spend more money every time we speak. If he doesn't have a trip booked by the time we talk again, he's in trouble!

2) Save, buy, hold, repeat. This one is mostly for the friends and clients in the accumulation phase of life. Although the "hold, repeat" part of it applies to our retiree clients as well. Sometimes investors get caught up on when to buy stocks and other financial products,

and they fail to see that the most important thing is actually pulling the trigger and not the timing of the trigger pull. My favorite answer to "When should I invest?" is "As soon as you have money to do so."

Most of our clients have time horizons that are measured in decades and not in years, months, weeks, or days. These time horizons coupled with the studies that show that trying to time the market have actually resulted in negative relative performance really means it's best to just start and get comfortable that the timing is rarely perfect. For those still in the accumulation phase, starting the opportunity for compounding of your investments early is important and may lead to meaningful differences later in life.

The "hold" part of this advice is also important. Most investors feel like selling when the market is down. Most of the time that's a bad decision. In fact, most of the time when we're in a bear market, it ends up being a good time to buy! So our usual advice at these points in time is to at least hold.

Last bit on this subject. 401(k)s are one of the most successful saving strategies not because they are some sort of sexy, complex investment that few understand. They provide the opportunity for successful strategies because they automate "save, buy, hold, repeat." Every month in my 401(k), I save money, I buy stocks, I hold them, and a month later we repeat the process. We can create this for you outside of retirement accounts through automatic contributions and investments. This strategy is commonly known as "dollar-cost-averaging" and has proven to be effective. If you're an accumulator and have discretionary income, let's set up that extra income to automatically invest.

Diversification, dollar-cost averaging, and systematic investing do not ensure a profit or protect against loss. Investors should consider their ability to continue investing during periods of falling prices.

3) Remain focused on long-term growth and results. The media has trained all of us to think about the next five minutes and not the next five years. Oh, the 24-hour news cycle is alive and well in the financial news industry. In addition, financial markets are much more difficult to predict when looking at shorter periods of time versus longer periods of time. This has created a very large, very shortsighted investment populace.

Short-term thinking is often reactionary and impulsive. It's often based on emotion and sentiment and not logic. We always say "logic over emotion." We cannot stop you from feeling emotions, and some are inevitable. But it is so rarely the right financial decision to act

upon those emotions. If you are focused on long-term growth, you are less likely to sell at a bottom, and less likely to be sucked into taking too much risk at the top of the market. What happens today pales in comparison to what will happen over the next 10, 20, and 30 years.

If you ever find yourself on the edge of making an emotional financial decision, we are here to talk you away from that edge.

4) Get your estate plan in order. I almost titled this tip “be kind to yourself and others.” Having an estate plan is really about family. Sure, there are parts of it that are self-serving, and rightly so. There aren’t that many people in this world that I want making a “pull the plug” decision for me. You also want to make sure your assets are going where you want them and not somewhere else. However, an estate plan is also a massive gift to your family and heirs.

How is it a gift to them? Of course it can save on the time, energy, and financial costs of probate, but the biggest benefit is decreasing drama and stress. If structured properly, an estate plan can limit infighting amongst your heirs, decrease resentments, limit litigation, decrease hassle, and more. I can’t tell you how many times clients of

ours harbored negative thoughts about inheritances. Almost every time this happens, I can think of several changes to the estate plans that would have prevented it.

Need a referral for an estate attorney? Call us. We’d love to discuss what your current estate looks like and refer you some qualified colleagues for you to consider.

Today we are faced with war in Europe, high inflation, decreasing stock and bond prices, and about a hundred other things that we have no control over. We are dealing with a world of increasing complexities, but that doesn’t mean your financial life has to follow this trend. We find that perfecting these simple, possibly obvious pieces of advice are much more effective than complex products or strategies. This is not meant to be a comprehensive list of financial guidance or a magic trick for financial health. But the tips above involve parts of your life in which you have direct influence. We hope it can provide a renewed focus on what you can do to better your financial life in the face of such uncertainties. Our team remains available for calls and e-mails to any of our friends and clients that want to discuss implementing our suggestions here.

Robert’s Corner



Rumor Has It

“The rumors of my retirement are greatly exaggerated.” This is a play on the old Mark Twain quote. One of the most common questions I get these days is asking me when I am going to retire. Please know that I am still several years from my retirement. Don’t get me wrong, I do think of it. I have two younger

brothers that have been retired for years. The good news is that Noah and I have been working together as a team for around nine years, and I have complete confidence in him. No doubt, Noah is the future of our team, and I know he is earnest in making sure our team will continue to provide the best planning and investment services possible. It is also important to know that all of our clients are all of our clients. Even though one of us may be the lead on certain clients, we discuss and review each client’s situation. You can call anyone on our team if there is a question or situation that needs our attention. Lastly, when it is time to put this “old gray stud out to pasture,” you all will be some of the first to know, because a celebration would be forthcoming!

“Service Above Self”

This is the motto of Rotary International, of which I have been a member for over 31 years. In particular, I am a member of the San Clemente Rotary Club. Some may ask, what is Rotary? Rotary is a service organization that is trying to make our communities, the country, and the world a better place to live. Not only do we do community service projects, such as supporting military families, beach clean-up, volunteering at the local food bank, supporting youth projects, but we donate money to local charities and fund international projects (an orphanage in Zambia and a medical clinic in Guatemala) as well. Also, through our foundation’s endowment, we give thousands of dollars in scholarships to local students.

I tell you this because beginning on July 1, I have become president for the second time. I feel at my age and my circumstances that I should be doing more of the “heavy lifting” in our group. The older members deserve to do less, and the younger members (Noah is a member as well) need to focus on their careers and families. During these times, I have also found it to be helpful to me personally to think of others before myself. Can I fix all the problems of the world? No. But, my intent is to exude positivity in my whole sphere of influence to help make this world just a little bit better. I am actually excited about what this year may hold.

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