

# MONTHLY NEWSLETTER

---

www.steelpeakwealth.com

Published: Monthly

Edition: February 2018



## FEAR MUST NOT INHIBIT A FINANCIAL STRATEGY

*Too often, it persuades investors to make questionable moves*

### CONTENTS

*Fear affects investors in two distinct ways?*

*Impulsive investment decisions tend to carry a cost?*

*Anxiety about investing?*

**Fear affects investors in two distinct ways.** Every so often, a bulletin, headline, or sustained economic or market trend will scare them and make them question their investing approach. If they overreact to it, they may sell low now and buy high later – or in the worst-case scenario, they derail their whole investing and retirement planning strategy.

Besides the fear of potential market shocks, there is also another fear worth noting – the fear of being too involved in the market. People with this worry are often superb savers, but reluctant investors. They amass large bank accounts, yet their aversion to investing in equities may hurt them in the long run.

**Impulsive investment decisions tend to carry a cost.**

People who jump in and out of investment sectors or classes tend to pay a price for it. A statistic hints at how much: across the 20 years ending on December 31, 2015, the S&P 500 returned an average of 8.91% per year, but the average equity investor's portfolio returned just 4.67% annually.

Fixed-income investors also failed to beat a key benchmark: in this same period, the Barclays

Aggregate Bond Index advanced an average of 5.34% a year, but the average fixed-income investor realized an annual return of only 0.51%.<sup>1</sup>

This data was compiled by DALBAR, a highly respected investment research firm, which has studied the behavior of individual investors since the mid-1980s. The numbers partly reflect the behavior of the typical individual investor who loses patience and tries to time the market. A hypothetical “average” investor who merely bought and held, with an equity or fixed-income portfolio merely copying the components of the above benchmarks, would have been better off across those 20 years. In monetary terms, the sustained difference in performance could have meant a difference of hundreds of thousands of dollars in earnings for an investor across a lifetime, given compounding.<sup>1</sup>

**Other people are held back by their anxiety about investing.** They become great savers, steadily building six-figure cash positions in enormous savings or checking accounts – but they never sufficiently invest their money.

That confusion comes with a severe potential downside. Just how much interest are their deposit accounts earning? Right now, almost nothing. If they invested more of the money they were saving into equities – or some kind of investment vehicle with the potential to outrun inflation – those invested dollars could grow and compound over time to a degree that idle cash does not.

A large emergency fund is a great thing to have, but it can be argued that a tax-advantaged retirement fund of invested dollars is a better thing to have. After all, who retires on cash savings alone? Tomorrow’s retirees will live mainly on the earnings generated from the investment of the dollars they have saved over the decades. Seen one way, a focus on cash is financially nearsighted; it ignores the possibility that even greater abundance may be realized through its sustained investment.

Fear dissuades some people from sticking with a long-term financial strategy and discourages other people from developing one. Patience and knowledge can help investors contend with the fears that may risk hurting their retirement saving prospects.

## Important Consumer Disclosure

Steel Peak Wealth Management, LLC (“Steel Peak”) is an SEC registered investment adviser with its principal place of business in Woodland Hills, California. Steel Peak and its representatives are in compliance with the current registration requirements imposed upon registered investment advisers by those states in which Steel Peak maintains clients. Steel Peak may only transact business in those states in which it is registered, or qualifies for an exemption or exclusion from registration requirements. This newsletter is limited to the dissemination of general information pertaining to its investment advisory/management services. Any subsequent, direct communication by Steel Peak with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of Steel Peak, please contact Steel Peak or refer to the Investment Adviser Public Disclosure web site ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)).

This newsletter is provided for informational and educational purposes only and contains information that is not suitable for everyone. There is no guarantee that the views and opinions expressed in this newsletter will come to pass. Additionally, this article contains information derived from third party sources. Although we believe these third-party sources to be reliable, we make no representations as to the accuracy or completeness of any information prepared by any unaffiliated third party incorporated herein, and take no responsibility therefore. This article should not be regarded as a complete analysis of the subjects discussed. All information and expressions of opinion reflect the judgment of the authors as of the date of publication and are subject to change without prior notice.

Steel Peak is not licensed to and does not engage in the practice of rendering legal or tax advice. Any discussion of either is for informational purposes only and you are strongly encouraged to seek appropriate counsel prior to taking action. The information contained herein should not be construed as personalized financial or investment advice. We are not licensed to and do not engage in the practice of rendering legal or tax advice. Any discussion of either is for informational purposes only. We strongly encourage our clients to seek appropriate counsel prior to taking action.

Steel Peak Wealth Management has selected Charles Schwab & Co., Inc and TD Ameritrade, Inc., as primary custodians for our clients’ accounts. Schwab Advisor Services and TD Ameritrade Institutional serve independent investment advisory firms like ours which includes the custody, trading and support services of Charles Schwab & Co., Inc. and TD Ameritrade, Inc. As a registered broker-dealer and a member of the Securities Investor Protection Corporation (SIPC), Charles Schwab and TD Ameritrade are subject to certain regulations intended to protect assets held in brokerage accounts maintained at Charles Schwab and TD Ameritrade. Steel Peak is not affiliated with Charles Schwab or TD Ameritrade.

For additional information about Steel Peak, including fees and services, send for our disclosure statement as set forth on Form ADV from Steel Peak using the contact information herein. Please read the disclosure statement carefully before you invest or send money.

This message contains confidential information and is intended for the recipient. If you are not the intended recipient you are notified that disclosing, copying, distributing or taking any action in reliance on the contents of this information is strictly prohibited. Email transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of any email transmission sent or received. If verification is required, please request a hard-copy version.

## Citations.

1 - [zacksim.com/heres-investors-underperform-market/](http://zacksim.com/heres-investors-underperform-market/) [5/22/17]