With 2020 on the Horizon, Do You Have a 20/20 Vision for Your Wealth?

Four New Year's Resolutions to Sharpen Your Financial Focus

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In 2017, Global Equity Markets continued to soar, thanks to a combination of improved earnings, low inflation and accommodating monetary policy around the globe. The Dow Jones Industrial Average shot up 25%, the S&P 500 grew by 21% and the tech-heavy Nasdaq outshined them both with a 28% gain.* Will 2018 experience a similar hot streak for the equity markets? And if so, how high will they go?

As a wealth advisor advising clients on how to achieve what matters most to them for more than 30 years, I am regularly asked these types of questions. And the answer, unfortunately, is that no one really knows. No one can predict the markets and no one has the ability to control the exact moment investors should "get in" or "get out." Experts try and mostly fail. In fact, in 2016, Harvard - the largest Ivy League endowment - declined 2%, while the S&P was up approximately 12%.* And in 2017, the most bullish analysts got it wrong too. Most of the projections were in the single-digit range, a far cry from the huge gains ultimately achieved.

What I prefer to tell clients who ask me these types of questions is that instead of trying to predict or time the markets, it's more important to focus on actions that give you greater control over your financial destiny. I've identified four strategies you can implement in 2018 that I believe can make a real impact on the quality of your finances now and in the foreseeable future.

Resolution #1: Begin with a Plan.

As with any major goal, such as building a new home, the highly anticipated results will be accomplished after first carefully constructing a plan and then following that plan through completion. The same is true when planning for both short-term and long-term financial goals, like retirement or selling a business. A well-crafted investment plan provides the blueprint for making important financial decisions and prescribes a prudent investment philosophy and critical steps for achieving your goal.

Resolution #2: Employ a Goals-Based Approach.

Instead of creating a financial plan that focuses on "beating" a market benchmark, goals-based planning invests assets to increase the probability of achieving the goals that matter most to you and your family. Goals-based planning relies on the development of a personal financial roadmap that provides a clear path to achieving those goals. It requires diligence and discipline and begins with fortifying your investment portfolio with a solid safety net.

Resolution #3: Pay Close Attention to Asset Allocation and Diversification Strategies.

One of the best ways to address portfolio risk is to incorporate a fundamental core principal called asset allocation. Asset allocation is the concept of distributing investment dollars across the major asset classes; specifically, stocks, bonds, cash, real estate and other types of investments. A second core principle, diversification, is the concept of investing in various positions within each asset class. An equity investor who diversifies across different asset types, for example, can choose among Large Capitalization companies, Small Capitalization companies, International companies and Equity sectors (e.g., technology companies or healthcare companies).

The key to effective asset allocation and diversification is understanding that various asset classes and asset categories have different risk and return characteristics. How you manage these core investing principles is extremely important. Like asset allocation, diversification does not guarantee a profit or protect against a loss.

Resolution #4: As You Near Retirement, Consider Reducing Your Equity Exposure.

A major correction in the equity markets early in your retirement years - combined with ongoing withdrawals from your savings – could put you at risk of outliving your assets. With today's equity markets at elevated levels, a smarter strategy may be to consider slowly reducing the equity component of your asset allocation. By doing so, you are in a much better position to slowly increase your equity allocations over the long term, either by making additional investments or allowing the equity markets to grow them over time. This strategy seeks to provide greater downside protection, when you may need it the most.

The Road to 2020

No one knows for sure what the new year will bring or how the markets will perform. Resolving to get your financial house in order by developing a goals-based plan steeped in the fundamentals of strategic asset allocation and diversification that also becomes more conservative as you near retirement can help you properly prepare for what lies ahead. Begin by working closely with an experienced wealth advisor who has the skills and resources required to not only understand your goals, but chart a tailored path to achieving them by 2020.

About the Author

Robert D. Finan is a Senior Vice President, Financial Advisor and founding member of the Finan Group at Morgan Stanley. A wealth management professional for more than 35 years, Bob has dedicated his entire career to helping individuals, families and small business owners achieve their financial goals. His approach focuses on a comprehensive wealth management plan and a commitment to providing outstanding service and advice. Robert Finan was recognized by *Barron's* as one of America's Top 1,000 Financial Advisors in 2010, 2011 and 2013 and was named to the *Financial Times'* list of America's Top 400 Advisors in 2015.

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