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Lynn's Top Five

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All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals, and economic conditions, may materially alter the performance of your portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or strategy will be suitable or profitable for any investor's portfolio. Lynn Ballou is a CERTIFIED FINANCIAL PLANNER ™ professional and Regional Director with EP Wealth Advisors, a Registered Investment Advisory Firm in Lafayette. Information used in the writing of this column is believed to be factual and up-to-date, however, we do not guarantee its accuracy. This column does not involve the rendering of personalized investment advice and is not intended to supplement individualized professional advice. A financial, tax and/or legal professional should be consulted before implementing any of the strategies directly or indirectly suggested and discussed. All investment strategies have the potential for profit or loss.

In the past two years we've been on quite the roller coaster ride with markets both swooning and swelling. For good reasons, we've been glued to the news wondering when it will be safe to travel, eat out and most basically, hug our friends and family! And despite the amazing vaccines available, with the surge of the recent virus variants, many of us are still left to wonder. All these issues and so many more have impacted our investments and I think many of us suffer from decision paralysis. Most recently it's especially logical to believe that we still don't have enough information to actually DO anything. But now is not the time to stick our collective thinking in the sand - let's agree to dust off the statements and take a look at what we own and our thoughts about if these holdings make sense given who we are, where we are, what we know and our vision and hopes for the future. Some perspective might help.

1) Should I lock in gains on investments? Looking at your portfolio, if you feel that your equity holdings have overtaken your portfolio percentages too much, despite the tax cost of locking in gains in non-retirement accounts, you might want to think about taking some gains off the table. This is especially true if you have need to access some of your capital in the next year or so for major purchases, or even for retirement income. If you are unwinding positions with large capital gains, work with your tax professional to determine if you have any timing considerations to guide you such as different income projections in different calendar years which could impact many calculations on your return.

2) What's going on with inflation? And how will that impact rates of return on fixed income investments? If you believe that pent up demands for goods and services and the labor shortage in some sectors will drive prices up, then you may also feel that those concerned about inflation are right to feel as they do. Clearly we are not being rewarded for sitting on cash with respect to interest income, although it does allow us to park funds while limiting valuation fluctuation. If you believe that rates are poised to increase, you should consider keeping your fixed income assets liquid and short term. As rates increase, you can start to buy a ladder of longer-term maturities.

3) Think about investing globally. If you are looking to add depth to your high quality, dividend stock portfolio, don't neglect stocks that are not U.S.-based. Many very respected foreign-based companies in sectors from health care to finance are worth consideration as holdings in a diversified, large cap dividend-oriented portfolio. If this is not an area of expertise for you, look to investment managers to shoulder that work for you. You can access that type of capability with mutual funds, ETFs and private wealth managers. Other readers might be interested in investing globally in fixed income assets. Again, unless you feel competent handling the research yourself, lean on investment pros to assist in these types of holdings.

4) 529 Plans continue to be a college saving favorite. In California we do not receive a tax benefit for funding 529 plans which leaves us free to use any state's 529 plan. Research which state has the investment choices you feel most appropriate for your future graduate. Understand what all family members are doing to support future college students so that you know if you would like to retain control and how much to fund (www.scholarshare.com has a lot of helpful 529 information especially with respect to Californians). Be sure your plan choices are flexible so that as your student beneficiary ages, you can rebalance the holding allocations appropriately.

5) Understand your risk tolerance as you consider changes. So while I encourage readers to review their holdings and make changes as appropriate, I also want to emphasize the importance of understanding

your risk tolerance before jumping in. And be open to the notion that your risk tolerance changes over time and with respect to your and your family's circumstances. Also, when reviewing your portfolio and thinking about risk management, you have the opportunity to use different types of accounts to handle different aspects of risk. For example, if you have holdings in retirement plans such as IRAs and 401(k)s and you are many years out from retirement, you can think about overweighting these accounts with equities, whereas you may want to keep your after tax accounts more focused on tax free income holdings such as tax free muni bonds, or more tax efficient equity products such as ETFs. Remember to look at all your holdings together and how they are managed as a group, while nonetheless taking the opportunity to use different types of accounts to invest in different aspects of portfolio vehicles.

Since your investment portfolio is a cornerstone of your financial security and longevity, make time to consistently review and evaluate what you own and why. Make appropriate changes with thoughtfulness in the backdrop of your family financial planning thinking about everything from your risk tolerance to tax implications. If you find the prospect of handling these responsibilities daunting you are not alone, and I encourage you to seek out a licensed investment professional for advice and guidance. Please let me know if I can be helpful on that journey.

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