RETIREMENT
INVESTMENT ADVISORS, INC.

3001 United Founders Blvd.
Oklahoma City, OK 73112
(405) 842-3443
(800) 725-4530

2952 Via Esperanza
Edmond, OK 73013
(405) 246-0404

9300 John Hickman Pkwy.
Suite 504
Frisco, TX 75035
(972) 377-2850

www.TheRetirementPath.com

left to right: Joe Bowie, Andrew Flinton, Brenda C. Bolander, Carol Ringrose Alexander, Randy Thurman, and Chad Rudy

Financial Briefs

FEBRUARY 2019

5 Steps to Create an Investment Plan

Like anything in life, having a plan for your investments will help you reach your investment goals. Below are five steps for crafting your investment plan.

1. Determine Your Goal

Every good investment plan begins with a clear goal in mind. Ask yourself: "Why am I investing? What do I hope to do with that money?" For example, you might invest to:

- Fund a child's college education
- Retire comfortably
- Buy a house
- Start a new business
- Leave a charitable bequest to a favorite cause
- Pay for a wedding

Write down your investment goals. Make them as specific as possible. Think about the kind of lifestyle you want in retirement, the cost of your dream vacation home, the cash you'll need to start your business, or the cost of tuition where your children might go to college. Write down a realistic estimate of how much you think you'll need. Making these estimates can be challenging, but it's an essential investment planning step. After all, if you don't know where you're going, you'll never get there.

2. Decide on Your Time Frame

After you outline your goals, establish your time frame for investing. Typically, goals will fall into one of three categories:

- **Short term:** Short-term goals are those you expect to achieve in five years or less.
- **Mid term:** Mid-term goals are those you expect to achieve in five to 10 years.
- **Long term:** Long-term goals are those you expect to achieve in more than 10 years.

Your investing time frame has a

Continued on page 2

Asset Allocation and Diversification

So, it's time to start selecting investments for your retirement account. You sit down at your desk, start looking over the list of investment options, and are quickly overwhelmed. How do you build your retirement portfolio (or any other investment portfolio)? What's right for you? The answer to those questions lies in two essential investing concepts: asset allocation and diversification.

Asset Allocation

Asset allocation sounds complicated, but it's actually a fairly simple concept. It involves selecting a variety of different types or categories of investments — called asset classes — for your portfolio as a way to hedge against risk. Asset classes the average investor is most likely to encounter include cash equivalents, stocks, and bonds. Other asset classes include commodities, real estate, and other investment alternatives.

Why invest in different asset classes? Because they are affected differently by economic events and market factors, investing in a variety of asset classes is a way to reduce risk in your portfolio. For example, if stocks fall dramatically, other asset classes in your portfolio will likely help mitigate your losses.

Diversification

Choosing your asset allocation is just the beginning. In order to minimize risk, you'll also need to think about diversification. But if you just build a portfolio out of several different asset classes (say, stocks, cash, and bonds), aren't you already diversified? Not necessarily. In addition to diversifying among asset classes, you also need to diversify *within* asset classes.

Diversification is simply another way of saying, "Don't put all your eggs in one basket." If 60% of your portfolio is in stocks, 30% in bonds, and 10% in cash equivalents,

Continued on page 3

FR2018-1017-0009

5 Steps

Continued from page 1

direct relation to the investments you'll choose. Generally, the shorter your time horizon, the less risk you want to take. If you will need your money in three years to pay for your daughter's college education, then putting all your money in riskier investments is probably not wise, as the chances of losing money are greater. Instead, less-risky investments like bonds will likely make up a larger portion of your portfolio. But if you're investing for the long haul (for a retirement that's 30 years away), you can invest in higher-risk investments, since you'll have more time to recover from a loss.

3. Evaluate Your Tolerance for Risk

All investments come with risk — the chance you could lose your money. But riskier investments also come with the possibility of greater return. As an investor, you must decide how much risk you're willing to accept. Your personal risk tolerance is closely related to your goals and your time frame, as well as your experience with investing and your feelings about the possibility of losing money.

4. Decide How Much to Invest

Once you've considered your time horizon, goals, and risk tolerance, you can consider how much to invest. You should keep a portion of your savings in a stable, easily accessible account to use for emergencies and other immediate needs.

Once you have the funds for your initial investment, you'll need to decide how much you want to invest on an ongoing basis. This number will be determined by your budget, investment goals, and time frame. For smaller, short-term goals, determining ongoing investment amounts is fairly easy. If you want to buy a home in five years, you might open an account with $2,000 you've already saved and then invest $400 a month for the next five years.

Deciding how much to invest for longer-term goals can be more challenging. When saving for retirement, you'll need to consider how much yearly income you'll need, your anticipated investment returns, when you want to retire, how long you can expect to live, the impact of inflation, and money you'll receive from other sources like Social Security. It can be a complicated equation, which is why many people turn to a financial advisor for help running the numbers.

5. Choose Your Investments

Given the thousands of possible options, choosing investments can be overwhelming. But completing the first four investment planning steps should help you make those decisions. Again, your goals, risk tolerance, and time frame will point you in the right direction, such as toward target-date funds designed for retirees or college savers, or a money market fund for short-term goals. But if you're baffled by all the options, it's always a good idea to seek a second opinion. Please call if you'd like help with your investment plan.

Don't Make These Selling Mistakes

An important part of any investment strategy is developing a methodology for ultimately selling your investments. Unfortunately, many investors sell based on emotional factors, making one of several mistakes:

- **Holding on to an investment with a loss.** Psychologically, it's difficult for investors to sell an investment with a loss. Many prefer to wait until the investment at least gets back to a break-even level. Take a hard look at the investment and consider selling if you can reinvest in an investment with better prospects.
- **Hanging on to capture more gain.** When an investment has increased dramatically, you may be reluctant to sell, even if you feel its price has quickly gone too high. There's always the risk you'll sell and the price will keep going up. But sometimes it's best to protect your gains.
- **Not setting price targets.** One way to take the emotion out of selling is to set high and low price targets for reevaluating an investment. You don't have to sell when the investment reaches those targets, but at least review whether you should sell. Sticking with rigid rules for selling when an investment declines by a certain percentage can help ensure you sell before incurring substantial losses.
- **Trying to time the market.** Even if the stock market is following a general trend, there will be up and down trading days. Trying to buy and sell stocks based on daily fluctuations is difficult.
- **Worrying too much about taxes.** Taxes can consume a significant portion of your investment gains. Even if you have long-term capital gains, up to 20% will go to the federal government in capital gains taxes. However, avoiding taxes may not be a good reason to hold on to an investment. There are typically strategies that can be used to help offset the tax burden, but there's not much you can do about a loss in investment value. If it's time to sell an investment, you should probably do so.
- **Not paying attention to your investments.** Your portfolio needs to be evaluated on a periodic basis or you could miss signals that it may be time to sell. You should reevaluate an investment when the company changes management, when the company is acquired by or merges with another company, when a strong competitor enters the market, or when several top executives sell large blocks of stock.

Asset Allocation

Continued from page 1

you are diversified among asset classes. But if you only own two or three different stocks, you're not diversified within that asset class. If one of those stocks plummets in value, your portfolio could take a big hit.

Diversification may sound fairly simple, but it can be more complicated than many realize. For example, you may think you're well diversified by investing in eight or nine different stocks. But if each of those stocks is in the same industry, they'll each have roughly the same performance. To better diversify, you might want to select nine stocks in nine different industries. Another big diversification that people make is investing too much in their employer's stock. No matter how confident you feel about the future of your company, it's rarely smart to place too much of your assets there — if the business goes under, you could be out of a job and much of your savings.

Asset Allocation and Diversification in Practice

How do you determine the right asset allocation or diversification for your portfolio? It depends on your investment goals and time frame. If you are young and investing for retirement, you can afford to have a significant portion of assets in equities, with the goal of maximizing your investment return. As your retirement date nears, you'll likely want to shift to a more conservative portfolio with a smaller allocation to stocks, so you can better protect your wealth.

In the intervening years, you will periodically tweak your asset allocation so it changes with your situation. You should also monitor your specific holdings in each portfolio, making occasional adjustments so you are properly diversified. The ultimate result is a portfolio that evolves with you and the current market situation. Please call if you'd like to discuss this in more detail.

Why Teach Your Children about Investments?

It's never too early to begin teaching your children about money. Children as young as three can begin grasping basic financial concepts, while older kids can handle more advanced concepts than adults may give them credit for. Yet too many parents neglect to educate their children about how money works, which does them a serious disservice.

When you teach lessons about money, you give your children a valuable gift that will serve them well throughout their lives and help put them on the path to financial independence.

Not convinced your children need to know how investing works? Here are four good reasons to teach your children about investing.

Because Someday They'll Need to Do It on Their Own

You teach your children to ride a bike, swim, or safely cross the street because you want to be confident they'll eventually be able to do those things without you holding their hand. The same goes for investing. Once your children are on their own and have jobs, they'll have to make decisions about investing for retirement and other goals. If they are armed with good lessons from childhood, they're more likely to make smart decisions.

Because Good Money Habits Start Early

Children's core money habits may be ingrained as early as seven years old. While it may not be reasonable to expect a second grader to understand the intricacies of derivatives and hedge funds (especially when most adults aren't familiar with those concepts), you can start to teach children about concepts related to investing, like the idea that wealth builds over time. One way to do this is by having children open a savings account that earns interest, or you could reward their saving on your own, perhaps by matching a certain percentage of their savings, just like your employer matches 401(k) contributions.

So They Can Make Mistakes

Making mistakes is a part of the learning process. Most people have to make their investing mistakes as adults, when losing money often hurts a bit more. But by exposing your children to investing at a young age — and by letting them make their own decisions when it's appropriate — they'll learn valuable lessons now, when losing money hurts less. So let your children invest a small amount in that questionable stock. When it tanks as you expect it will, junior will have learned a valuable investing truth.

So They Can Start Building Wealth Early

Consistent, focused investing is one of the best ways for most people to build wealth. If your children start young, you'll be giving them an important leg up for their financial future. Even if you aren't prepared to give children the reins yet when it comes to managing their money, you can show them how you're giving them a solid foundation by putting their birthday cash and other gifts in an investment account like a Roth IRA. As long as children have earned income from a job, they can put money in a traditional or Roth IRA. Even if it's just a few hundred dollars, by starting early, their money will have decades to grow. If they continue those good habits as adults, by the time they reach retirement, your children could accumulate significant sums.

If you're ready to teach your children about investing but aren't sure where to start, please call.

News and Announcements

From the Alexander Household

For the discussion of health care issues, our Leadership Oklahoma class met at the Stephenson Cancer Center. Oklahoma has the seventh highest cancer mortality rate in the nation; one in two men and one in three women will develop cancer during their lifetime. Bringing National Cancer Institute designation to Oklahoma has been a goal since 2001 when the legislature approved House Bill 1072. This was achieved in 2018 when Stephenson was designated a NCI Cancer Center, which is comprised of the top 70, or 2 percent, of cancer centers nationwide.

What I found fascinating is that even before Stephenson achieved the NCI designation, its researchers were making a name for themselves to the point that they were throwing off other scientists' calculations. Stephenson enrolled more patients in clinical trials than any other center in 2017, according Dr. Ned Sharpless, Director of the NCI. In one trial conducted at multiple centers, the researchers had to run additional calculations to make sure the "Oklahoma effect" of so many Stephenson patients participating wouldn't skew the results. The head scientist in that trial noted the "dedication and hard work of a few clinical trial enthusiasts in Oklahoma," Sharpless said.

"If all we were doing is (providing the) best care we've ever done, 35% of our patients are still going to die," said Dr. Robert Mannel, Stephenson director. "If we find a drug that improves survival in ovarian cancer by 20 percent, that doesn't just help us, that helps every woman in the world."

On a personal note, a friend who is facing a bone marrow transplant expressed gratitude that the availability of high-quality treatment in Oklahoma will make it easier for him and his family and enable him to keep his job. So on individual, city, state, national and worldwide levels, the research and treatment at Stephenson is making a difference.

Carol Ringrose Alexander,
CFP®, AIF®, CDFA™

From the Rudy Household

Over the years, I have repeatedly heard many positive comments about a high school class called Independent Study and Mentorship (ISM). A few times, I even had the opportunity to mock interview the ISM students. But I really did not grasp how impressive the class is until this year. Kayla, my oldest daughter, is a junior and is currently enrolled in the class and is learning some amazing things.

The primary focus of the class is to identify a career and find a community mentor in this field. Before you can jump into the mentor process, the students complete extensive research about their career choice. The students had to prepare themselves for the interview process by completing a resume, setting up a professional voicemail, creating a LinkedIn profile, and cold-calling prospective mentors. The cold-calling process really stood out since they were not permitted to identify themselves as a student in the introduction. Kayla received some real-world responses and was a bit surprised.

Kayla identified accounting as her career choice and is working with the CFO for Frisco Independent School District as her mentor. This past week, all the ISM students held a public showcase allowing the community to ask them about their decisions. While the class can be very challenging and time consuming, Kayla is really enjoying the experience and has just started digging into the mentor project portion of the class. I am looking forward to her final project.

Chad Rudy, CFP®

From the Bolander Household

"Oklahoma, where the wind comes sweepin' down the plain…" Yesterday when leaving the office, the blast in my face and grit in my teeth reminded me of a particular dust storm from my college days in western Oklahoma. The wind was relentless and a red dirt cloud filled the sky for three full days! Visibility was down to about 20 feet and nearly blotted out the sun. Everyone who ventured outdoors wore a scarf or mask as a barrier to the stuff swirling about them. Indoors, everything was covered with a thick layer of red powder. It was an amazing thing to see and live through, and at the time we supposed it was similar to the "Dust Bowl" days from the 1930s. (Of course, the actual Dust Bowl lasted about eight years!)

While dust storms seem to happen with some regularity on the high plains, that exceptional event was called the worst in 20 years. It is documented in The Proceedings of the Oklahoma Academy of Science and, "By authoritative estimate, seven million tons [of dirt and dust] were deposited in Oklahoma during the storm of February 22–24, approximately 100 tons per square mile, or 300 pounds per acre." Hopefully we won't see anything like that this year!

Have a great month!

Brenda C. Bolander,
CFP®, CPA/PFS

Source:
http://digital.library.okstate.edu/OAS/oas_pdf/v58/p116_128.pdf

Retirement Investment Advisors Oklahoma City Office is moving!

Don't worry, we aren't going far. We are moving just one building to the east. Our new address effective March 1, 2019 will be 2925 United Founders Boulevard, Oklahoma City, OK 73112. Our phone number will remain (405)-842-3443.