

Singer Wealth



Don't Forget Rule Number 1

Warren Buffet famously said the first rule of investing is don't lose money and the second rule is don't forget about the first rule. Since stock market returns are predicated on the health of the economy there have been times when stock investors found it challenging to adhere to rule number 1.

In 1929, when the economy plunged into the Great Depression, the stock market crashed, and it did not recover for over 15 years. Between 1966 and 1981, stock investors lost over 60% of their money after factoring in inflation. Traditionally, most investors attempted to reduce risk by allocating some of their portfolio to bonds or cash. This did not work very well in 2022 when interest rates shot up and bonds plummeted. Luckily, this is a more effective way for investors to reduce or eliminate the investment risk of their stock investments.

When an investor buys an ETF that tracks the S&P 500 index, they get 100% of the upside and 100% of the downside. However, there are defined outcome ETF's that track the S&P 500 but also use derivatives to limit or eliminate the downside in exchange for limiting the upside. For instance, many of our client's own ETF's that track the S&P 500 but provide 15% buffers against losses. That means that each year if the index is down less than 15% the investors lose nothing.

In 2022 when the index was down 20%, they would have lost only 5%. That is a lot better than how the 60/40 portfolio fared. Additionally, there are three-year structured notes that allow investors to make 100% returns on a stock market index with zero investment risk. All principal is protected, and investors are contractually guaranteed from a major bank that they will get back 100% of their principal even if the index crashes. Finally, for those interested in investing in Bitcoin but not interested in the risk there are ETF's that allow you to make all the gains of bitcoin capped at 30% per year with maximum annual downside exposure of 10%.

Have you heard about our Vision Quest Process? Watch the video below to learn more!

Singer Wealth

www.singerwealth.com

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We are committed to helping you achieve your financial goals. Please feel free to contact us with any questions, comments, or a more in-depth discussion.

Sincerely,
Keith Singer

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