

PRISM PLANNING & SOLUTIONS GROUP, LLC

Investing Wisely Awareness Newsletter



FROM YOUR ADVISOR

Think about where you're getting information you use to make financial decisions. A lot of people get paid good money to be interviewed on television and quoted in the media about what they think will happen in financial markets. Human beings crave certainty and can be drawn to people who seem to be confident in their opinions. There will always be people who will make forecasts and sound very certain but do yourself a favor and listen carefully. Sometimes there are multiple "if" statements – such as "If A happens and if B happens then I think X will happen." It's very reasonable to give an opinion about what could happen under a very specific set of circumstances. Then you think about the A & B circumstances. Do they seem reasonable? Remember, no one really knows what's going to happen, especially in the short term. In December of 2023 the markets were predicting 6 or 7 interest rate cuts by the Federal Reserve in 2024, but that was contradictory to what the Federal Reserve said and now the market thinks we may have 2 or 3 cuts this year.

UPCOMING EVENTS

All events hosted on Zoom unless indicated otherwise.

June 20, 2024, at 6pm – TBD

Zoom information provided upon registration.

Please email: Sharon@PPSgrp.com for more information.

INVESTING WISELY AWARENESS

Being a wise investor starts with knowing a few key things about yourself, and then applying some simple guidelines that are built on common sense.

First, it's important to understand that almost all financial decisions are ultimately made to meet an emotional need. We are usually driven either to seek positive outcomes or avoid negative ones. They can translate into greed or fear respectively. Another way to think about them is seeking pleasure versus avoiding pain. Most of us have an innate way of operating in the world and that is going to affect everything we do, including developing our investment strategies. Don't try to go against your basic nature. Even if your investment could be called successful by some objective standard you probably won't be satisfied.

Of course, you'll need a reasonable understanding of terms such as "price earnings ratio," "earnings multiple," and "growth vs. value." But before you even start thinking about whether you want to own stocks, bonds, ETF's or mutual funds apply some commonsense rules to the abundance of information available.

- Diversification simply means don't put all your eggs in one basket. Spread your investments between stocks and bonds, US and non-us companies, and large and small companies.



INVESTING WISELY AWARENESS

- Something that sounds too good to be true usually is. There are normal ranges of what to expect for almost every statistic you can analyze regarding an investment. If you come across something that is very different from its peers, ask yourself why. Although we can never have perfect information, remember that there can be a lot of risk in what you don't know.
- Look before you leap. Do your homework. Decide your buy and sell criteria and expectations and then objectively compare your investment choices to what you need or expect them to do for you.
- Follow the money. Remember to ask questions about your sources of information. If you follow the recommendation that someone is making how much do they stand to benefit?

“ALL THINGS IRA CORNER”

Consider using a Roth IRA to save for higher education costs. When we think about saving for college, we usually think about 529 accounts. They have tax benefits and income restrictions on contributions. But they also carry penalties for non-qualified distributions. A Roth IRA offers several key benefits that may make it an attractive alternative:

- Roth IRAs are NOT an included asset on the FAFSA while 529 plans are.
- Roth IRAs are more flexible; you decide how much you want to earmark for higher education costs, but you can change your mind without penalty. With a 529, you may owe income taxes plus a penalty if don't use those funds for higher education*.
- Contributions to your Roth IRA may be withdrawn at any time without tax consequences, and you may be able to withdraw earnings tax-free*.

*Note there are more rules related to 529 plans and Roth IRAs. Speak with your tax advisor or Certified Financial Planner® professional before deciding which is best for you.

For more information about Roth IRAs vs. 529 plans for college savings, click [here](#) and consider speaking with a member of Ed Slott's Master Elite Advisor GroupSM.

Julia Peloso-Barnes, CFP® is a member of Ed Slott's Master Elite IRA Advisor Group™. For more information on anything mentioned in the “All Things IRA” Corner please email Julia at julia@PPSgrp.com or schedule a call/zoom [here](#).

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KEY POINTS

- Know yourself - if you someone who starts with a plan for the worst case scenario, apply that same approach to choosing your investments.
- Know investment specific technical terms and how to use them to assess investment options.
- Use common sense; don't put all your eggs in one basket and remember that something that sounds too good to be true usually is.
- A Certified Financial Planner® professional can help you learn your natural style, help you navigate the language unique to investing, remind you how much you already know and help you plan for a secure financial future for you and your family.

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