VERSION 2

FINANCIAL FREEDOM FIELD GUIDE

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EXECUTIVE SUMMARY

Statement of Purpose

The purpose of this guide is to help you make smart decisions with your money and achieve more financial freedom. Financial freedom requires a process—there is no shortcut, no hack, no silver bullet. This process is comprised of a set of beliefs and personal experiences accumulated over many years. This is about living better with more choices, more flexibility, more clarity, more peace of mind—more freedom. This is about being financially responsible, a good steward of your financial resources. This is about deciding to leave your mark on the world. Financial discipline—when you decide to be committed and intentional with your money—creates financial freedom. Financial discipline comes from within, and empowers you to follow systems which become good habits. Though it may seem counterintuitive, following discipline and systems do not restrict or limit freedom—they lead you down the path of freedom. Focus on controlling the things you can control—your attitude, actions, and mindset. Apply the concepts in this guide to achieve your best version of financial freedom.

Disclosure

No investment strategy can guarantee a profit or protect against loss in periods of declining values. Past performance does not guarantee future results. Consult your financial professional before making any investment decision. Information provided is designed to provide general information on the subjects covered, it is not, however, intended to provide personalized financial advice. You are encouraged to consult a professional.
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1. ARE YOU A SPENDER OR A SAVER?

You likely just identified yourself as one or the other. In my experience, those that identify as savers seem to be more naturally wired to build wealth. The point here is that there is no 'right' answer; you can identify with either one, but associate it with being "smart." You can be a smart saver or a smart spender and either one will set you up with the right attitude and mindset that will lead to more financial freedom. When you make financial decisions, ask yourself: "Is this what a smart saver or smart spender would do?" When you answer, "No" or, "I'm not sure," you may have an issue, so re-consider your actions. If you truly want more financial freedom, you must start with an identity of being "smart" when it comes to decisions with your money.

2. PAY YOURSELF FIRST

Always pay yourself first. Use financial discipline to create smart saving and spending habits. Smart habits are your systems for more freedom. Save at least 10% of your earnings. Set your own personal goals for saving for the things important to you. Define your reasons for saving – your purpose for doing it in the first place. Focusing on your deeper “why” will help you stay on track during difficult times. Make things simple and easy with automatic contributions directly from your paycheck or bank account. Routine savings habits are systems that create financial freedom. Systems are processes that make it possible to reach your goals. Goals by themselves are just hopes and dreams. Systems produce results, allowing your hopes and dreams to become a reality. You should also be aware of your routine spending habits so you can easily recognize if and when spending is not in alignment with your goals. Sometimes you will have large and unexpected expenditures, and that’s understandable; don’t think of it as a setback. It’s also expected that your goals will change over time. The important part is to be *aware* of these changes so you can make adjustments when needed and plan around them on the path to more financial freedom. Follow a system for monitoring and reviewing your spending. I suggest Quicken or other personal finance software to track your spending periodically. Use discipline to create good habits. It’s simple, but not always easy. Once you develop good habits, everything becomes easier.

3. EMBRACE AN EVIDENCE-BASED FRAMEWORK FOR INVESTING

Once you've created good saving habits, you're on the path to financial freedom. It's really that simple. But you also might be wondering how to invest those savings. First of all, it is wise to create an emergency fund with at least a few months' worth of income set aside. I would suggest using a savings account at your bank of choice. This will give you a little breathing room if you get in a pinch financially. For your longer-term savings goals beyond five years (i.e. a house, car, or retirement), you should consider other investment options besides cash equivalents such as stocks (equity), bonds (fixed income), mutual funds, and exchange-traded funds. This will provide an opportunity to achieve better investment results over time. There are other types of investment vehicles such as real estate, commodities, and private equity, but for the sake of simplicity I will focus on the before-mentioned investment options as defined below.

Stocks

You own a piece of a single company's equity, essentially becoming an owner of the business.

Bonds

You lend money to a single business or government entity, essentially becoming a lender to the business or entity.

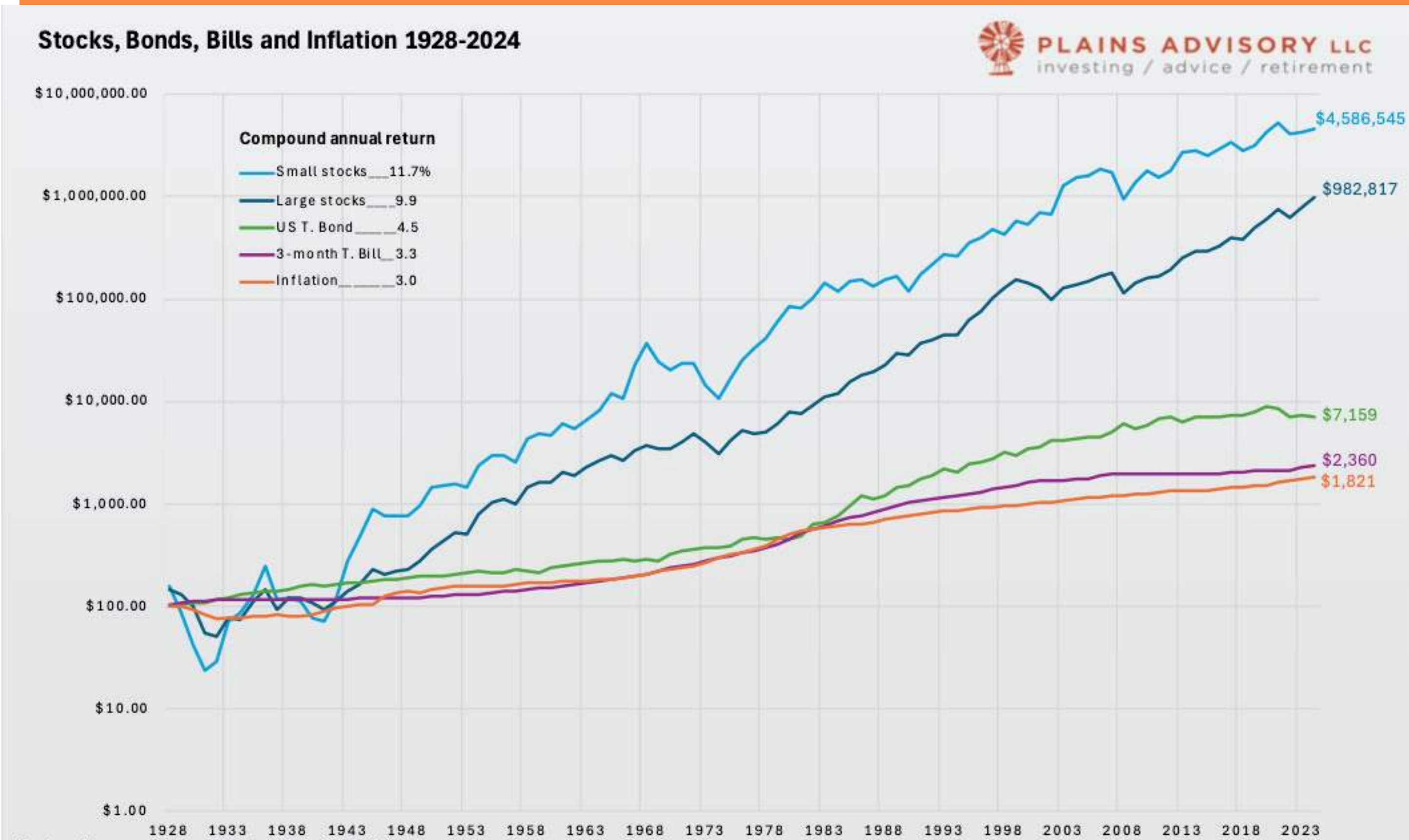
Mutual Funds

You own a pool of stocks, bonds, commodities, and cash created by a company that often employs individual managers to select and monitor securities (i.e. actively manage) generally consistent with a particular investment category, asset class, or objective.

Exchange-Traded Funds (ETFs)

You own a pool of stocks, bonds, commodities, and cash created by a company that trades on an exchange, just like a stock. ETFs are often passively managed, meaning there are no individual managers selecting securities. Commonly, the underlying securities track an index—like the S&P 500 Index, for example.

Using these investment options with persistent success requires one fundamental assumption: Over reasonably long periods of time (more than five years, over decades) stocks will outperform bonds and bonds will outperform cash. Please see the chart here displaying the performance of stocks, bonds, and inflation from 1928 to 2024.



Past performance is no guarantee of future results.

Past performance is no guarantee of future results. Hypothetical value of $100 invested at the beginning of 1928. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Source: https://pages.stern.nyu.edu/~adamodar/ - Aswath Damodaran, Stern School of Business at New York University.

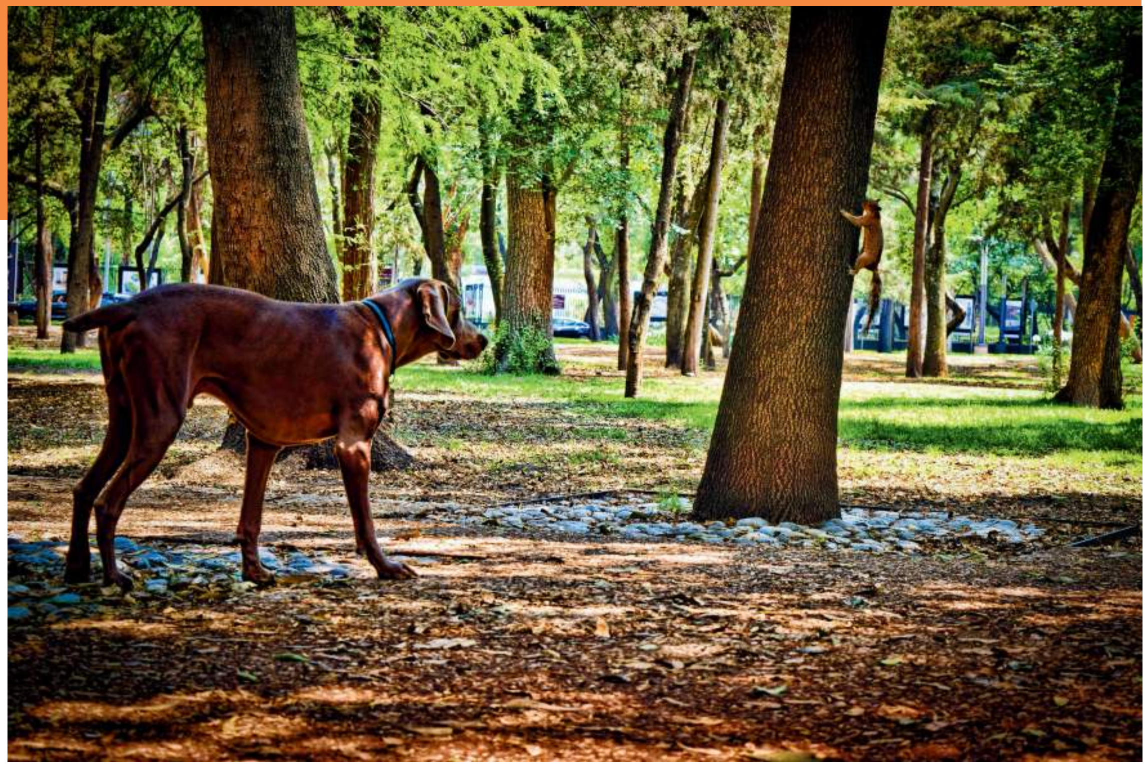
Reference: 2024 Market Chart.pdf. https://www.plainsadvisory.com/attribution

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

You must acknowledge and accept this weighty evidence of history on the path to financial freedom. Making decisions based on the evidence is living the discipline that leads to freedom. Making decisions based on unproven theories, talking heads on network TV, and speculation is not being disciplined. Anyone can get lucky once in a while, but it's the exception to the rule. Beware of chasing past performance and making short-term decisions at the expense of long-term results (i.e. a hot stock tip, five-star mutual funds, news media euphoria, or doom). Market timing—the act of getting into and out of the market—is the opposite of financial discipline. Again, you can get lucky, but no one is skilled at it. No one can know when to be in or out of the market in efforts to conserve loss or maximize returns with consistent success over time. It's a fool's game and sends you down a path with a poor prognosis.

Investing done right is about as exciting as watching grass grow.

It requires some patience and discipline to take the long view in order to put the odds of success in your favor. Don't underestimate the amount of time it will take to realize the results you're after. The process of growing an investment account is like using a crockpot—it's going to need some time before you can reasonably expect to enjoy what you're making. Expecting significant results in a short amount of time (less than five years) is not realistic or practical. Even though it's possible to realize quick results, it's an undisciplined mindset and expectation. The compounding effect will take place over time and will yield significant results—just ask anyone who has stayed true to an evidence-based investment approach for the long haul.



Squirrel!

I’m not trying to accuse anyone of acting like a dog, but do you like to chase squirrels? The metaphorical squirrels I’m talking about are the ones you often find online or in the news media—the ones that claim to be the fast track to immediate wealth or the best preservation of wealth, and you’re a moron if you don’t do something about it! It’s okay, we’ve all done it.

While scrolling financial news online such as MarketWatch, CNBC, Bloomberg, or Yahoo Finance, it is common to encounter sensational and dramatic headlines (i.e., “Man Who Predicted Rise of ABC Stock Says…,” “Tech Trade That’s Ready to Jump,” “Experts Warn of Impending Market Crash”) some of which may even be paid advertisements in disguise to appear as genuine insight. Most financial news content exists to drive clicks, views, and ultimately advertising revenue - rarely is it useful in helping you become a better investor.

When you find yourself chasing squirrels, just be *aware* of it. The way of financial discipline requires you to understand, recognize, and consider the source of information before treating it as credible evidence of anything. The financially disciplined seek clarity and understanding rather than a quick prescription without a real diagnosis.

4. OPTIMISM IS REALISM

As you think about the long-term direction of markets and the economy, author Nick Murray said it best, "Optimism is simply realism: the only view of the future which squares with the record. Pessimism, on the other hand, is deeply counterintuitive: to buy into it, you have to believe not only in something that's never happened, but in the opposite of everything that ever has happened." Take a look at the stock, bond, and cash performance chart again and digest the reality since 1928. Let it slap you in the face! Being a long-term pessimist is a dangerous position often rooted in the fear of things we cannot control. I'd suggest re-directing that focus on the things you *can* actually control, like your attitude, actions, and mindset. Let the weighty evidence of history sink in and ease your fears. Having a sustained attitude and mindset of pessimism towards the long view is not compatible with financial freedom, so you need to quit it. Cold turkey. Now. Your financial freedom depends on your ability to have a positive attitude and mindset about the future. Not only is this attitude better for your long-term financial outcomes, I believe it's better for your overall personal well-being. I've yet to see constant, broad negative attitudes and beliefs produce persistently positive outcomes in any area of life. The good news is the world doesn't end very often; and even if it does, I'm not sure your money will do you much good anyway… we've got bigger problems to deal with at that point.

Reflect on this Native American parable

An old Cherokee is teaching his grandson about life. “A fight is going on inside me,” he said to the boy. “It is a terrible fight and it is between two wolves. One is evil–he is anger, envy, sorrow, regret, greed, arrogance, self-pity, guilt, resentment, inferiority, lies, false pride, superiority, and ego.” He continued, “The other is good–he is joy, peace, love, hope, serenity, humility, kindness, benevolence, empathy, generosity, truth, compassion, and faith. The same fight is going on inside you–and inside every other person, too.” The grandson thought about it for a minute and then asked his grandfather, “Which wolf will win?” The old Cherokee simply replied, “The one you feed.”

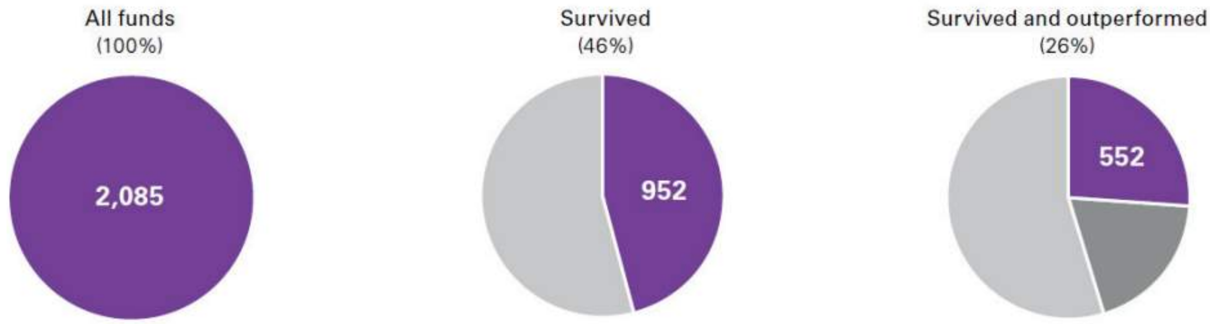
Consider what you are telling yourself and make a conscious decision about which mindset you will choose to feed.

5. EFFORT DOESN'T EQUAL ALPHA

You might be wondering what the heck “alpha” is. In an investing context, alpha refers to outperforming a benchmark. For example, generating an investment return greater than the return of the S&P 500 Index—beating the market. Here’s an unfortunate truth about investing: the market doesn’t care how hard you try. Results are not highly correlated with effort. This idea is certainly counterintuitive relative to other things you’ve witnessed in your life, and it may even explicitly contradict the suggestions of some investment professionals. This fact can be particularly challenging to accept for high achievers. It is true—with hard work, grit, and determination we’ve seen elite performers achieve extraordinary things. But that same hard work and determination in meticulously selecting investments isn’t likely to pay off. Why?

It takes only a modest amount of information for you to become knowledgeable about a company, an industry, an asset class, etc. The information you are learning and discovering is already known to the market and reflected in the stock price, assuming it is legal, public information. When significant time and effort are put into researching, it would be hard for anyone not to become convicted by those investment ideas and overconfidence is a common side effect. Throw in any costs to obtain that information and it becomes nearly impossible to take an unbiased action—especially when you can easily get a confirmation bias on your ideas with a quick internet search. Odds are someone else has had the same thought you have and now you have your proof. Be cautious with this kind of validation. The fact you can find validating sources should be a warning that the market has more than likely taken it into consideration. You must recognize your limits. Now I’m not suggesting that absolutely no one can be skillful in selecting investments with some consistency, but it certainly isn’t commonplace. The odds of beating the market or a peer group is even stacked against the world’s biggest investment companies that have all kinds of financial resources to throw at research and top talent, so don’t feel bad. Here is some evidence provided by Vanguard.

Figure 4. A small portion of active funds survived *and* outperformed over 15 years



Notes: Data are as of December 31, 2014. Our analysis was based on expenses and fund returns for active equity funds available to U.S. investors at the start of the period. The oldest and lowest-cost single share class was used to represent a fund when multiple share classes existed. Each fund's performance was compared with that of its prospectus benchmark. Funds that were merged or liquidated were considered underperformers for the purposes of this analysis. The following fund categories were included: small-cap value, small-cap growth, small-cap blend, mid-cap value, mid-cap growth, mid-cap blend, large-cap value, large-cap growth, and large-cap blend.

Sources: Vanguard calculations, using data from Morningstar, Inc.

Reference: Vanguard - Keys to improving the odds of active management success. https://www.plainsadvisory.com/attribution

As you can see, it is very uncommon for mutual funds not only to outperform their respective benchmark, but just to survive over the long haul.

I'm also not saying it's a worthless effort to learn and understand investment opportunities available to you. On the contrary, doing your own due diligence is a very prudent and disciplined approach, but realize there is a point of diminishing returns. I think it's far better to learn some basics than dive headfirst into a sea of financial statistics, theories, and financial jargon—and for most that's a huge sigh of relief. Some of the most successful investors focus on simple, digestible data rather than a deep and complex analysis. Take Warren Buffet, for example. From what he has shared, he focuses on a few key metrics when making decisions, instead of a deep, highly extensive analysis.

Are you curious how individual investment choices and timing ultimately affect your investment results? The evidence may surprise you. Morningstar data suggests security selection and market timing explain less than 9% of your investment outcomes. Results are driven largely by your overall mixture of asset classes (i.e. US vs Int'l, Large vs Small company stocks).

Figure 4. Investment outcomes are largely determined by the long-term mixture of assets in a portfolio

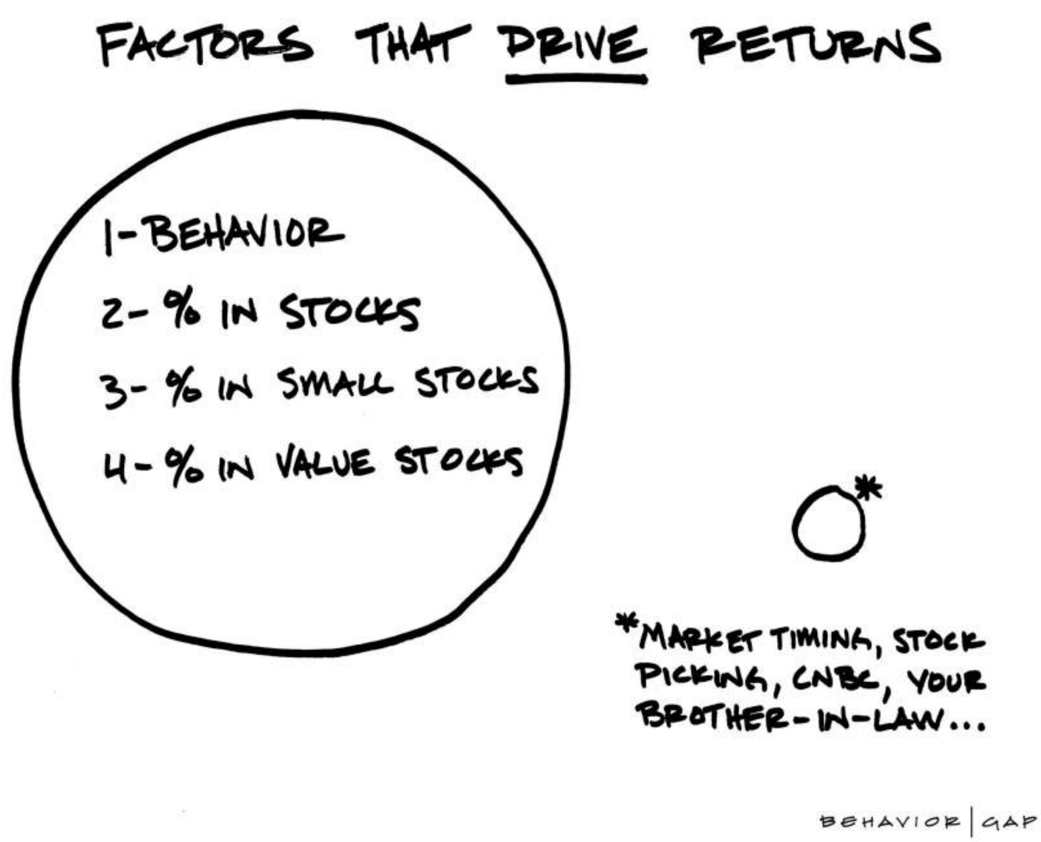
Note: Calculations are based on monthly returns for 709 American funds from January 1990 to September 2015. For details of the methodology, see the Vanguard research paper *The Global Case for Strategic Asset Allocation and an Examination of Home Bias* (Scott et al., 2016).

Sources: Vanguard calculations, using data from Morningstar, Inc.

Reference: Vanguard's Principles for Investing Success. https://www.plainsadvisory.com/attribution

So, here's the good news: equity markets appreciate over the long haul. Again, look at the evidence within the stock, bond, and inflation performance chart. In addition, individual investment selection has less impact on your returns when properly diversified (more on diversification to come). The reality is you don't have to have a PhD to realize attractive investment outcomes. It's just about impossible not to realize good outcomes if you stay disciplined.

Want to know the primary driver of your investment success? It's your behavior, your actions— referred to as the Behavior Gap by financial planner and *New York Times* author, Carl Richards. Carl breaks down driving factors of returns in the drawing below. It's our own natural and human impulses that often get in the way of realizing better results. Fear is what kept our ancestors alive and it's in our DNA. Unfortunately, those same fear-induced instincts can be counterproductive when staying disciplined to a long-term investment plan.



6. MARKET CORRECTIONS AND RECESSIONS ARE NORMAL

You probably won't hear this from the media anytime soon, but market corrections (i.e. temporary and sudden declines) and recessions are normal. I know...it's not very sexy or exciting news, is it? That title isn't going to sell. I think most of us tend to have short-term memory when it comes to this, because the market spends most of its time advancing. Here's the proof: check out the chart from First Trust, showing intra-year declines compared to calendar year returns since 1980.

Staying the Course

First Trust

Investors tend to see short-term volatility as the enemy. Volatility may lead many investors to move money out of the market and "sit on the sidelines" until things "calm down." Although this approach may appear to solve one problem, it creates several others:

1. When do you get back in? You must make two correct decisions back-to-back; when to get out and when to get back in.
2. By going to the sidelines you may be missing a potential rebound. This is not historically unprecedented; see chart below.
3. By going to the sidelines you could be not only missing a potential rebound, but all the potential growth on that money going forward.

We believe the wiser course of action is to review your plan with your financial professional and from there, decide if any action is indeed necessary. This placates the natural desire to "do something," but helps keep emotions in check.

Intra-Year Declines vs. Calendar Year Returns

Volatility is not a recent phenomenon. Each year, there is the potential for the market to experience a significant correction, which for the S&P 500 has averaged approximately 14% since 1980. History has shown that those who chose to stay the course were rewarded for their patience more often than not.

Source: First Trust, Bloomberg. As of 12/31/2024. **Past performance is no guarantee of future results.** The benchmark used for the above chart is the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

Reference: First Trust - Client Resource Kit: Markets In Perspective. https://www.plainsadvisory.com/attribution

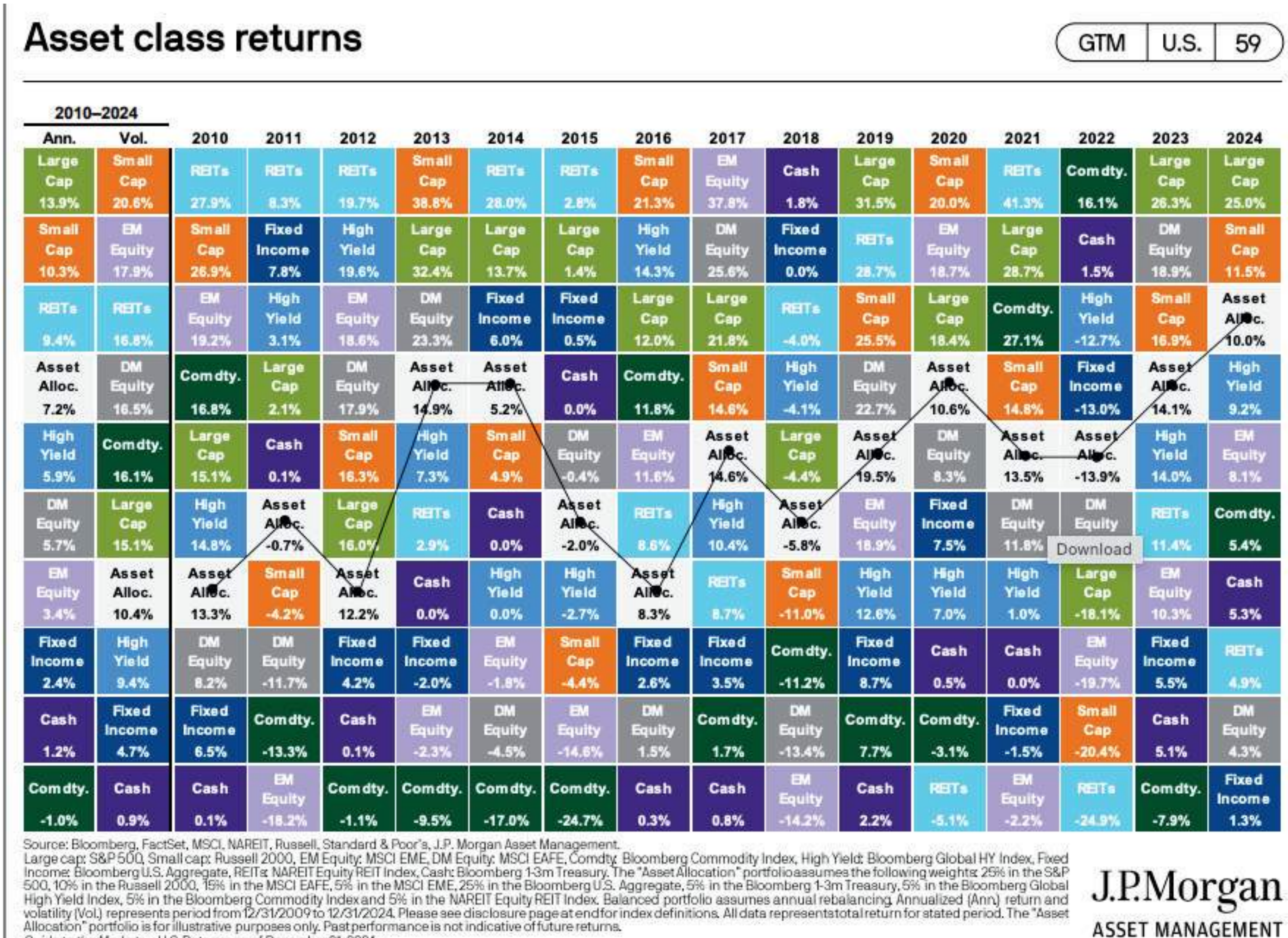
Markets go up and down and recessions are going to take place.

I’m as sure of it as the sun coming up tomorrow. Economies expand and contract and repeat the cycle over again. History doesn’t exactly repeat itself, but it definitely rhymes with the past. The current facts and circumstances are unique, but they often share similarities with the past. My advice is to accept it for what it is and be opportunistic when you can. We don’t know when the next recession is coming, only that it will eventually. We don’t know how severe it will be, how long it will last, or what will cause it. No one does.

Here’s the silver lining: Recessions can provide unmatched wealth creation opportunities if you’re able to weather the storm and are prepared to act. Question: Do you know the absolute best time to invest in stocks? Answer: At the bottom of the market. But here’s the more important follow-up question: When do you know when the market is at the bottom? Answer: You NEVER will. No one does. Now, I understand I might sound like Captain Obvious right now, but I’m still amazed by how many people think investors or professionals can time the market with some kind of precision—they can’t! I’m also not suggesting you put off or abandon an automatic or regular savings plan in favor of the idea of accumulating cash, waiting to pounce when the next recession hits. Stick to your automatic savings plans. Consider being opportunistic in whatever ways your financial situation reasonably allows, but always stick to your disciplined savings habits. For example, if you are planning to make an IRA contribution before April, but it’s January and the market is currently down 15% or more from the highs…make the contribution now. When all you hear in the news is doom and gloom, that’s your cue. Flex your nerves of steel and create some more freedom. The goal isn’t to invest precisely at the bottom of the market, because it’s impossible to gauge when that is—you can only get lucky. The ultimate goal is to grab the opportunity to make a good long-term purchase whenever you’re presented with the chance.

7. LIMITATIONS OF THE REARVIEW MIRROR

You may have heard the phrase, “past performance does not guarantee future results.” It’s a standard disclosure for most investment material and you’ll find it in the fine print here too. The cold, hard truth is we can look at past performance and historical info all day long, but we still don’t know where it exactly goes from here. All the best forecast models and projections have their limitations (although we can still find some value in them). Some people ask, “Why don’t we just choose the best performing investment (as defined by past performance) and put all our money in that?” Anyone who invested heavily in high-flying internet stocks and tech funds of the early 2000s dotcom craze probably knows the answer: you’ll eventually get killed! The same singular investment or asset class doesn’t consistently outperform the others year over year. Eventually, the magic carpet ride will come crashing back to earth. If all you do is look in the rearview mirror of past performance, you’ll crash into oncoming traffic. Need some proof? Check out the following chart of asset class returns.



Asset class returns

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2010–2024																
Ann.	Vol.	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Large Cap 13.9%	Small Cap 20.6%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	Large Cap 26.3%	Large Cap 25.0%
Small Cap 10.3%	EM Equity 17.9%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	DM Equity 18.9%	Small Cap 11.5%
REITs 9.4%	REITs 16.8%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	Small Cap 16.9%	Asset Alloc. 10.0%
Asset Alloc. 7.2%	DM Equity 16.5%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	Asset Alloc. 14.1%	High Yield 9.2%
High Yield 5.9%	Comdty. 16.1%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 14.0%	EM Equity 8.1%
DM Equity 5.7%	Large Cap 15.1%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity Download	REITs 11.4%	Comdty. 5.4%
EM Equity 3.4%	Asset Alloc. 10.4%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	EM Equity 10.3%	Cash 5.3%
Fixed Income 2.4%	High Yield 9.4%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	Fixed Income 5.5%	REITs 4.9%
Cash 1.2%	Fixed Income 4.7%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	DM Equity 4.3%
Comdty. -1.0%	Cash 0.9%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -7.9%	Fixed Income 1.3%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg U.S. Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg U.S. Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2009 to 12/31/2024. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of December 31, 2024.

J.P.Morgan
ASSET MANAGEMENT

Reference: JP Morgan - Guide to the Markets. https://www.plainsadvisory.com/attribution

So, what should you do? Diversify. You know the old adage, "Don't put all your eggs in one basket." The point of diversification is you will never get killed, because you will be disciplined enough not to expect to make a killing using one kind of investment. Recognize the difference between the speculation of trying to pick winners and truly investing.

8. THERE IS NO ONE RIGHT INVESTMENT PORTFOLIO

The specific investment portfolio that's right for you is the one you can live with at the end of the day. Pick a balance between stocks, bonds, and cash that could produce a return you'd be happy with and go with it. A majority of investment companies like Vanguard, Fidelity, and Betterment have taken the guesswork out of building a portfolio piece by piece and offer options based on your objective (i.e. Target Risk/Asset Allocation funds, names like Aggressive Growth) or your age (i.e. Target Date based on expected retirement, etc.). That's an easy starting point. The longer your time horizon, the more stocks are likely to provide the most attractive outcomes. If you need income, bonds can have a place in your portfolio. You can always make adjustments as your goals and priorities change. Don't fall prey to analysis paralysis. Take action and get the effects of compounding returns working to your advantage as soon as possible.

9. THE BUCKET APPROACH

This section addresses what you can do once you are approaching the end of the accumulation phase in your life; and conversely, nearing the start of the distribution phase of your investment portfolio where you may be relying on it to produce income for a 20- to 30-plus-year retirement. The buckets of money approach helps manage the dual risks investors face with needing to grow assets to hedge inflation on one side, while also needing security and liquidity to provide for current income needs on the other side. It is a relatively simple concept that I will attempt to explain further, but let's start with defining the problem.

One of the biggest risks we run as equity investors is the possibility of needing money from our investments at a particularly poor time—such as during a recession. We can be almost assured of losing money and taking losses if we are forced to sell equities to generate cash in a significant market decline. We know that if we could just let those equities recover rather than sell, they generally would have the opportunity to recoup the loss over time—assuming you have constructed a well-diversified portfolio. It's really just a loss on paper; that is, until we monetize that loss and sell. Once that happens, it's extremely difficult to make up for those losses, and it's possible you may never fully recover. So how do we minimize the odds of this happening and avoid putting our retirement at more risk? The bucket approach is the answer. Imagine three buckets: 1) The income bucket 2) The intermediate bucket and 3) The growth bucket, each representing a different goal, category of investment, and timeframe.

Income Bucket

The first bucket is income, which consists of cash. Cash has virtually no risk, and could be money markets, certificates of deposit (CDs), or anything referred to as a cash equivalent. The income bucket is where your immediate income needs come from; you may have a few years' worth of income in this bucket, depending on your goals, preferences, and situation. The advantage of the cash bucket is there is no loss of principal risk. It doesn't matter what the equity markets do in the short run, cash values are not affected. The con is that it doesn't pay too well. Little to no risk yields little to no reward. The rising costs of goods (i.e. inflation) is the biggest threat to the cash bucket, which is why we need the other two.

Intermediate Bucket

The next bucket is your intermediate bucket, which houses your fixed income, your bond investments. These kinds of investments pay and perform better than cash over time. The intermediate bucket represents income you'll be needing years into the future—often several years down the road. Any income the intermediate bucket produces is swept to the income bucket for cash needs, which naturally helps replenish the income bucket. The advantage is it will often produce a better total return than cash. A disadvantage is bonds can lose principal value, unlike cash. Bonds also have historically produced an investment result better than inflation, but they're not likely to produce the inflation hedge needed over a long period of time.

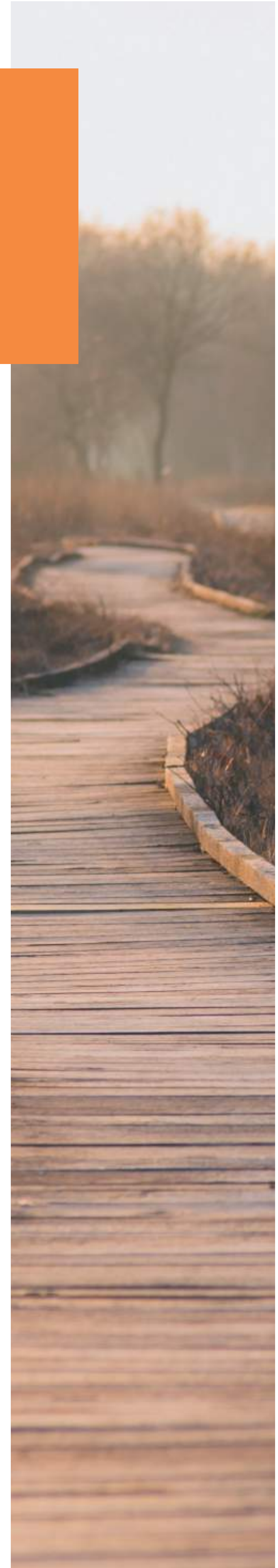
Growth Bucket

This leads us to the need for the last bucket, the growth bucket, which contains your equities, the stocks. We all know equities fluctuate a lot in the short run, but they commonly outperform cash and bonds in the long run. These are the kinds of investments that will allow your portfolio to keep up with rising costs of goods over a long retirement, which becomes a much more significant risk than losing your principal in the long run. The growth bucket represents funds you will need in the longer term over many years in retirement. Any dividend income produced can be swept into your income bucket, again helping to replenish your cash. I've found this approach to be very helpful in managing the risks we face when relying on an investment portfolio for income.

10. DON'T WAIT UNTIL THE END TO ENJOY IT

If you are using the concepts discussed and subsequently realizing the financial outcomes you're after, make sure to take the opportunity to enjoy the freedom you've created along the way. That may sound obvious, but the idea of deferring happiness to some future milestone might be more common than you think. Following the systems of financial freedom should feel satisfying, yet creating a life of enjoyment goes beyond the money. True freedom is more choice, more options, and more opportunities to live your values on your terms. Give yourself permission to enjoy what you have created. When posed with financial quandaries, ask yourself as an intelligent human being, "Will I regret doing this or will I regret *not* doing this more?" This question illustrates the dichotomy, the clash of key decisions you will face; you have the ultimate power to call the shots. Even with more financial freedom, you still will face tough decisions along the way. The good news is the problems you encounter are often better problems.

CONCLUSION



Here are a few final thoughts. Discipline may sound hard, but if you put the right habits (i.e. systems) in place it's really not as difficult as it sounds. Once you are following good habits, it takes less discipline to maintain them. Discipline is the initial spark you need to start the engine, although you may need to harness it at times to stay on the right path along the way. Anyone can do it. Focus on your deeper purpose for investing—your big why—to summon the discipline when you need it. It's a matter of making one small decision at a time in the right direction and building on it. Success breeds success. If you pay yourself first, the odds of success are overwhelmingly tipped in your favor with that one small action. If you have the discipline to stay on the path, you will reap the rewards. More financial freedom is the inevitable result, but don't forget to give yourself the permission to enjoy it. True wealth comes down to appreciating what you have. I hope you found this guide to be educational, valuable, and most importantly, actionable. Now focus on the one thing you can do right now to realize the financial freedom you desire—and take action! Continuous small steps in the right direction will lead to significant results. I wish you the best of luck on your journey to realize more financial freedom.

ABOUT THE AUTHOR

John Posey is a Certified Financial Planner™, Accredited Investment Fiduciary™, and Agricultural Focused Financial Planning professional who specializes in investment, retirement, and legacy planning. He grew up helping on the family farm near Hebron, Nebraska. Since 2009, he and his wife have raised their family in Doniphan, Nebraska. Over the course of his career, John has helped people invest wisely and plan deliberately for their future. Posey is the founder of Plains Advisory LLC, a state-registered investment advisor. Visit the *Articles* page at plainsadvisory.com to stay up to date on the latest financial planning strategies and considerations.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