

# SFE+PD

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U C C E S S

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## 5 Steps to Create an Investment Plan

**L**ike 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

Write down your investment goals and 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, you need to establish your time frame for investing. Typically, your 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 direct relation to the investments

you should choose. Generally, the shorter your time horizon, the less

*Continued on page 2*

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## 5 Steps

Continued from page 1

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 (say, 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. 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 You Want to Invest

Once you've considered your time horizon, goals, and risk tolerance, you can consider how much money you want 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 need to decide how much you want to invest on an ongoing basis. 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

## A Portfolio Tune Up

**O**ver time, the weighting of asset classes in your portfolio can change, but a simple rebalancing of your portfolio may be all that is needed to get your portfolio back in line.

Since different investments earn different rates of return, their values grow at different rates, changing the weightings in your portfolio. These changes can cause your portfolio risk to increase or decrease, making rebalancing a necessary part of portfolio maintenance.

While you should definitely rebalance when your financial objectives or life circumstances change, you also want to rebalance on a regular basis. There are three basic methods to consider:

✓ **Rebalance annually.** Choose a date to rebalance, perhaps at the beginning of the year, when you receive your annual statements, or at the end of a quarter. On that date every year, compare your current allocation to your target allocation. Any allocations off by more than 5-10% would require rebalancing. Once you have rebalanced, don't be tempted to make other rebalancing changes during the year. Wait for your next rebalancing date.

✓ **Rebalance when your allocation differs from your target allocation by a designated percentage.** With this type of rebalancing,

you monitor your portfolio more frequently, perhaps monthly. Once your allocation moves from your target allocation by a predetermined percentage, perhaps 5-10%, rebalance your portfolio.

✓ **Rebalance based on current market conditions.** With this approach, rather than one specific percentage for each asset class, you might have a target range. For instance, you might allocate anywhere from 30% to 50% of your portfolio to large-capitalization stocks. Depending on your views of the market, you might want to allocate near the low or high end of that range. Thus, your allocation will change as your views about the market change.

There are many ways to change your allocation among investments. You can purchase additional amounts of the investment that is underrepresented in your portfolio. You can sell investments in overrepresented portions and invest the proceeds in underrepresented portions. Any withdrawals can be taken from overweighted investments. Income from your portfolio, such as dividends and interest, can be invested in underweighted investments. Ultimately, you need to consider tax ramifications and your own individual investment preferences. ○○○

challenging. When saving for retirement, you need to consider how much yearly income you'll need, your anticipated investment returns, when you want to retire, how long you expect to live, the impact of inflation, and the 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 your financial advisor if you'd like help with your investment plan. ○○○

## Avoid These Investment Mistakes

**W**hen making decisions about your investment portfolio, avoid these common investment mistakes:

### ✓ Chasing performance.

Investors often move out of sectors that are not performing well and invest that money in high-performing investments. But the market is cyclical and those high performers may be poised to underperform, while the sectors just sold may be ready to outperform. A classic example is technology stocks in early 2000s. Many investors rushed to purchase technology stocks just as they reached their peak and were headed for a long downswing. Rather than trying to guess which sector is going to outperform, broadly diversify your portfolio across a range of investment sectors.

✓ **Looking for get-rich-quick investments.** When your expectations are too high, you have a tendency to chase high-risk investments. Your goal should be to earn reasonable returns over the long term and invest in high-quality investments.

### ✓ Avoiding the sale of an investment with a loss.

When selling a stock with a loss, an investor has to admit that he/she made a mistake, something that is psychologically difficult to do. When evaluating your investments, objectively review the prospects of each one, making decisions to hold or sell on that basis rather than on whether the investment has a gain or loss.

✓ **Selecting investments that don't add diversification benefits to your portfolio.** Diversification helps reduce your portfolio's volatility, since various investments respond differently to economic events and market factors. Yet, it's common for investors to keep choosing investments that are similar in nature. This does not add

much in the way of diversification and makes the portfolio more difficult to monitor.

### ✓ Not checking your portfolio's performance periodically.

While everyone likes to think their portfolio is beating the market, many investors simply don't know for sure. Analyze your portfolio's performance periodically and compare your actual return to the return you targeted when setting up your investment program. If you aren't achieving your targeted return, you risk not achieving your financial goals. Honestly assess how well your portfolio is performing. Are major changes needed to get it back in shape?

### ✓ Letting market predictions cause inaction.

No one has shown a consistent ability to predict where the market will be headed in the future. So don't pay attention to either gloomy or optimistic predictions. Instead, approach investing with a formal plan so you can make informed decisions with confidence.

### ✓ Expecting the market to continue in its current direction.

Investors have a tendency to make investment decisions based on current market trends. Thus, if the stock market has been performing well for a period of time, investors tend to move more and more funds into that area. However, there is a tendency for markets, when they have an extended period of above-

or below-average returns, to revert back to the average return. For instance, following an extended period of above-average returns in the 1990s, the stock market experienced a significant downturn, which helped bring the averages back in line.

### ✓ Not understanding that saving and investing are two different concepts.

Saving involves not spending current income, while investing requires you to take those savings and do something with them to earn a return. Separating saving from investing can make it easier to save. Find ways to make saving as automatic as possible, then take your time to research and select specific investments.

### ✓ Considering only pretax returns.

One of the most significant expenses that can erode your portfolio's value is income taxes. Thus, don't just consider your pretax returns, but look at after-tax returns. If too much of your portfolio is going to pay taxes, look at strategies that can help reduce those taxes.

### ✓ Not realizing that help is only a phone call away.

The investment world has become very complex, with a vast assortment of investment vehicles now available. If you need help with your investment decisions, please call your financial advisor. ○○○



## 6 Signs You Need a Financial Plan

**B**elow are six signs that it may be time for you to get a financial plan.

**You're planning (or just had) a big life change.** New job. New baby. New house. All of those milestones and more are signs that you should be taking a big-picture look at your finances. Take this opportunity to put your financial house in order.

**You're worried about your finances — and your future.** Your comprehensive financial plan will not only help you see where you stand today, but also help you plot a path to where you want to be. Often, goals that seem distant and unachievable become more realistic once you can see the intermediate steps you need to take to get there.

**You're making good money, but you're not sure where it goes.** If you want to turn today's income into tomorrow's wealth, you need a financial plan. Planning helps you assess what you're spending today and then shows you how you can save and invest to create lasting wealth.

**You have financial goals, but you're not sure how to make them a reality.** Does retirement seem like a distant dream? Do you wish you could upgrade to a bigger home,

send your kids to college without taking on debt, or start a business? With a financial plan, you'll know what you need to do financially to make those dreams a reality.

**You and your partner are fighting about money.** A financial plan might be part of the solution. Meeting with an objective third party, like a financial planner, can help you both understand where you stand when it comes to your finances and then negotiate a path forward that works for both of you.

**Your investments and finances are getting so complicated, it's difficult for you to keep track of everything.** As your money and life get more complex, it can be difficult to manage all the details without help. Unless you're a trained professional, there's a good chance you're missing out on opportunities or putting yourself at risk. A financial plan, developed with the assistance of your financial advisor, will help you identify the best ways to save, find ways to reduce taxes, and protect yourself against risk. With the help of your advisor, you'll be able to understand your total financial picture and take the steps necessary to achieve your goals. ○○○

## Diversifying Your Assets

**Y**our most significant asset is probably your ability to earn an income. If you work for a company in a volatile industry, your spouse might want to seek employment at a more stable company. Don't purchase too much of your company's stock, even if it is through a 401(k) plan. You may even want to avoid stocks in related industries. Since your current and future income potential is closely tied to the company you work for, you want to diversify your other assets.

**Keep an eye on the outlook for your home's value.** Your home's appreciation potential is often tied to economic growth in your area. If your area is dominated by a certain industry, the prospects for that industry can also impact your home's value.

**Adequately diversify your investment portfolio.** Typically, you do not know which asset class will perform best on a year-to-year basis. Diversification is a defensive strategy — it helps protect your portfolio during market downturns and helps reduce your portfolio's volatility. Diversify your investment portfolio among a variety of investment categories. Also diversify within investment categories. ○○○

## Financial Thoughts

**T**he gender pay gap in the United States is moving in the wrong direction, according to the latest figures from the Census Bureau. Among full-time, year-round workers, median earnings for men rose by 3.7% between 2023 and 2024; however, women's earnings showed no significant change over the same period. The female-to-male earnings ratio — which compares median earnings

of women to men working full-time, year-round — fell to 80.9% in 2024 from 82.7% in 2023.

Americans have been placing less importance on the value of a college education over the past 15 years, to the point that about a third (35%) now rate it as "very important." Forty percent think it is "fairly important," while 24% say it is "not too important."

When last asked to rate the importance of college in 2019, just over half of U.S. adults, 53%, said it was very important, but that was already lower than the 70% found in 2013 and 75% in 2010. Meanwhile, the percentage viewing college as not too important has more than doubled since 2019 and compares with just 4% in 2010 (Source: Gallup Poll, 2025). ○○○