People's United Advisors

INVESTING

Resolved: No Resolutions; Good Habits Instead

New Year's resolutions are noble-minded, but they have a lot going against them: They tend to be too broad, devoid of solid implementation, and too negative—focused on who you *aren't* rather than who are you *are* but would like to make better.

Why Habits, Not Resolutions

New-year resolutions probably won't work out well; if surveys are correct, the failure rate for those who make them may be above 80%!* Instead, say many behavioral scientists, put your energy into building good habits. Habits may take some time to fold into your routine, but they ultimately become part of your life, strengthened by repetition. And if they're good habits, they carry the seeds of their own rewards—although an occasional celebration for a job well done can be a great reinforcer.

EIGHT INVESTMENT HABITS WORTH DEVELOPING

HAVE A PLAN	**We've said it before, but it's worth repeating:** Set out your short- and long-term goals, your needs and wants (with priority to the former), and a time line for achieving them. Then monitor that plan regularly–at least once a year; your objectives are likely to change over time.
STAY INVESTED	**Market returns have come in sudden and unpredictable bursts.** If you missed just the 10 best days of the S&P 500 out of roughly the last 30 years, you'd have cut your wealth in half**—and in half again if you missed the best 25 days. Sure, if you missed the *worst* days, you'd have done great, but it's a losing game to try to time the market. And don't check your portfolio day in and day out: It will fluctuate in value—but it's long-term growth that counts.
FEED YOUR PORTFOLIO THROUGH THE YEARS	**The more you save, and the earlier you start, the better.** But just as it's never too early to begin investing, it's never too *late*. And don't forget to keep a regularly-replenished "emergency fund" of enough cash to get you through at least six months.
KEEP YOUR PORTFOLIO DIVERSIFIED	**A global mix of different types of stocks, bonds, and, for some investors, "alternatives" like commodities helps mitigate the risk of any one asset and expand return opportunities.** But you can't guess which asset will be at the top at any given time, so you need to stay invested in all that fit your plan.
"AUTOMATE" WHAT YOU CAN	**To help you add funds regularly, you should consider automatic deductions from your paycheck** into your investments, if available.
MANAGE YOUR MONEY WITH TAXES IN MIND	**And be aware of tax-limiting strategies all year, not only at year-end.** According to Morningstar fund evaluators, U.S.-stock funds on average gave up two percentage points of annual return to taxes over the past three years. Over time, a tax drag of that magnitude would erode lots of wealth.
START PLANNING FOR RETIREMENT EARLY	**Be prepared to replace at least 70-80% of your pre-retirement income**, don't sell all your stocks, (you'll probably need the capital appreciation that stocks can provide over time) and contribute regularly to one or more tax-deferred savings plans.
SEEK PROFESSIONAL ADVICE	Some investors—but not many—can handle all of the above (and more) by themselves. **For most, though, having investment experts on their side is a powerful benefit**.

*Source: U.S. News & World Report
**Source: People's United Advisors

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