



# DAVENPORT WATTS & DRAKE

## INVESTMENT ADVISORS, LLC



*Investments • Financial Plans • 401(k) Plans*

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## FINANCIAL PEACE OF MIND

Do-It-Yourself (DIY) projects are currently very popular. Television, magazines, and the internet are full of DIY ideas and even explain how to be a DIY investor. While many try this approach, a recent study by Vanguard suggests that advisors add not only peace of mind, but also about three percentage points in net portfolio returns over time. The extent to which the value is experienced is unique to each personal situation, but investment advisors can add value in portfolio construction, wealth management, and behavior coaching.

When constructing a portfolio, a good advisor will not merely pick investments but will meet with you to discuss objectives and will analyze your goals and circumstances to construct a personal investment strategy. They work with you to create a diversified and properly allocated portfolio while insuring you don't pay too much for investments or pay too much in taxes on investment returns.

Wealth management entails maintaining your portfolio with systematic rebalancing and limiting the taxes you'll pay in the process. A good advisor takes a holistic approach, looking beyond the investments with them, to also consider other investments, taxes, retirement savings, estate planning, and more.

Potentially the greatest value added by a good advisor is investment behavior coaching. Investing evokes emotion, and some of the most significant snares of a well-planned investment strategy are behavioral. During market peaks, you may be tempted to let investments ride rather than locking in their gains in favor of reinvestment in seemingly less attractive investments. And during inevitable market turbulence you may feel the need to abandon your asset allocation for perceived protection, but good advisors are available anytime to listen and guide you on the right path.

Although the Do-It-Yourself approach to investing might look simple, it is not always easy to do.

## DAVENPORT WATTS & DRAKE

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*Focusing on your future...*

## INVESTING PERSPECTIVE

We are often asked where the market is headed. While an interesting question, the short-term direction of the market is impossible to know. Rather than focusing on the unknown, consider these three core principles.

### Maintain a Long-Term Perspective

Over the short term, market prices will fluctuate greatly. However, over longer time periods, prices should ultimately reflect the market's true value. Understand that short-term underperformance is inevitable, and a market correction is an opportunity for the long-term investor to purchase good businesses at attractive prices.

### Don't Let Emotions Guide Your Investment Decisions

Keeping impulses like fear and greed in check, and maintaining an unemotional, rational, disciplined mindset is crucial to successful investing. Regardless of short-term volatility don't attempt to time the market, don't chase returns, and remain properly allocated and diversified. Remember that the folly of predicting the market's actions is well documented and making investment decisions based on short-term market forecasts is a fool's game. Base your investment decisions on known variables and timeless principles of investing.

### Utilize a Systematic and Disciplined Approach

A systematic and disciplined approach to rebalancing and portfolio allocation is valuable during challenging markets. Rebalancing allows the long-term investor to take advantage of volatility through purchasing positions when prices are low and selling positions when prices are high.

During a long-term investment journey, investors will inevitably encounter periods when they are influenced by emotions rather than reason. At such times investors often make decisions that undermine their ability to build wealth. From 1995 through 2014, the average stock fund returned 9.1% annually, but the average stock fund investor earned only 5.2%. Investors sacrificed almost half of their potential returns by engaging in self-destructive behaviors such as:

- Timing the market
- Chasing hot investments
- Abandoning investment plans
- Avoiding out-of-favor areas

By following the core principles outlined above, the successful investor can better avoid these pitfalls.

## ABOUT OUR FIRM:

Davenport Watts & Drake is a fee-only financial services firm offering asset management and financial consulting services to businesses, families and individuals. Our desire is to work with a select group of these businesses, families and individuals as part of their financial team, helping them with the many decisions throughout their lives which will affect the financial future of themselves and their families. The team has a common vision of a client-centered financial consulting firm that treats our clients as we would want to be treated.

## CORE STRATEGIES:

- Asset Allocation
- Asset Diversification
- Periodic Rebalancing
- Long-term Perspective
- Minimize Income Taxes

## INVESTMENT SERVICES:

- Portfolio Management
- Individual Retirement Accounts
- Company Retirement Plans
- Personal Financial Plans

## INVESTMENT CUSTODIANS:

- Fidelity Investments
- John Hancock

“Sound investing is simple but not necessarily easy to do.”

— Warren Buffett

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