

Where do you Begin Investing?

To the uninitiated, investing can seem daunting. There are thousands of stocks, bonds, and mutual funds to choose from, and probably just as many opinions on which you should buy and which you should avoid. Even the most diligent novice can become overwhelmed by the number of decisions that must be made.

To get started, I have long advised a risk-first approach. That means a focus on fixed income.

For most investors, it's a little hard to know where to even begin. So where do you begin? Tops on my list is your fixed income component. Most investors fail to maintain an adequate mix of fixed income. Ignore my warning at your peril. In today's environment, it's not how much you are going to make, but how much of your capital you will keep. Returns ahead are going to be meager. If you are retired, draw no more than 4% out of your portfolio annually. And my tendency is to reduce this already low number. Times are tougher than you may believe. The more than-two-decade decline in interest rates is fading into history. Could rates fall further? Sure rates could give a little more ground, but there just is not much running room left on the downside.

I advised investors of the above over a decade ago and it remains true today. In today's environment, it's not how much you are going to make, but how much capital you will keep. Returns ahead are likely to be meager. Think mid-single digits on the high-side.