FOUR STEPS TO TAKE BEFORE YOU INVEST ANOTHER DOLLAR

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Financial markets are noisy places. The barrage of company news, economic reports, and geopolitical developments is incessant. When I started in this business—as an Analyst at Blackstone over 20 years ago—it was very much the case that investors who possessed more information were at a decided advantage.

Not so today. Virtually everyone has access to the same information, there's more of it, and news gets baked into asset prices in the blink of an eye. Sifting through that abundance of information can sometimes create opportunity. But market prices tend to overemphasize the importance of every new bit of economic data or fragment of Fed speak. It's no wonder that many investors increasingly cannot see the forest for the trees.

We have our own thoughts on which way the market is headed. If you're interested, we'd highly encourage you to request more of our information, join us for a webinar, or schedule a time to speak with us. But that's not what this report is about.

You see, regardless of how you feel about investing today, there are four steps that we believe EVERY investor should take RIGHT NOW. We really do believe these steps apply to everyone, no matter how experienced of an investor you may be, and no matter how you feel about the market.

Without further ado, here are the four steps you should take before even thinking about investing another dollar in the markets.

Sincerely,

Austin Root
Chief Investment Officer,
Stansberry Asset Management

There are four steps that we believe EVERY investor should take RIGHT NOW.

STEP 1: Clean up your personal balance sheet

There is a reason this is step 1. It is an important prerequisite you must complete before having any realistic shot at financial independence. And yet, this step is often the most overlooked. To put it simply: before you put any real money into investments, you must first pay off your high-cost debt. Credit cards and unsubsidized student loans often fall into this category. We suggest doing an inventory of your debts and what interest rates you are paying on each.

LOAN	AVERAGE INTEREST RATE
30-YEAR FIXED MORTGAGE	6.85%[1]
HOME EQUITY LINE OF CREDIT (HELOC)	8.12%[2]
FEDERAL STUDENT LOAN (UNDERGRADUATE)	4.99%[3]
FEDERAL STUDENT LOAN (GRADUATE)	6.54%[4]
NEW CAR LOAN	6.30%[5]
PERSONAL LOAN	15.60%[6]
CREDIT CARD	20.40%[7]

Here's a rule of thumb: in the current interest rate environment, any and all debts you have that carry an annual interest rate of 7.5% or more can be problematic.

We suggest that you look to consolidate and refinance these higher rate loans into one with a lower rate. And any debts you cannot refinance, we suggest you pay them off before making any additional investments.

If you're wondering why that is, we'd refer you to one of the most powerful concepts in investing: compound interest. Compound interest is the interest you earn on interest. Imagine you have a $100 investment that earns you 5% annual interest. By the end of the first year, you'd have $105. At the end of the second year, you'd have $110.25. That extra $0.25 is the interest you earned on the $5 of interest from year one. 25 cents may not sound like much, but it adds up over time. In 10 years, you'd have $162. And in 25 years, your $100 investment would have grown to almost $340—and that's without investing another dime and with a pretty modest return rate. Harnessing this concept is key to building wealth. In fact, Albert Einstein is purported to have called compound interest the most powerful force in the universe.

But here's the thing... it works both ways. Say you spend $1,000 on a new smartphone and put it on your credit card with a 20% interest rate. You make your minimum payment of $20 every month. The final tally? You'll have it paid off in 109 months, after paying $2,168, or $1,168 additional interest!

You want compound interest working for you, not against you. So please, handle those high-interest debts before investing another dollar.

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STEP 2: Know your investment time horizon

The length of your investment horizon will have more of an impact on how you should be investing than you probably realize. Put simply, the shorter your horizon, the less risk you should take in your portfolio.

That's because assets with the highest return potential (like microcap stocks or extremely distressed debt) also tend to be the most volatile. Over the longer term—more than five years—these risky assets tend to outperform. But over shorter periods, they can massively underperform. So, if you only have a few years before you'll need the money, it would be prudent to reduce risk and tilt more toward "stay wealthy" rather than "get wealthy" investments.

Consider, as an example, the tumultuous drop of the S&P 500 during the Financial Crisis. The chart below shows the results over a 9-month period.

S&P 500 • July 2008–March 2009

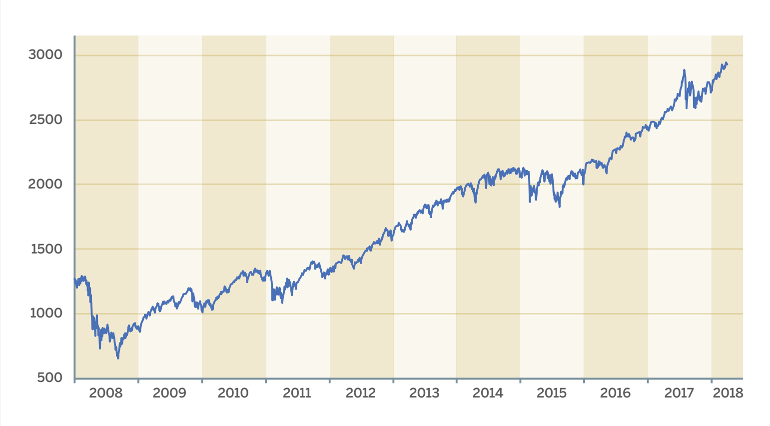
Essentially, if you were invested in stocks, you likely saw your investments cut in half. That's never going to be a good feeling, but it's an absolute disaster if we're talking about money that you actually needed in the short-term.

Now, what if we extended the same nine-month chart by another nine years?

Source: Bloomberg

S&P 500 • July 2008–March 2018

Quite a different story. You would have doubled your money from the start, and quadrupled it from the Financial Crisis-low. If you had patience and a long time horizon, you were rewarded. If you had a near-term need for those funds and had to scrape together what the market left you to cover expenses, you might be thinking that you missed out on a lot of upside. But that is the wrong way to think of it. You probably shouldn't have been invested at all.



Source: Bloomberg

Long-term investors have nearly always been rewarded. Over 10-year periods, the S&P 500 has been up 97% of the time. Over 15-year periods, it has never had a negative return.[8] The message is clear—if you have a longer time horizon, a more aggressive portfolio may be warranted.

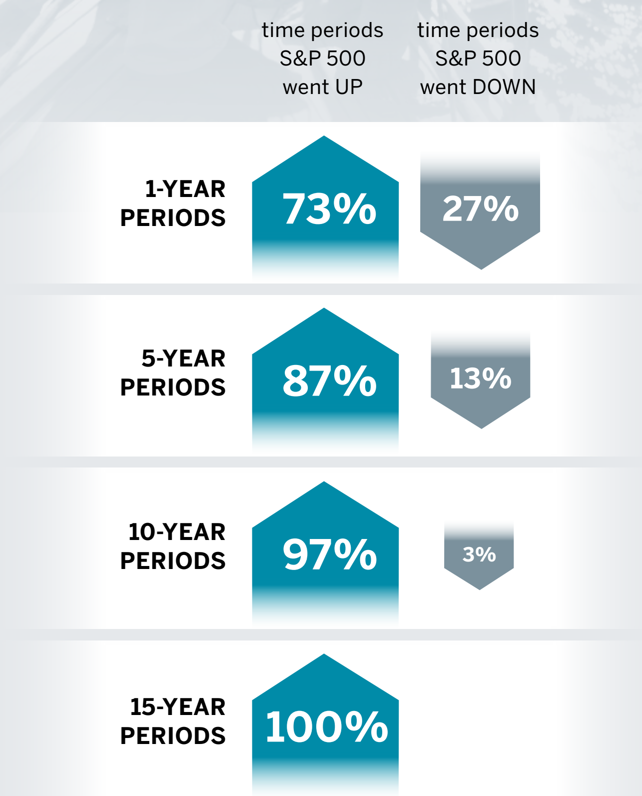
For most investors, things are not so black and white. It could be that parts of your investment portfolio have different time horizons. Ask yourself, do you need a portion of your investable assets in the near future? For example, are you making a major purchase, or sending a child to college? Identifying these shorter-term needs will enable you to earmark some of your funds for near-term liquidity, while using the rest of your portfolio to target longer-term investments that will typically yield a higher expected return.

The longer-term typically means the number of years you and, if married, your spouse can reasonably expect to live. In most cases, this is not easy to estimate with accuracy. Life expectancy tables are rough guidelines at best. They provide average life expectancies. But virtually no one is average!

In our experience, investors tend to err on both sides of the spectrum. Some that are relatively young in years with no known health issues are convinced they only have a handful of years left. Others are convinced they have so many years ahead of them, it is hardly worth taking into account, even if their age and health argue otherwise.

Determining your investment time horizon can be as much of an art as a science. We encourage you to take an honest assessment of your short- and long-term needs, and invest accordingly. And since you likely won't get it exactly right, we'd encourage you to overestimate your time horizon. After all, you don't want to be kicking yourself for living longer than you planned!

Stocks Have Had Positive Returns over 15-Year Periods 100% of the Time



Source: Slickcharts, SAM Analysis

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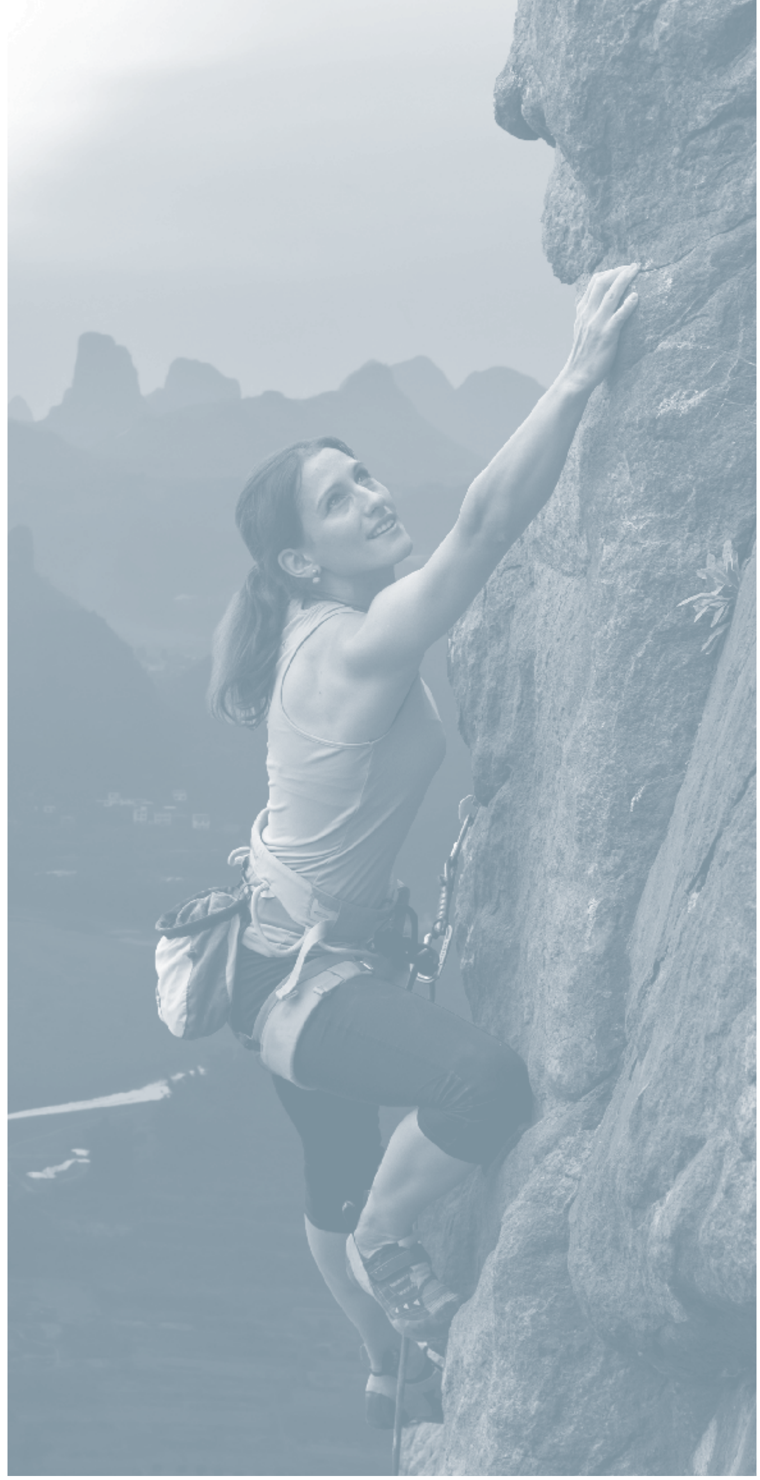
STEP 3: Understand your risk tolerance

This step requires you to be completely honest with yourself. Do you really have the temperament to stomach the extreme short-term losses that investing in risky assets will bring? If you're comfortable zig-zagging your way to big-but-volatile investment gains, invest in riskier assets. But if you prefer sleeping well at night, pick safer vehicles.

We'd guess that the majority of investors who convince themselves they have steel nerves have at some point done an about-face when volatility rears its ugly head. They can go from having a "high risk tolerance" to "I just don't want to lose money" in an instant!

One of the worst things you can do is enter a strategy you can't stick with. Ask yourself how you felt during the Financial Crisis, or when the market plunged in the early days of pandemic. Did you feel uncomfortable? If you're willing to admit it, you're probably more honest than most investors! But you may want to take that as a sign that you'd be better off with a less risky strategy that you can stick with for the long haul.



STEP 4: Clearly define your investment goals

Your personal balance sheet is cleaned up. You know your investment time horizon, and how much risk you are willing to stomach. Now it's time to ask yourself—what am I investing for anyway?

It seems so obvious, and yet many investors we speak with skip right over this crucial step. They take a "spray and pray" haphazard approach, where they just own a collection of investments without much thought as to what they are trying to achieve.

Their logic is along the lines of "it sounded good, so I invested in it." Press them a bit more, and you may hear "I just want to make money, isn't that why everyone invests?"

Here's the good news—it's ALMOST that simple. Identifying your investment goals doesn't have to be overly complex. In fact, the way we see it, all investors are looking to do one of just three basic things:

GET WEALTHY → STAY WEALTHY → GENERATE STEADY INCOME

The Stansberry Asset Management Approach

Not everyone has the same investment goal. And of course, your ideal investment portfolio could be meant to achieve a combination of getting wealthy, staying wealthy, and generating income. For many investors, that necessitates having multiple strategies.

That's why Stansberry Asset Management ("SAM") offers nine goal-oriented strategies to our clients.

For those looking to stay wealthy, our All-Weather strategy is often a good fit. Those seeking to get wealthy are usually attracted to our Venture Growth and Forever portfolios. Our aptly named Income portfolio is ideal for investors looking to generate income. And for those that want it all—getting wealthy, staying wealthy, and generating income, we'd refer you to our Total Alpha and Tactical Select portfolios.

CAPITAL PRESERVATION	CURRENT INCOME	CAPITAL APPRECIATION	BALANCED
All-Weather	Income	Venture Growth	Tactical Select
Gold		Forever	Total Alpha
Treasury			Cornerstone

Endnotes

[1]https://www.bankrate.com/mortgages/30-year-mortgage-rates/national average reported as of 3/31/23
[2]https://www.bankrate.com/home-equity/current-interest-rates/ national average reported as of 3/31/23
[3]https://www.nerdwallet.com/article/loans/student-loans/student-loan-interest-rates reported as of 3/31/23
[4]https://www.nerdwallet.com/article/loans/student-loans/student-loan-interest-rates reported as of 3/31/23
[5]https://www.bankrate.com/loans/auto-loans/rates/60-month term reported as of 3/31/23
[6]https://www.nerdwallet.com/best/loans/personal-loans/personal-loan-interest-rates estimated APR based on 690-719 FICO score range, reported as of 3/31/23
[7]https://www.creditcards.com/credit-card-news/rate-report/national average reported as of 3/31/23
[8]https://www.slickcharts.com/sp500/returns, SAM analysis. Total return data from 1926-2022

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Interested in Learning More?

A SAM colleague would be more than happy to walk you through how we help clients achieve their long-term financial goals every day.

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About the Authors

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As Chief Investment Officer, Austin is responsible for the development and management of investment strategies across all SAM portfolios. Prior to joining SAM, Austin was the Director of Research at Stansberry Research and the portfolio manager for the company's flagship portfolio products, Stansberry Portfolio Solutions.

Austin co-founded and ran North Oak Capital, a New York-based hedge fund that received a strategic investment from Julian Robertson and Tiger Management. He also held senior investment positions at SAC Capital Advisors and Soros Fund Management. Austin began his career at the Blackstone Group.

Austin has experience investing across asset classes, including public equities, derivatives, venture capital, private equity, real estate, and fixed-income securities.

He earned an MBA from Stanford Graduate School of Business, and a BS in Commerce from the University of Virginia. Austin lives in Maryland with his wife and three children.

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Michael is a Portfolio Manager and Deputy Chief Investment Officer at SAM. His duties include sourcing investment opportunities and conducting ongoing due diligence across SAM's portfolios. Michael co-manages our Income and Tactical Select strategies.

Prior to joining SAM, Michael worked with high-net-worth private clients for the largest independent wealth management firm in the United States. He was also a senior analyst for one of the largest investment-grade bond managers in America. Michael joined SAM in 2017.

Michael's investment thinking has been featured in publications including Fortune, Advisor Perspectives, and the Stansberry Digest. He has also been a featured speaker at the annual Stansberry Conference, the Legacy Investment Summit, and the Titan Investors Conference.

Michael holds an MBA from the University of California, Davis and a BA from San Francisco State University where he majored in History. He earned the Chartered Financial Analyst (CFA) charter in 2017.

Michael currently resides in Arizona with his wife and two children. He serves as a Board Member for Copper State Credit Union, an Advisory Board Member for the Arizona Council on Economic Education, and is a member of the Practice Analysis Working Body of the CFA Institute.

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Endnotes

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[4]https://www.nerdwallet.com/article/loans/student-loans/student-loan-interest-rates reported as of 3/31/23
[5]https://www.bankrate.com/loans/auto-loans/rates/60-month term reported as of 3/31/23
[6]https://www.nerdwallet.com/best/loans/personal-loans/personal-loan-interest-rates estimated APR based on 690-719 FICO score range, reported as of 3/31/23
[7]https://www.creditcards.com/credit-card-news/rate-report/national average reported as of 3/31/23
[8]https://www.slickcharts.com/sp500/returns, SAM analysis. Total return data from 1926-2022