**Eight Principles for Successful Investing**

July 2019

1. **Have A Plan**

Would you ever set off on a journey without preparing? Especially if the journey will take you into new territory? Or might you just go to an airport and maybe pick the blue plane (TSA and all kinds of security notwithstanding)? Of course not. The most underestimated factor in the success of a financial plan is getting the inputs. Here does income come from, now and in the future? How will money be spent, now and in the future? This will lead you to the answers everyone is looking for: “Will I be OK?” and, “How much is enough?”

* [4,000-to-1 Longshot](https://kc-roi.com/blog/4000-to-1-long-shot)
* [A Pirate Hunter’s Investment Process](https://therealwealthfarmer.com/2019/06/26/a-pirate-hunters-investment-process/)
* [Watch the 6-minute video](https://www.bogleheads.org/wiki/Video:Bogleheads%C2%AE_investment_philosophy#Develop_a_workable_Plan_.28Rule_.231.29)

“The greatest obstacle to discovery is not ignorance. It is the illusion of knowledge.” -David Boorstein

1. **Invest Now**

Time and patience are the investor’s best friends. Invest a dollar for 10 years at 4% and you’ll have $1.50. Invest it for 40 years and you’ll have nearly $5. Start putting money away now. You have to make it happen. The sooner the better. Automate it.

* [Invest Early and Often](https://www.bogleheads.org/wiki/Bogleheads%C2%AE_investment_philosophy#Invest_early_and_often)
* [Everything You Need to Know About Personal Finance](http://online.wsj.com/public/resources/documents/SUN_-A001.pdf)
* [Anatomy of A Market Correction](https://www.visualcapitalist.com/anatomy-market-correction/)
* [Watch the 2-minute video](https://www.bogleheads.org/wiki/Video:Bogleheads%C2%AE_investment_philosophy#Invest_early_and_often_.28Rule_.232.29)

1. **Know Your Asset Classes**

Asset class? What are asset classes? Those are just the labels for different categories of investments. Stocks, bonds, cash, real estate, precious metals and so on are asset classes. Knowing about asset classes helps understand diversification.

* [What’s an Asset Class?](https://www.investopedia.com/terms/a/assetclasses.asp)
* [The Morningstar Style Box](https://awdqa.morningstar.com/directhelp/FactSheet_StyleBox.pdf)

1. **Asset Allocation is Huge**

This is all about deciding what proportion of your money should go into the different asset classes. This is a big deal because where you put the money will determine how your portfolio will feel to you and thus, how you might behave. Asset allocation accounts for over 80% of your portfolio’s behavior.

* [Stock Market Returns Over Various Rolling Periods](https://www.visualcapitalist.com/stock-market-returns-time-periods-1872-2018/)
* [Trend Following vs Buy and Hold](https://awealthofcommonsense.com/2019/06/will-trend-following-continue-to-disappoint/)
* [The Randomness of Global Equity Returns](https://files.constantcontact.com/b2518746101/d2e7c008-93cd-4d48-b690-1a3bbeb1bb81.pdf)
* [Three Ways to Decrease Portfolio Volatility](https://awealthofcommonsense.com/2019/07/3-ways-to-decrease-your-portfolios-volatility/)
* [Watch the 5-minute video](https://www.bogleheads.org/wiki/Video:Bogleheads%C2%AE_investment_philosophy#Never_bear_too_much_or_too_little_risk_.28Rule_.233.29)

1. **Costs Eat Returns**

It’s that simple. The costs of investing subtract from your return. That’s a big part of the explanation for why *investor* returns lag *investment* returns. The financial services industry is neither bashful nor transparent about charging fees. Know what you’re paying and why you’re paying it.

* [Three Lessons Learned from 90 Years of Vanguard Wellington](https://investornews.vanguard/3-investing-lessons-from-vanguard-wellington-funds-first-90-years/)
* [Can Active Management Survive?](https://mailchi.mp/abnormalreturns/abnormal-returns-blogger-wisdom-1399837?e=fe60d1ed65)
* [Watch the 5-minute video](https://www.bogleheads.org/wiki/Video:Bogleheads%C2%AE_investment_philosophy#Keep_Costs_Low_.28Rule_.237.29)

*“In investing, you get what you* don’t *pay for.”* -Jack Bogle

1. **Manage Taxes**

Taxes themselves are a whole category of costs. Certain investments and certain strategies are more or less tax friendly. Know what they are.

* [A Beginner’s Guide to Tax Efficient Investing](https://www.investopedia.com/articles/stocks/11/intro-tax-efficient-investing.asp)
* [Managing Your Investment Taxes](https://investor.vanguard.com/investing/taxes/)
* [How to Invest Tax Efficiently](https://www.fidelity.com/viewpoints/investing-ideas/tax-strategy)
* [Watch the 5-minute video](https://www.bogleheads.org/wiki/Video:Bogleheads%C2%AE_investment_philosophy#Minimize_taxes_.28Rule_.238.29)

*“It’s not what you make, it’s what you keep.”* -Robert Kiyosaki

1. **Stay the Course**

It’s not your assets or rates of return that will earn you Financial Freedom. It’s sticking to your plan, ignoring the distractions, and managing your impulses. Once you set out on your journey, keep pressing on. There will be delays, detours, crying babies, storms, breakdowns, and bloody noses. Stay. The. Course.

* [Anatomy of A Market Correction](https://www.visualcapitalist.com/anatomy-market-correction/)
* [Investment Lessons from the Headlines](http://awealthofcommonsense.com/2019/06/gathering-investment-lessons-from-the-headlines/)
* [Visualizing Investors' Emotions](https://monevator.com/visualizing-investors-emotions/)
* [Five of the Worst Economic Predictions in History](https://fee.org/articles/5-of-the-worst-economic-predictions-in-history/)
* [Best & Worst Rolling Returns](https://www.thebalance.com/rolling-index-returns-1973-mid-2009-4061795)
* [Trend Following vs Buy and Hold](https://awealthofcommonsense.com/2019/06/will-trend-following-continue-to-disappoint/)
* [4,000-to-1 Longshot](https://kc-roi.com/blog/4000-to-1-long-shot)
* [Watch the 5-minute video](https://www.bogleheads.org/wiki/Video:Bogleheads%C2%AE_investment_philosophy#Stay_the_course_.28Rule_.2310.29)

“Discipline equals freedom. That’s not a contradiction it’s an equation.” -Jocko Willink

1. **Keep It Simple**

Complicated financial strategies and investments are mostly designed to enrich managers and salespeople. Simple, diversified portfolios of low-cost index funds, rebalanced yearly, do just fine and often better. Simple beats complex.

* [Everything You Need to Know About Personal Finance](http://online.wsj.com/public/resources/documents/SUN_-A001.pdf)
* [*If* You Can](https://www.etf.com/docs/IfYouCan.pdf)
* [24 Cognitive Biases That Warp Our Reality](https://www.visualcapitalist.com/24-cognitive-biases-warping-reality/)
* [Buy the Haystack](https://thefinancialbodyguard.com/same-old-same-old/)
* [On the Benefits of Being Average](http://awealthofcommonsense.com/2019/06/on-the-benefits-of-being-average/)
* [**The Truth is...**](https://tonyisola.com/2019/07/the-truth-is/)
* [Can Active Management Survive?](https://mailchi.mp/abnormalreturns/abnormal-returns-blogger-wisdom-1399837?e=fe60d1ed65)
* [Watch the 5-minute video](https://www.bogleheads.org/wiki/Video:Bogleheads%C2%AE_investment_philosophy#Keep_it_simple_.28Rule_.239.29)

“Successful investing involves doing a few things right and avoiding serious mistakes.”-Jack Bogle

