

Back to the Investment Basics

Part 5: Patience and Persistence



So far in our investment basics series, we've explored the history of investing; how important it is to save so you have money to invest; how to invest efficiently in broad markets; and why to avoid chasing or fleeing rising or falling prices.

By applying these logistics, you are much better positioned to let capital markets work their wonders on your investments. But there are two more essentials that can make or break even the most sensible portfolio, and neither of them are about market dynamics. They're about you.

Once you've structured your investments to capture available, risk-adjusted market returns, you'll need to stay on track as planned.

This calls for channeling your ability to *be patient*, and for ensuring your *personal goals*—rather than shifting market conditions—are driving your ongoing decisions.

1. Markets are inspired by ingenuity, tempered by diversification.
2. The price you pay matters.
3. **Patience is a virtue.**
4. **Investing is personal.**

Investing With a Wider View

As we touched on earlier in this series, it's risky to fixate on the most recent, random bursts of market activity. If you view the market close-up, you're likely to perceive false, or at least misleading "patterns" that instill overly bleak or bold outlooks, even though all evidence suggests we cannot know what to expect next.

This, in turn, can trick you into making impatient investment choices that neither reflect nor

advance your personal financial goals. Instead, we suggest taking a wider view of the market across years of performance. This typically reveals a smoother upward progression—even if it rarely feels smooth at the time! Of course, we still can't chart the future with certainty, but we can at least envision a range of potential dotted lines, generally pointing onward and upward . . . *if you remain patient* and participatory in the market's expected growth.

Warren Buffett wrote this statement more than 30 years ago, and was practicing it long before then.

"Productive assets such as farms, real estate and, yes, business ownership produce wealth — lots of it. . . . All that's required is the passage of time, an inner calm, ample diversification and a minimization of transactions and fees."

— 2020 Berkshire Hathaway Shareholders Letter

Being patient and preferring decades-long investment commitments have worked wonders for Buffett. You could do worse than to emulate someone who has been investing for 70-some years and has long been among the wealthiest people on the planet.

Investing Isn't Always the Answer

However, before you decide to invest everything you own, there's a related caveat: Not all your money belongs in the market. First, even the most stoic investor's patience can wear thin during periodic, occasionally lengthy downturns. Diversification, along with a ballast of more stable investments, can help you maintain your resolve during troubling times.

Beyond that, it's critical to keep some cash, or cash-like assets on hand throughout your life, to fund near-term spending needs. The goal is to avoid a scenario in which you have critical upcoming expenses, but the only way to cover them is to sell investments that have just taken a beating in the market or are otherwise tied up in holdings that can't readily be converted to cash.

On the other hand, holding too much cash comes with its own risks. Most notably, cash rarely keeps pace with inflation, which means you're likely to *lose spending* power over time. The trick is to balance investing toward future spending, with keeping enough cash on hand to cover upcoming expenses.

Investing Is Personal

How do you decide how much to invest, and how much to keep in reserve for upcoming expenses (such as buying a home, paying for higher education, paying down debt, etc.)?

The answer is personal, guided by your own wants and needs. As you harness our previous investment essentials to build and manage your evidence-based investment portfolio, each decision you make should be grounded in your personal financial goals, when you want or need to achieve them, and which risk/reward tradeoffs you are willing or unwilling to make along the way.

The market is like an ocean: endless, ever-changeable, enduring. Since there's no way you can control this greater force, how you choose to navigate it should be focused on your particulars. Not your neighbor's interests. Not what the popular financial press would have you notice. Not what the tides have washed onto your financial beach most recently.

Until next time, no regrets!

Eric Hutchens
President & Chief Investment Officer

NEW EMPLOYEE SPOTLIGHT: KIMBERLY HAMLIN



Allodium is excited to welcome Kim Hamlin to our team.

Role at Allodium:
Associate Wealth Advisor

Joined firm on: March 4, 2024

Hometown: Sidney, MT

Favorite book: Harry Potter, Outlander, Jack Reacher—I reread them all the time.

Favorite movie: Anything with a superhero in it or an inspirational sports movie. I love being inspired, watching good prevail in the end, and knowing hard work and hustle outperform.

Favorite TV show: *Star Trek the Next Generation* — to journey, explore, and seek out new life.

Favorite food(s): Pizza, steak, and Cheetos.

Favorite news source: WSJ Podcast.

Favorite place in Twin Cities: My home and yard.

Favorite gadget/technology: My underwater scuba diving camera and housing.

Favorite activity: Playing Pinochle with my family. Morning play time with my kid. Playing catch, shooting hoops, throwing snowballs.

Favorite music: Taylor Swift, Disney songs, the 80s, and a good Broadway musical number!

Person I admire most: Oprah Winfrey.

What I'm most thankful for: I am thankful to have the opportunities I have and to be living the life I get to live. It is a privilege and I try never to forget that.

“I make no attempt to forecast the market—my efforts are devoted to finding undervalued securities.”
—Warren Buffett

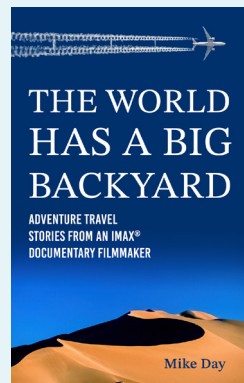
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Headlines

- Allodium and Dimensional Fund Advisors hosted a joint webinar entitled *Navigating the Current Market Environment: Perspectives for Long-Term Investors* on May 14, 2024. Allodium was thrilled to host DFA's Apollo Lupescu as guest speaker.
- Eric Hutchens will be a panelist at the Minnesota RIA Summit at the Hyatt Regency in Minneapolis on June 25, 2024. Eric will participate in the panel discussion called *Coming to a Crossroads: Build, Buy, or Sell?*
- David Bromelkamp attended the Broadridge 360 Advisor Summit in Austin, TX on May 19-21, 2024.
- Our office will be closed on June 19, July 4, and September 2, for company holidays in 2024.
- Allodium welcomed seven new clients in the first quarter of 2024.

To find out more about Allodium's breaking news, please visit our website: www.alodium.com.

Upcoming Event



Allodium is excited to welcome travel author and IMAX® documentary filmmaker, Mike Day. As a filmmaker, Mike visited wild chimpanzees in Africa and active volcanoes along the Ring of Fire in the Pacific. Mike believes the best gift you can give yourself and others is travel. Not comfortable travel—but a true adventure.

Join us for this in-person event as Mike provides tips and skills to address the uncertainty, unpredictability and uncontrollability that can come with traveling to new and distant places. He will also share a portion of his book: *The World Has a Big Backyard: Adventure Travel Stories from an IMAX® Documentary Filmmaker*. Save the date on October 24, 2024.

WE APPRECIATE YOUR INTRODUCTIONS

To optimize our objectivity and avoid conflicts of interest, we are a fee-only registered investment advisor that is completely independent from banks, brokerage firms and other financial product providers. If you know someone who may be looking for this type of objective investment advice, please contact Dave Bromelkamp at 612-230-3700 or dbromelkamp@alodium.com to arrange a friendly, no-obligation introduction.



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