

## *Short Term Fads are Harming Long Term Opportunities*

Last month as I thought about a topic to write about, it occurred to me that I never hear anything about Financial Literacy Month (April). This was a movement started during the Tech Bubble in Year 2000. President George W. Bush and President Obama both endorsed and made strides in making the movement 'real' and part of the academic curriculum in public schools. The goals aimed to have Americans improve their understanding of financial issues such as credit management, savings, and home ownership.

I am growing increasingly concerned that after two decades, we have not made enough progress. The FED reserve published a report that stated that 40% of American cannot cover a \$400 emergency expense (link below). When I hear the radio and TV airways, it is no wonder that we continue to go one step forward and two steps back.

The basics of investing appear to have been left by the wayside. The fear of missing out seems to creep into everyday decision making, which is causing long term harm. Even our 'mainstream' media has now hyped up the cryptocurrency craze. This is pure speculation with something to put funds into that is NOT an investment. Investments are supposed to produce an income or a profit. Theft is rampant and thieves love to transfer funds within various crypto currencies. These are not a good place to plan for short or long term needs.

The Commonwealth of Virginia now has offered up licensing for online gambling beginning in July of 2021. The incessant advertisements for 'Get Rich Quick' are everywhere. Did you know that you can bet \$1 and make \$100? People of all generations are unfortunately getting caught up in trying to make a quick buck, without having the very basics covered.

The very basics of investing are for starters, having a sufficient safety net / emergency fund. It is critical to have three to six months of savings to live on if you lose your income. This part does take sacrifice, but has long term benefits. For people just starting out, it may mean living with a relative for six months to a year. For an older person, it may mean cutting the cord on cable or driving a less expensive car, or even moving to a less expensive area of the country. There are ways to do it, but it does take discipline.

I often talk about investing in various buckets per eligibility rules. Every person and family have different goals and means when figuring out how to add to these buckets. These buckets may include but are not limited to the Roth IRA, Traditional IRA, 401K/403b/457, non-retirement account, 529, and, of course, the emergency fund. For most individuals and families, adding to these different areas monthly or annually will increase the odds of success. Wealth is created by adding to these systematically, not investing for the short term gain into an unproven fad.

Besides cryptocurrency, there is the example from December of 2020, when it was deemed that 'value stocks are dead'. This was short lived as value has way outperformed growth so far in 2021. Be careful, to not get caught up in any hype of the day and always invest for the long term.

It is critical not to follow the herd. Remember Time in the Market is so much more important than Timing the Market.

Sincerely,

Andrew D. Wade, CFP®

<https://www.federalreserve.gov/publications/2020-economic-well-being-of-us-households-in-2019-dealing-with-unexpected-expenses.htm>