AVOID THE $1 MILLION MISTAKE

How the Wrong Approach Could Cost You Millions

A guide from

SPARTAN PLANNING

AVOIDING THE $1 MILLION DOLLAR MISTAKE

Don't Gamble Away Your Retirement

You've worked hard to build a nest egg for the important things in life. Whether you're still a long way from retirement or you've already retired, chances are you share many of the same concerns:

- Will my funds last for the rest of my life?
- Will I be able to weather the storm if there's another financial crisis?
- If something happens to me, will there be enough to take care of my spouse, my children, my grandchildren?

Spartan gets it. Finances can be overwhelming, intimidating and simply put, not a lot of fun. But it doesn't have to be that way.

We can help you create and implement a clear plan for your financial future to keep you on course so you can stop worrying about money and finally enjoy more moments in the here and now.

In our combined 70+ years of working with clients, Spartan has found that, among the many mistakes which keep investors from achieving financial success, four stand out above all others.

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Mistake 1: Not Having a Plan

Humans, even the most well-educated, are not wired to be effective investors. Too often, and frequently at the wrong time, emotions get in the way and cloud judgment.

People often buy an investment and intend to hold it indefinitely. But at some point, the market takes a downturn, fear takes over and frequently the investment is sold for a large loss without any plan on when to get your money re-invested.

without a proper plan, individual investors consistently underperform their intended benchmarks.

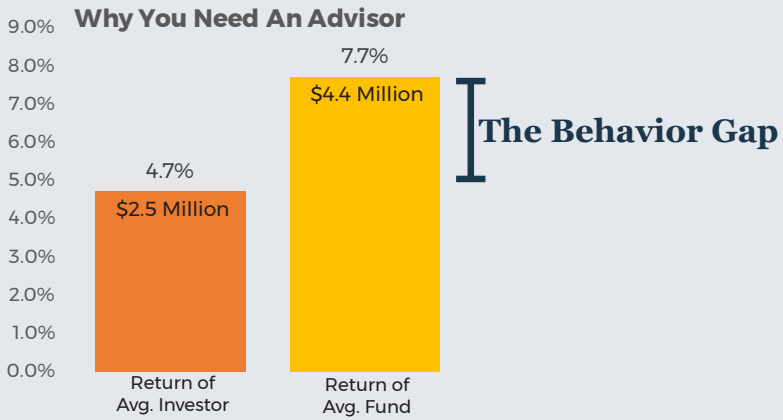
Conversely investors often wait until years after the economy has turned around and after a "bottom has occurred" and they buy near the highs. This process often repeats in a vicious wealth-destroying cycle.

Dalbar Inc, a major investment research group, has showed that without a proper plan, individual investors consistently underperform their intended benchmarks.

While the average stock fund generated returns of 7.7% per year over the 20 year period from 1996-2015, the average investor in the exact same funds earned only 4.7% annually due to poorly-timed emotional buying and selling.

We call this the "Behavior Gap" since it is usually caused by poor investor behavior.

Poor judgement in this case could have cost you nearly $2,000,000 over this 20-year period on an original $1,000,000 portfolio. Ideally you want to have a partner who helps you avoid letting your emotions determine your financial decisions.



*Stock fund investor and stock fund returns are taken from Dalbar's study from 1996-2016. Hypothetical ending values are based on the stated return over 20 years starting with a $1 Million investment.

The right advisor can add tremendous qualitative and quantitative value to your financial life.

Unfortunately, just having an advisor isn't always enough to keep you from falling victim to the second mistake.

Mistake 2: Trusting Diversification to Protect you from Risk

All too often investors believe they are holding well-diversified, relatively low-risk investments only to learn in a bad market that they were actually exposed to way too much risk. They learn too late that their advisor didn't actually have a pro-active plan to manage risk during tough market environments.

When the economy takes a downturn, even a traditionally "diversified" portfolio can still take significant losses. For example, during the Great Depression, a traditional "diversified" portfolio with 60% Stocks & 40% Bonds lost more than 60% of its value and stocks by themselves took 24 years to break-even.

"Markets can remain irrational longer than you can remain solvent."

- John Maynard Keynes

Significant crashes tend to happen every 7-10 years on average. During the 2008 crisis, the US Stock Market (S&P 500) dropped 51%. For most investors, it took 6 years to get their portfolio back to where it was pre-crisis. Ultimately this means they lost 6 years of potential growth on their portfolio.

You shouldn't have to be exposed to this kind of risk or sustain these large, drawn-out losses. You should have a partner who is helping you take the right precautions and has a plan for dealing with varying market conditions.

Think about a few of these general precautions you take in your life:

- You aren't likely to get in a wreck but you still wear your seatbelt.
- Your house isn't likely to burn down but you carry insurance and have a fire extinguisher.
- You wouldn't just stand in a lightning storm if there is a perfectly good building right next to you.
- You wouldn't slam on your brakes just because there was "supposed to be traffic."

Likewise we suggest you shouldn't take unnecessary risk nor should you avoid all potential risks and thereby risk being outpaced by inflation.

The data shows a pro-active plan to deal with risk can help you avoid larger, drawn-out losses and add significant value to your portfolio.

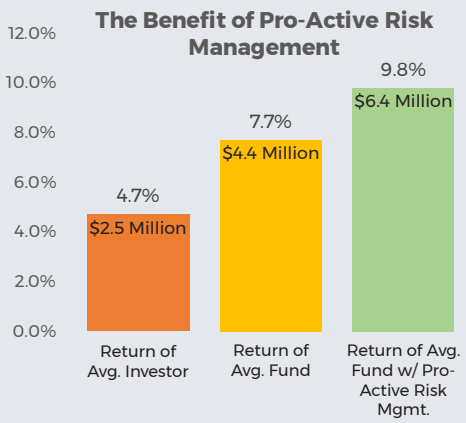
Diversification Alone is Not Enough

There is an old adage "the best offense starts with a good defense." We like to start our investment portfolios with some good defense and yet be ready to take advantage of the offensive opportunities.

The ultimate goal is to capture the meat of the up moves in the market while avoiding the bulk of the long drawn-out down moves.

At Spartan, we deal in the reality of "What is," but we are always preparing for the "What ifs" that come along.

Spartan's Proactive Risk Management can give you a comprehensive plan to address the "What ifs" life throws at you. Our goal is to create more stability and consistency in your financial life. You deserve someone who is proactively guiding you through your financial life to provide a lifelong stream of income.



*Stock fund investor and stock fund returns are taken from Dalbar's study from 1996-2016. Risk Management data is hypothetical data of an 80/20 TF portfolio from Spartan Planning & Blueprint research whitepaper using GFD data. For more information on Pro-Active Risk Management and trend filtering contact Spartan Planning at Hello@SpartanPlanningGroup.com. Hypothetical ending values are based on the stated rate of return over 20 years starting with a $1 Million investment.

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Mistake 3: Paying More Taxes than Necessary

While the best way to maximize your portfolio value is to avoid the two mistakes previously mentioned, taxes are still a very important component of successful financial outcomes.

Benjamin Franklin once wrote, "...in this world nothing can be said to be certain, except death and taxes."

Sure, taxes may be certain, but that doesn't mean you should pay more than you have to.

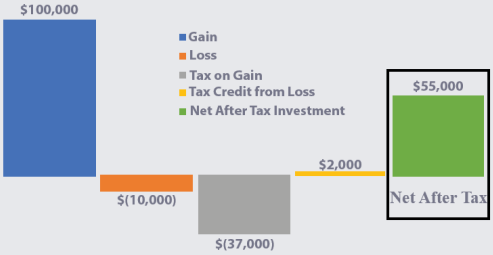
Sure, taxes may be certain, but that doesn't mean you should pay more than you have to. Many investment strategies are very tax inefficient and could cost you hundreds of thousands of dollars in unnecessary taxes.

Many traditional advisors pull money out of winning positions too soon and pile that money into losing positions. This is akin to trimming the budgets of your best performing salespeople or most profitable divisions of your company and then taking that money and throwing it at your worst performing salespeople or putting it into the struggling segments of your company. Much of the time, winners keep on winning and losers keep on losing for far longer than many would have expected. Not only does it make for bad investment policy - it is also terribly inefficient from a tax perspective.

In contrast, Spartan's Intelligent Rebalancing approach holds onto and periodically adds to winning positions, taking money away from losers. This is the investment equivalent of the old adage: "If it ain't broke, don't fix it."

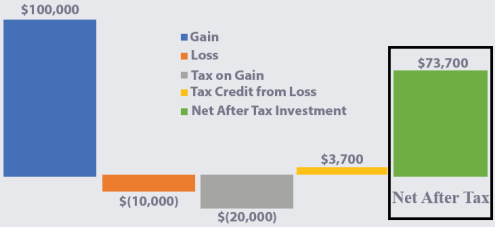
Let's compare the traditional approach to the one that Spartan incorporates: Intelligent Rebalancing.

Traditional Investing



- **Tends to take short-term gains from winners as they win. This generates taxes at your TOP ordinary income rate. For most, it is the 37% federal income tax.**
- **Tends to take long term losses from losers as they lose more and write off (deduct) long term capital losses at the less favoravle 20% capital gains rate.**

Intelligent Rebalancing Investing



- **Tends to take long-term gains from winners as they win which generates taxes at your BOTTOM capital gains rate. These gains are taxed ata a uch more favorable 20% rate.**
- **Tends to take short term losses and write off (deduct) short term capital losses at the more favorable 37% rate.**

An Investment Approach using Intelligent Rebalancing can leave you with potentially 30% more after tax net value as shown in graph above.

Spartan Planning Group's approach, along with our tax-sensitive Financial Planning helps you keep more of your hard-earned money to spend on retirement and the things that matter to you.

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Mistake 4: Paying Unnecessary Fees

So you've decided to work with a professional financial advisor. With all of the mistakes already mentioned - it will almost certainly be money well spent. A quality advisor is usually well worth their fee and then some. This does not mean, however, that you should pay any more than is fair and necessary to get the best job done for you.

Spartan Planning Group can typically save the average client around 0.40% annually over comparable advisors after looking at all-in costs (advisory fee plus the cost of the investment holdings themselves). Paying unnecessary fees could cost you another $250,000 over 20 years!

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Most Advisors

- Charge Hidden Fees
- Expensive Investment Holdings
- Sell You Products

Spartan Advisors

- No Hidden Fees
- Low Cost Investment Holdings
- No Incentive to Sell You Products

Spartan Planning Group wants to make sure you avoid these mistakes and others so you can enjoy a stress-free financial life. If you're ready to discuss how Spartan can guide you to achieving your goals regarding Retirement Planning, Investment Management, Estate, Tax, and Insurance Planning, contact us today.

Call us at (800) 371-1292
Email us at Hello@SpartanPlanningGroup.com

Schedule a Discovery Meeting

You Can Avoid The Million Dollar Mistake

Your Spartan Financial Advisors

David Childs, CFP ®
Chief Listener | CEO

Ira Ross
Partner | Advisor

Blaise Stevens, MBA, CFP ®
Partner | Advisor

Eric Warren
Advisor

More than 70 years of combined experience helping clients achieve clarity and confidence in their financial journey

Professional Certifications
Our team proudly supports the professional training and certifications of its employees.

Billions of $$$ Managed
Spartan Planning Group team members have manged billions of dollars over the course of their careers.

Thousands Served
Our team members have helped thousands of families stop worrying about retirement and enjoy more of life's moments.

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Past performance is not necessarily an indicator of future results. Data displayed is hypothetical data as you cannot invest directly in an index. Spartan strategy data, if shown, is indicative of a blended average of all account sizes within each strategy regardless of if the Advisor manages and allocates the accounts differently due to account size constraints; return data listed calculated on all accounts except those with incoming or outgoing transfers throughout the month that would materially and inaccurately affect performance information. Investment decisions should be made based on the investors specific financial needs and objectives, goals, time horizon, tax liability, risk tolerance and other relevant factors. Investment decisions should be made based on the investors specific financial needs and objectives, goals, time horizon, tax liability, risk tolerance and other relevant factors.