LANCZGLOBAL'S LIST OF TOP TEN INVESTMENT MISTAKES

1) FOLLOWING THE HERD – over the years investors have tended to lose significant capital, and take excess risk, by going to extremes and following the herd. Overemphasizing technology in the late nineties only to avoid them (or all equities, for that matter) after valuations plunged is a memorable example. **We do not know if more monies have been lost in avoiding areas after prices have plunged or in chasing the high flyers and buying after prices have already soared.** Either way, it is a recipe for disaster and the main reason the average investor has underperformed the averages.

2) NOT UNDERSTANDING RISK LEVELS – in our 30 years of analyzing portfolios it still amazes us how investors do not monitor, or even know, their risk levels until after a major sell-off costs them a significant portion of their investable assets. **The time to reevaluate and monitor risk is all the time, a continuous process**, not after prices have already plunged.

3) NOT FOCUSED ON COSTS OR TOTAL EXPENSES – is one key reason investors have gone to the other end of the extreme with passive, or index, investing. This is better than not monitoring expenses and fees, but an eye on expenses with value added management is the best of both worlds. A prime example of not understanding all the cost in a particular investment is that the vast majority of investors believe that a mutual fund's expense ratio is their total cost. In actuality, **a fund's expense ratio does not include trading costs, which can be higher than the expense ratio for certain funds.**

4) NOT MAXIMIZING YOUR AFTER TAX RETURNS – a very simple strategy of placing tax inefficient investments (high yield bonds, foreign investments) in retirement plans and tax efficient investments such as long term growth stocks in your taxable accounts can literally save thousands in taxes each and every year. Despite this strategy being fairly simple to implement, we are still seeing many portfolios with tax inefficient mutual funds in a joint account or taxable trust, which instead could have been part of their retirement assets. **Taxes are an expense that must be considered,** just like commissions, fees, spreads, and other costs.

5) ALL OR NONE APPROACH – too many investors are stubborn and avoid certain investments after loses or add to investments after outperformance, often creating bubble valuations. Investors wrote off stocks in 2008-2009 after huge losses, at the time the smart investors were actually accumulating into weakness. It is important to remember that investors can hedge their investments or build cash during high valuations, and accumulate quality gradually into major sell-offs. **It should never be a matter of being all in or all out of every asset class.**

6) DIWORSTIFICATION – we saw more of this after the extremes in tech in 1999 with **investors diversifying to extremes of mediocrity.** It put index investing and Dimensional Funds on the "hot" list, but to date all of the Dimensional Funds that were on our Honor Roll are no longer part of our recommended list because of decreasing performance. Dimensional

Funds were ranked #60 in the 2014 ratings from *Barron's* out of 65 fund families. They were in the top ten a half dozen years ago when comprising our Honor Roll list.

7) KNOWING THE ROLE OF YOUR BROKER OR ADVISOR – the lines have been blurred so we cannot even blame investors for not understanding if their advisor/broker is a sales person or actual fiduciary. **The best advice is to get the total cost and capacity of advice in writing before investing.** Generally brokers must abide by the Broker Suitability rule while advisors have a much more stringent fiduciary standard of looking at each client's best interest. Unfortunately a lot of brokers are now calling themselves advisors or advisor representatives.

8) NOT MAXIMIZING SOCIAL SECURITY BENEFITS – the social security decisions made from age 62 and beyond will influence the timing and amount of monies both you and your spouse will receive for the rest of your life, depending on your specific situation. **We have seen early social security benefits and incorrect spousal and survivor benefits prove to be very costly and irreversible.**

9) NOT TAKING ADVANTAGE OF EMPLOYER'S RETIREMENT PLAN – this would be #1 on the list if your employer offers a match and you still elect to not participate.

If this is the case, by not at least doing the matched amount, you elect not to get a 100% return on your investment. Without a match a retirement plan with its tax deferral benefits should still be a part of your long term savings dollar.

10) NOT CAPITALIZING ON LOW INTEREST RATES – with interest rates low for so long investors are making the mistake of believing rates will stay low forever. The opposite situation occurred in the 1980's when rates were near historic highs, with many investors not locking in long term at mid-teen percentage yields. We were fortunate enough to lock in some great fixed income rates for long term back then as well as immediately after the financial crisis. **Now with rates at historic lows investors should make sure they lock in low rates on loans and be very careful with long term bonds in their diversification efforts.** This week we locked in on a revolving line of credit at 1.75% plus 30 day LIBOR (total current loan rate of 1.92%). **Anyone with good credit that is paying 5% or more on any loans should lock in a lower rate this year while the opportunity still presents itself.**