

Last year, we started a series of letters called “*Questions You Were Afraid to Ask.*” Each month, we look at a common question that many investors have but feel uncomfortable asking. Because when it comes to investing, the only bad question is the one left unasked!

Over the last few months, we’ve covered a variety of topics, including:

- How the Dow Jones, S&P 500, and NASDAQ indices work and which companies they include.
- How the values of these indices are calculated.
- How stocks actually work, and how they differ from bonds.
- How investment funds work, including the differences between passive and active funds.
- The pros and cons of mutual funds, exchange-traded funds, and hedge funds.

As you can see, when it comes to investing, there’s a lot to know, a lot to consider, and a lot to choose from. And while choice is always a good thing, many investors often come to me with their heads spinning because they’re not sure where to start, what to do, or which option to choose. They all come with some variation of the same question. The question we are going to answer right now.

Questions You Were Afraid to Ask #6: How do I know which investment options are right for me?

When it comes to this question, we have good news and bad news.

The bad news is that there is no one-size-fits-all answer.

The good news is that there is no one-size-fits-all answer.

Yes, you read that right.

To illustrate what we mean, think about your clothing for a moment. Do you buy one-size-fits-all attire? Of course not – and there’s a reason for that. “One-size-fits-all” wouldn’t look very good. It wouldn’t *feel* very good. And it simply *wouldn’t work for every person and every lifestyle.*

In life, we have a variety of different clothes we can choose from. We make those choices based on several factors. Climate: pants or shorts. Employment: jeans or slacks. Occasion: a day at the beach or a day at a wedding. Personality: colorful vs dark, brazen vs muted. Figure: from extra-small to extra-large. You choose your clothes – and your style – based on *what’s right for you.* Based on *your* wants, *your* needs, *your* nature. Investing, believe it or not, is much the same. There is no one-size-fits-all. No single “best” option. Only the best for you, based on *your* wants, *your* needs, *your* nature.

This might seem like a no-brainer, but it’s critical all the same. That’s because, as an investor, you will often hear the media say otherwise. You will hear people claim that the Dow is more important than the S&P (or vice versa). That stocks are better than bonds, or bonds are safer than stocks. That passive is better than active (or vice versa), or that Exchange Traded Funds (ETFs) are always better than mutual funds (or vice versa).

As we’ve seen, the truth just isn’t that simple.

In these letters, we’ve answered six questions many investors are afraid to ask. Now, we have six more for you to consider. Six questions you must *not* be afraid to ask. Questions only *you* can answer.

Those questions are as follows: *Who, What, When, Where, Why, and How.*

Who am I? Are you cautious by nature or a risk-taker? Are you a family-oriented person, or more of a lone wolf? An adventurer or a caretaker? Someone with a few simple wants, or big, bold dreams? Or – as many people tend to be – are you a mixture of all these things?

What kind of lifestyle do I want? Simple or extravagant? Always trying new things, or staying in your comfort zone? One focused on work and personal accomplishment, or one focused on family and community? Or again – and I can't stress this too much – a mixture of these things, depending on what stage you're at in life?

When will I most need money? Do you need it soon because you're buying a new home or starting a new business? Or do you need it later when you're about to retire?

Where do I see myself in ten years? Or twenty? Life is all about change and growth. That means you need to ensure you're investing for *long-term* growth to reach your *long-term* goals.

Why do I need to invest? To help send your kids to college? To retire? To see the world? To give to charitable causes? To feel like you always have a safety net?

How will I pay for retirement? This is key. Because, regardless of your other goals, there's probably going to come a time when you want to stop working. But you can't just pick a day to not show up at work. Retirement creates a massive lifestyle change, one that will be quite upsetting to your finances if you don't prepare for it.

It's these questions that should determine the right investment options for you. The types of assets you invest in. How much risk you take on. Whether your portfolio is simple or complex. Active versus passive. You get the idea.

We hope you've enjoyed learning a bit more about how investing works. We hope we've been able to answer some questions you may have pondered over the years. Most of all, we hope you can use this information as a springboard to ask *more* questions down the road. After all...

When it comes to investing, the only bad question is the one left unasked!

Sincerely yours,

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