



5 Investing Mistakes

and Ways to Manage Them



FLAGSHIP FINANCIAL
ADVISORS

5 Investing Mistakes

And ways to manage them — helping to remove the guessing, stressing, and overreacting.

Investing mistakes likely don't feel like mistakes when you make them. They might feel like smart moves. Safe bets. Common sense. But as markets shift, interest rates change, and retirement draws closer, the cracks can begin to show.

At **Flagship Financial Advisors**, we've helped our clients implement strategies designed to avoid or correct these same costly missteps — and now we're sharing five of the most common we've experienced.



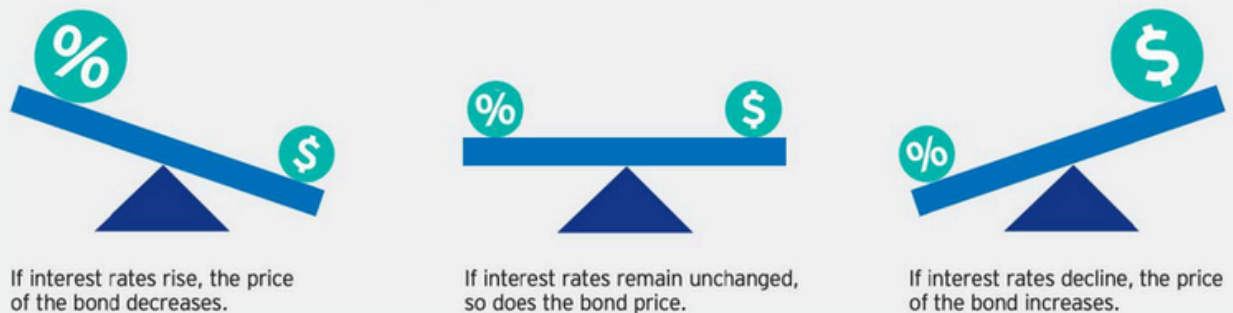
Mistake #1

Thinking Your “Safe” Investments Can’t Lose Money

If you're like many conservative investors, you've probably assumed your bond funds were the "safe" part of your portfolio. But here's the truth: When interest rates go up, the value of your bond funds can go down — even if nothing else changes. It's called interest rate risk, and it caught a lot of investors off guard when the Fed raised rates.

One way investors can take control of their fixed income is through a bond laddering strategy.

Here's how it works:



Instead of buying bond funds (which never mature), we help clients build a custom ladder of individual bonds which involves buying bonds that mature at regular intervals, such as every year or every few years. - Each bond has a set maturity date — so even if rates go up, you can just hold it to maturity and get your full investment back. - If rates go down? Your older, higher-yielding bonds may become more valuable.

This strategy can give you certainty, flexibility, and control — instead of guessing how rate moves will affect your returns.

Keep in mind that if you redeem a bond prior to maturity, the price of the bond may be higher or lower than its face value, depending on current interest rates. Purchasing bonds involves the risk that the bond issuers may default on their obligations and will be unable to make required interest payments or repay principal at maturity.

Mistake #2

Believing You're Diversified When You're Really Not

In 2022, investors got a wake-up call: stocks went down. Bonds went down. Even international funds were in the red.



The idea that simply spreading your money around equals safety can be misleading.

Here's why: having several mutual funds that all react the same way in a downturn doesn't offer the protection many expect. It's easy to assume you're diversified when, in reality, your investments may be moving in lockstep.

A thoughtful approach to diversification isn't just about quantity—it's about strategy. It means selecting assets that behave differently in various market conditions, each serving a unique purpose within your overall plan

We help clients build portfolios where each piece has a purpose — not just a ticker symbol. It's not about guessing the market. It's about building a portfolio that can potentially withstand .

Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Index returns do not reflect the deduction of fees and expenses associated with management of an actual portfolio.

Market segments represented by: US Stock Market - Russell 3000 Index; International Developed Stocks - MSCI World ex US Index; Emerging Markets - MSCI Emerging Markets Index; US Bond Market - Bloomberg Aggregate Bond Index; Global Real Estate - S&P Global REIT Index. Diversification does not assure a profit or eliminate market risk. There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.

<https://www.upmyinterest.com/bloomberg-us-aggregate-bonds/>

<https://www.morningstar.com/markets/just-how-bad-was-2022s-stock-bond-market-performance>

<https://www.ishares.com/us/products/268752/>

<https://www.msci.com/indexes/index/891800>

Mistake #3

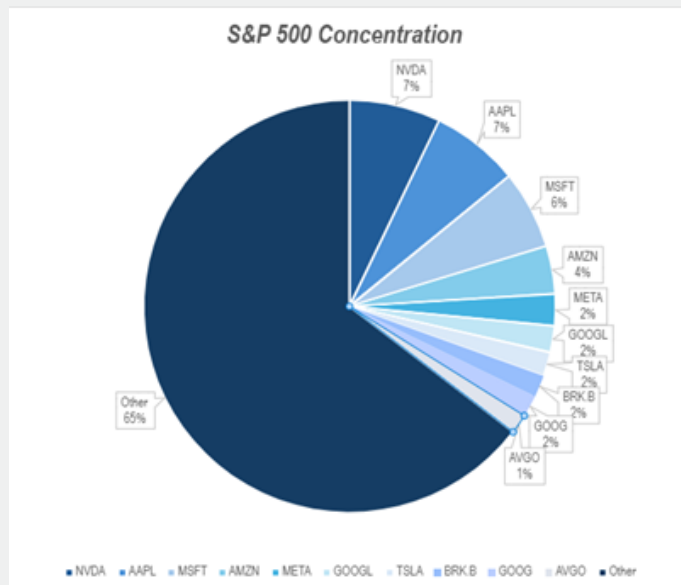
Letting a Handful of Stocks Control Your Future

Think you're diversified because you own a mutual fund that tracks the S&P 500? Think again.

The top 10 companies in the S&P 500 now make up over 35% of the index¹. So if you own a typical index fund, over a third of your investment is riding on just a few stocks.

That means a bad earnings season from a handful of tech giants could affect your whole retirement strategy — even if you think you're playing it safe.

We help clients manage this risk by using tools like equally weighted ETFs, factor-based models, and custom-built allocations that spread risk more evenly across the market. This isn't about avoiding growth. It's about making sure your future isn't overexposed to a few companies you can't control.



Data as of 11/19/2024. For illustrative purposes only. The index cannot be invested into directly.

Keep in mind that there is no assurance that these techniques and strategies are appropriate for everyone or will yield positive outcomes. Investing involves risk including possible loss of principal.

Rothman, Larry. "10 Stocks Drive Significant Portion of S&P 500 Return | Pensions & Investments." Pensions & Investments, 19 Nov. 2024, www.pionline.com/interactive/10-stocks-drive-significant-portion-sp-500-return.

Mistake #4

Paying More in Taxes Than You Realize Especially on “Safe” Assets

Many investors don't realize that the IRS taxes conservative investments more heavily than aggressive ones.

- Bonds and CDs? Taxed at as ordinary income — up to 37%*
- Stocks and qualified stock dividends? Often taxed at 15–20%

We help clients address this using a few strategies:

- Replacing corporate bonds with federally tax-free municipal bonds**
- Using tax-deferred annuities to shift income into future lower-tax years
- Placing investments into the appropriate account types based on how they're taxed

This isn't about taking on more risk. It's about keeping more of what you're already earning — and making sure your “safe” investments aren't quietly costing you more than you think.

Tax laws are subject to change and individual circumstances may vary. Speak with a qualified tax advisor. *Specific federal income tax rate depends on your taxable income and filing status. State and local taxes may also apply. **Income from municipal bonds may be subject to state, local and alternative minimum tax.

<https://www.retireguide.com/retirement-planning/investing/certificate-of-deposit/taxes/>
<https://www.investopedia.com/terms/q/qualifieddividend.asp>

Mistake # 5

Ignoring the Retirement Risk That Many People Never See Coming

You've saved, invested, and you're finally ready to retire. But there's one more risk that can quietly unravel your entire plan — and it has nothing to do with what you own.

It's called sequence of returns risk. And it works like this:

- If the market drops early in your retirement, you're forced to sell more shares at lower prices
- Even if the market recovers, your portfolio may not — because the damage was already done

It's possible that some retirees saw their plans significantly impacted simply because the first few years of retirement were rough.



We help clients plan around this with:

- Multi-bucket withdrawal strategies
- Flexible withdrawal strategies that adjust to market realities

The goal isn't to predict the future. It's to build a plan that can withstand it.

Keep in mind that there is no assurance that these techniques and strategies are appropriate for everyone or will yield positive outcomes.

Want to See if You're Exposed to Any of These Mistakes?

We offer a complementary, no-pressure 30-minute strategy session to help you:

- Identify possible risks in your current plan
- Clarify your priorities and goals
- Take the next step toward greater confidence



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