Earth Day Lessons for Investors

It's almost Earth Day, when people around the world focus on ways of protecting and preserving the environment. And the lessons from this occasion can be applied to other areas of life — such as investing.

Here are some themes to consider:

• *Sustainability* – From an environmental perspective, sustainability encompasses a range of issues, such as using natural resources wisely. As an investor, you, too, need to protect your resources. So, for example, to sustain a long-term investment strategy, you won't want to dip into your retirement accounts, such as your IRA and 401(k), to pay for major home or car repairs or other unexpected, costly bills before retirement. You can help prevent this by building an emergency fund containing several months' worth of living expenses, with the money kept in a liquid, low-risk account. And once you're retired, you need to sustain your portfolio so it can help provide income for many years. For that to happen, you'll need to maintain a withdrawal rate that doesn't deplete your investments too soon.

• *Growth potential* – Many people plant trees to celebrate Earth Day, with the hope that, as the trees grow, they'll contribute to cleaner air. When you invest, you also need growth potential if you're going to achieve your goals, including a comfortable retirement. So, your portfolio will need a reasonable percentage of growth-oriented vehicles, such as stocks and stock-based mutual funds or exchange-traded funds (ETFs). Yet, you do need to be aware that these investments can lose value, especially during downturns in the financial markets. You can help reduce the impact of market turbulence on your holdings by also owning other types of investments, such as bonds, government securities and certificates of deposit (CDs). While these investments can also lose value, they are typically less volatile than stocks and stock-based mutual funds and ETFs. The appropriate percentage of growth and fixed-income investments in your portfolio depends on your risk tolerance, time horizon and long-term objectives.

• *Avoidance of "toxins"* – At some Earth Day events, you can learn about positive behaviors such as disposing of toxic items safely. And in the investment world, you'll also want to avoid toxic activities, such as chasing "hot" stocks that aren't appropriate for your needs, or trading investments so frequently that you run up commissions and taxes or jumping out of the markets altogether when there's a temporary decline.

• *Consolidation* – Getting rid of clutter and unnecessary possessions is another lesson some people take away from Earth Day. All of us, when we look around our homes, could probably find many duplicate items — do we really need two blenders or three brooms or five staplers? When you invest, it's also surprisingly easy to pick up "clutter" in the form of multiple accounts. You might have an IRA with one financial company and brokerage accounts with two or three others. If you were to consolidate these accounts with one provider, you might reduce correspondence — even if it is online — and possibly even lower the fees you pay. But perhaps more important, by consolidating these accounts at one place, possibly with the guidance of a financial professional who knows your needs and goals, you may find it easier to follow a single, unified investment strategy.

Earth Day only happens once a year — but it may provide lessons for investors that can last a lifetime.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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