



## Ingredients and Equities: Know What's Inside to Optimize Your Financial Health

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**“To optimize your financial health, you don’t need to have a command of every detail of the stock market. However, you should understand generally what you own and why, and how the positions you own work together.”**

Do you check out the ingredients in your foods to make sure they meet your body’s unique needs? Whether it’s “nut free,” “gluten free,” or “organic,” many of us understand that what we put into our bodies impacts our physical health. In the same way, what we put into our investment portfolio affects our financial health.

Recently, Sheila and Brian\* accepted my offer for a complimentary, thirty-minute financial consultation. As health enthusiasts, the prospective clients said they liked my approach of “peace of mind through financial self-care” and were curious to learn more. Like many initial healthcare consultations, Sheila and Brian answered a few preliminary questions about how they were doing before our videoconference. They also shared their financial statements with me so that I could review them and formulate an independent perspective on their financial vitals for our meeting. While the details of their financial health are confidential and specific to them, our conversation around key ingredients to preparing a nourishing and sustainable investment portfolio are relevant to many investors.

### Understand Your Risks

Awareness of the ingredients in our food enables us to make informed choices around what we eat. If we want to optimize our physical health, we may choose to minimize eating certain items, or even avoid them entirely. For example, sometimes dairy causes me stomach discomfort. While I don’t know the exact chemical reason I experience the reaction, I understand generally how much of it I can handle. As a result, I am very intentional about how much I eat of it and when. The same approach is applicable to your investment portfolio. To optimize your financial health, you don’t need to have a command of every detail of the stock market. However, you should understand generally what you own and why, and how the positions you own work together.

While Sheila and Brian knew they had a few million dollars invested in stock and different funds, they weren’t aware of the risks they carried in their portfolio. Most of their holdings were growth-oriented and Americas-based. We discussed both the opportunities and tradeoffs associated with their existing strategy. As a result, they better understood why their portfolio behaved in certain ways as market conditions fluctuated, and therefore expressed interest in changing some of their existing holdings.

### More Is Not Necessarily Better

Adding more ingredients to a recipe does not always make the dish better. Sometimes it can ruin the flavor of the food or sabotage the nutritional benefits. The same is true when it comes to equities in your investment portfolio. When an investor has conviction about certain positions, it may make strategic sense to own a bit more of a particular sector, firm, or fund. However, a key ingredient to

investing over time is being careful to avoid having “too much” of a good thing—even a good equities position—at any time.

Sheila and Brian had multiple retirement accounts and several additional investment accounts. Within each account they held many equities positions; across the different accounts, they held many of the same positions. Sheila and Brian expressed surprise when I shared this observation with them; they thought separate, complementary strategies existed across their accounts. They valued my professional, independent opinions that the strategies were more similar than different, and that their aggregated positions set them up for concentration risk—too much exposure to one market sector and, in their case, a small handful of companies. Sheila and Brian wanted to adjust some of their holdings to minimize this risk. They liked my recommendation to establish an overall portfolio investment strategy and maintain distinct, integrated, and coordinated investment approaches within and across their various accounts.

### **Variety Is the Spice of Life**

How many different types of soup have you eaten in your life? What makes one soup different from another? It's what is inside—from chicken noodle to miso to lentil to New England clam chowder.

There are limitless ingredients to consider when it comes to crafting this favorite treat.

The same is true when it comes to which equities you select for your investment portfolio. From geographically based funds to stock in various sizes to thematic solutions, you have an abundance of choices to prepare your unique combination of investments. And just like a soup, your investment portfolio mix that is satisfying one day because it met your particular financial goals might not be as appetizing another day, because your life and/or your awareness around what is important to you has changed.

During our consultation, Sheila and Brian said that they wanted to invest more in line with their values. They talked about social justice, environmental issues, and women in leadership. However, none of their existing investment positions clearly linked to these priorities. We discussed how we could tax-efficiently change some of their positions and enhance their portfolio with new holdings that aligned more closely to what was important to them.

Just as you take great care selecting what ingredients you put into your body, consider trusting my fiduciary team and me to understand what is important to you and carefully selecting the right financial ingredients for your investment portfolio, today and over time, to optimize your financial health.

*\* Sheila and Brian are pseudonyms. The prospective clients' names have been changed and some details generalized for this article.*

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