00:00:09:12 - 00:00:31:02

Speaker 1

Welcome, my name is Andrew Baron, and this is, Well… It Depends! The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I ask the question, should I be aggressive with my investments? But before we begin, a short disclaimer.

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Speaker 1

This is being recorded on April 25th, 2025. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice.

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Speaker 1

It is important to consult with a professional before making any financial decisions, as the strategies discussed may not be suitable for you specifically.

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Speaker 1

Getting into it. Should I be aggressive with my investments? Well… It Depends!

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Speaker 1

When we talk about being aggressive with investments, we usually mean taking on more risk in hopes of more growth. That often means investing heavily in stocks, especially small cap, tech or international markets, and having less allocated to bonds or cash, thereby accepting sharper ups and downs in the short term for higher returns in the long term.

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Speaker 1

Now, this doesn't mean you're reckless. Aggressive doesn't mean foolish. It just means that you are intentionally choosing a riskier path. Because you believe it fits with your goals. But whether it actually does depends.

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Speaker 1

Let's walk through the five key things to consider when deciding how aggressive to go with your investments. First, your time horizon. This is the most obvious and often the most important factor.

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Speaker 1

If you're young or saving for a goal that’s decades away. An aggressive approach can make a lot of sense. Over time, the market tends to reward patience, and those short term dips become blips. But if your goal is near, such as buying a home, paying for college, or entering retirement, being aggressive may backfire. The timing of a downturn could mean you're forced to sell at a loss.

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Speaker 1

Just when you need the money, more time means more room to recover and more risks that you can afford.

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Speaker 1

Second is your risk tolerance. Now, this is less about math and more about how you feel when markets drop. Can you sleep at night? If the portfolio drops 20% in a month, or would that send you into a spiral of anxiety and second guessing?

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Speaker 1

Risk tolerance isn't about bravado. It's about behavior. The quote unquote best portfolio in the world is useless if you panic and sell when things go south. So if you're likely to abandon your investment plan at the first sign of trouble, it's a sign that your plan may be too aggressive. It's common for people to overestimate their risk tolerance during good times, enjoying the rewards of an aggressive portfolio.

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Speaker 1

But when volatility hits or markets turn down, that confidence often turns into disappointment.

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Speaker 1

Third is your income and savings power. If you're earning and saving consistently, downturns become buying opportunities. Your contributions smooth out that ride. But if you're retired or drawing from your portfolio, the same downturn could be devastating. Selling aggressive assets for your cash flow in a down market locks in those losses.

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Speaker 1

It's hard to recover from. If you're still working, you have flexibility. If you're already retired, you need to be much more cautious.

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Speaker 1

Fourth is your financial foundation. Think before your risk and check your basics. Do you have an emergency fund? Is that high interest debt under control? Are you properly insured? Being aggressive with investments without a financial safety net is like going bungee jumping with a frayed cord.

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Speaker 1

You need to take care of the essentials first. Being aggressive with your investments should be a strategy and not a gamble.

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Speaker 1

And finally, is your goal. What are you actually trying to do? Are you trying to catch up because you started investing late? Are aiming to retire early. Are you investing for a legacy? Or are you attempting to beat the market investment performance?

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Speaker 1

If you are clear on your goal, it becomes easier to decide if being aggressive supports that goal or puts it at risk. Without a clear why, aggressive investing for the sake of it often leads to regret.

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Speaker 1

To recap, a longer time horizon supports an aggressive investment style, while a shorter time horizon calls for caution. Your emotional tolerance for volatility matters and remaining disciplined through turbulence is key.

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Speaker 1

Income and savings give you resilience during downturn, and a strong financial foundation is required before taking on more risk. Finally, your strategy should serve your specific goals. Aggressive isn't good or bad. It's just a choice with trade offs. Make sure that those trade offs work for you. So should you be aggressive with your investments? Well… It Depends!

Speaker 1: Andrew Baron, CFP®, EA