Dorchester Advisors
Money worked harder

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Things You Control
Effective Investment Portfolios

The old wealth management adage still holds: Concentrate to create wealth, diversify to protect it. But, diversification does not mean that your investments become fallow; your portfolio must keep growing so it can provide rising income in retirement—keeping pace with inflation, taxes, and your lifestyle.

Dorchester Advisors' approach to designing effective portfolios is rooted in informed simplicity:

Set the correct **asset allocation** for your goals. Asset allocation—the mix of investment assets—drives over 90% of long-term returns, according to some landmark studies. In other words: deciding what mix of asset classes you hold matters much more than which stock or bond you pick. It's also one of the few levers investors can control. Stock picking and market timing may grab headlines, but disciplined allocation is what sustains growth.

Asset Location: Think of this as asset allocation's tax-savvy cousin. Placing the right assets in the right accounts (taxable, IRA, Roth, HSA, trust, etc.) can boost after-tax returns by 0.5%–1% annually, as research shows. Over decades, that edge compounds meaningfully.

Make **Sleeker Portfolios**: A typical retiree couple may juggle a dozen accounts—IRAs, 401(k)s, rollovers, taxable accounts, and more. This complexity creeps in over time, leading to duplication, poor tax efficiency, and oversight headaches.

Too many accounts make it harder to:

- See your true allocation and risk
- Track fees and performance
- Coordinate RMDs and tax planning
- Simplify estate transfers

Streamlined portfolios, by contrast, provide:

- **Clarity** – a full view of allocation, cash flows, and risk
- **Efficiency** – easier rebalancing and planning
- **Lower costs** – fewer overlaps and fees
- **Estate simplicity** – less burden for heirs

Even CalPERS, the nation's largest pension fund, is working towards simplifying to reduce costs and complexity.

Informed Simplicity: Marie Kondo's mantra—keep only what serves a purpose—applies to investments too. Einstein put it another way: "Make everything as simple as possible, but no simpler."

At Dorchester, we call this informed simplicity: cutting clutter without cutting corners, so your portfolio stays clear, efficient, and aligned with your goals.

Why Things You Control are Important

In Investing (as in Life) we can: hope, worry or plan.

I believe that when we hope or worry, we are largely looking at the future and are focused on things we do not control. We hope the markets will get higher and we will make money. Or we worry that markets will collapse and we may lose all our money. And yet, deep down in our hearts, we know that whether our thoughts are optimistic or pessimistic they simply do not influence future outcomes.

We can also look at the future plan-fully. When we do this we tend to focus on the things that we do control. And, by picking activities that are in our control and that are important to our future we have a far better chance of achieving our goals. Of course, life holds few guarantees! So, for example, while we all hope that our favorite stock pick will be a high performing stock, not implementing a properly diversified portfolio is plainly irresponsible to our financial well-being.

22 Aug 2025
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Our Financial Planning Principles

Without a Purpose, accumulating money can become a soul-less task. A financial plan gives your savings a purpose.

It's OK to be broke when you are young - not so when you are old: Studies show that people typically tolerate risk and uncertainty better when they are younger.

Getting down from Mount Everest is as important as getting up: Pay as much attention to accumulating money before you retire as you do to consuming it after you retire.

Planning is life-stage dependent: The principles of saving and investing money in your early years are very different from the techniques that you use in retirement to generate a reliable income stream.

Financial confidence comes from being on top of your taxes, protecting yourself from risks, having a clear picture of your investments and debt, and specific targets for saving and spending.

Achieving financial independence requires a careful balancing of Income, expenses, taxes, and savings. This balancing act (planning) is not intuitive, nor can it be done well on the back of an envelope, but effective plans do give more peace of mind.

Identify your true risks (in contrast to investment volatility, labelled as risk, or uncertainty) and take action to manage them using the correct risk management tools. Pick the right tools for the job - investments won't manage the risks you face, risk products (insurance) won't deliver the growth and flexibility you need.

Taxes remain important even after you retire. However, in retirement your investments become the principal source of your income and hence drive your taxes.

In matters of health: it's your body but your doctor knows better how your body works. So it is with your money: A partnership with an advisor will help you to reach your financial goals - you save, they help your savings grow. Together you can get there faster.