

# Invest By Sunset

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At some point in their life, investors may find themselves fortunate to have a lump sum of cash to invest for a future purpose. We regularly advise clients who have received an inheritance, sold a business, or had another investment mature.

It's likely that you've found yourself in the same position and are wondering how best to deploy this money into the markets. We hope the below explanation of our view is helpful in making this decision.

## **The Challenge of Investing Lump Sums**

We know from history that over any 12-month period, the stock market goes up roughly 75% of the time, declining the other 25%.

Investors typically do not struggle to put small regular amounts to work into the markets. While most investors understand that short-term market fluctuations are a reality of being an investor, they also know that it's impossible to time these cycles.

While clients are often clear about the need to invest a large lump sum for the future, they are not always clear on how best to put it to work in the markets. As the amount is usually larger than any other sum they have invested, they wonder whether there is an optimal way of doing it. They are typically fearful of seeing short-term declines and experiencing the accompanying regret. It's a human emotion that we understand.

## **Our Advice**

Smart people know that following the advice of insiders is a shortcut to a better life. If you know how the insiders behave, it's usually wise to follow suit. If a pharmacist takes generic medications, that's good enough for me.

Our advice is straightforward: if you do not need the money in the short term, invest it by sunset. While this will not help to eliminate any short-term uncertainty (nothing can), it may comfort you to know that this is precisely what we do when we come into money.

## **The Only Compromise We're Willing To Make**

Notwithstanding the advice above, we know there's a difference between the optimal financial answer and the behavioural one that helps you sleep better at night.

If the thought of seeing a temporary decline soon after investing a large lump sum is one you cannot bear emotionally, we understand.

While "drip-feeding" the capital into the markets is a sub-optimal strategy, we are willing to work with you on one condition; we agree upfront on when and how much of the capital we will deploy. This is the only compromise we can agree to in good faith.

Proceeding in any other way will result in you second-guessing future deployments based on current market conditions. Any initial fear about investing the full amount upfront will only be magnified if we experience a market decline during the process. You're likely to become paralysed by the future deployment decisions.

Please let us know how we can help you to make a decision that's good for your future self and allows you to sleep well at night.