

# Investment Considerations

- Reduce expenses.
- Diversify systematically.
- Minimize taxes and turnover.
- Think long-term.
- Apply discipline.
- Hold low-cost funds.
- Maintain asset allocation.

The key ingredients for investment success:

- Diversification. A diversified strategy captures the compensated risk dimensions of the markets in the most reliable fashion.
- Low costs. Management fees, trading commissions, market impact costs, bid/ask spreads, administrative expenses, and sales commissions (if any) directly reduce net investment returns. The combined effect of these costs can be difficult to compute and can consume a surprisingly high proportion of the gross investment returns offered by the capital markets.
- Disciplined policy. Portfolio structure is the key determinant of results. The principal challenge for investors is to develop an asset allocation policy that matches an investor's risk preferences with returns offered by the capital markets. A successful policy is one that can be adhered to without anxiety in both good and bad markets.