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A Year without Financial Predictions by Jim Mirenda, CFP®

I'm intrigued by a recent article that warned about Wall Street's annual market predictions. I agree with this warning as practical evidence and life experience have proven (to me at least) that predicting the future is impossible.

Surprisingly, the same article continued with no less than a dozen economic and market predictions. But how can you decide which predictions will be right?

The financial product sellers and the media would like you to believe that they have the foresight to both guard you from economic doom and enhance your investment successes. The truth is that basing your financial decisions on predictions will increase your costs, your taxes, and your risks with no guarantee of adding equal, if any, benefits.

There is another approach. Rather than relying on aspects that you cannot control, like economic measures and investment returns, focus instead on the things that you can control, like how much to save, when to retire, and how much to spend in retirement. Further, through sensible planning you can emphasize the goals that you value the most and make tradeoffs between competing goals on your own terms.

As an example of a tradeoff between competing goals, would you spend less money in retirement if it meant you could retire earlier? That is not a decision based on market predictions, but it is something within your control.

A financial planning-based approach benefits from an objective process versus incurring the dangers of subjective inputs and biased predictions that are often wrong. It also gives you decision-making control over your life's goals instead of shifting control to a corporate entity with a different and conflicted set of priorities.

So instead of relying on any market predictions this year, perhaps the best resolution is to decide what pieces of the puzzle you can control and then use them to build a sensible plan for achieving your family's goals.

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