

What You Can Learn From Your Bracket

Thinking about the “Final Four”

According to the NCAA, in 2019 the longest streak for a perfect bracket was an Ohio man who set the mark for predicting 49 games correctly¹. Predicting a perfect bracket may not be possible, there are so many factors that come into play that may mean a number one seed falls early and a surprise upset from an 11 seed busts brackets everywhere.

This got us to thinking about the parallels we might draw from building a bracket to managing a successful investment portfolio. We’re calling this list our “Final Four” concepts for investors.

1. Diversify

In 2008, the first time in tournament history, the Final Four came down to all number one seeds (Kansas, UNC, UCLA and Memphis). When building a bracket, most people will balance top seeds with some underdogs. Similarly, when investing we might consider mixing asset classes and company sizes to avoid relying on any one single stock or sector and potentially limit big losses if that asset underperforms. A balanced approach could include large companies, small companies, growth, value, international and fixed income to help us weather market ups and downs.

2. Risk and Reward

Some fans will bet on upsets. In 2023, a 16 seeded FDU knocked off number 1 seed Purdue; that bet might have paid handsomely. But when investing, you want to understand the potential for loss and ensure that you have an allocation appropriate for the risk you are comfortable taking. A mix of higher-risk opportunities (e.g., emerging tech) alongside very low-risk investments (e.g., established companies, bonds or cash) can help you optimize your potential without undue risk.

3. Guesses May Lead to Misses

While serious bracketologists study team stats, follow injury reports, and evaluate historical performance, some people are just as happy to make a guess based on gut feelings or favorite teams. It's not a surprise that those with the information tend to have better outcomes. In the same way, it's important that you understand the investments you are using, their overall risk, and their appropriateness to your situation before investing.

4. Patience

It's not uncommon to have a few upsets that derail a bracket. The bracket might end up still being a pretty good one even if things don't go perfectly. In investing, emotional reactions to short-term market volatility can harm your performance. Stay disciplined and invested to avoid knee-jerk reactions. Invest for the long-term. A part of investing discipline is practicing dollar cost averaging. Buying in regularly regardless of the market and being consistent helps you take advantage of opportunities. Remember, compounding interest works best with long-term investments that have been contributed to regularly.

Bottom line: If a solid bracket combines research, balance, and adaptability then a strong investment strategy blends discipline, diversification, calculated risks, and time. If you need some help with your "Final Four", please reach out to us at Focused Financial Strategies.

¹Source: [The longest an NCAA bracket has ever stayed perfect | NCAA.com](https://www.ncaa.com/news/college-sports/article/2018/03/20/the-longest-an-ncaa-bracket-has-ever-stayed-perfect)

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