

STRONG TOWER ADVISORS · PRINTABLE GUIDE

9 Investment Pitfalls: Timeless Tips When Managing Money

Nine common investing mistakes, why they happen and questions to ask yourself, updated with 2026 rules and figures.

Current as of October 11, 2026. Figures marked 2026 were checked against official IRS, SSA and CMS sources in October 2026. Examples labeled **HYPOTHETICAL** are illustrations only; they do not describe any real person or investment and do not predict any result.

Successful investing usually depends on discipline and patience. When emotions run high, it can be easy to lose focus on your strategy. This guide lists nine common mistakes and some questions that can help you avoid them. Investing involves risk, including possible loss of principal. The return and principal value of investments will fluctuate as market conditions change, and investments may be worth more or less than their original cost when sold. Investment decisions should be based on your own goals, time horizon and tolerance for risk.

Pitfall 1: Believing investing is a smooth ride

Markets can be turbulent. Declines of 10%, 20% or more have happened many times, sometimes over just a few weeks, and the length of any recovery has varied widely. No one can know in advance how deep a decline will be or how long it will last.

HYPOTHETICAL A portfolio worth \$500,000 falls 20% to \$400,000. To get back to \$500,000 it would then need to gain 25%, not 20%. The deeper a loss, the larger the gain needed to recover.

Preparing for declines before they happen is essential: an emergency reserve, an allocation you can live with in a bad year, and a plan for where retirement withdrawals would come from in a down market. Staying flexible can help you manage risk while still pursuing your goals.

Pitfall 2: Trying to time the market

When markets rally or pull back, trying to sell at the top or buy at the bottom can be tempting. Investors often guess wrong, and some of the strongest days in the market have historically come close to some of the weakest, so stepping out can mean missing a recovery.

HYPOTHETICAL Two people each hold the same diversified portfolio for 20 years. One stays invested. The other moves to cash after a drop and waits to "feel better" before returning. If the market recovers before the second investor returns, that investor locks in the loss and misses the rebound. The cost of being out of the market depends entirely on timing, which no one can reliably predict.

A more practical approach can be to rebalance on a set schedule and make small adjustments rather than all-in or all-out moves.

Pitfall 3: Mismatching risk and asset allocation

Another mistake is building a portfolio that does not reflect your overall risk tolerance. The goal is to take on the amount of risk that fits your goals, time horizon and need for cash. Ask yourself:

- Am I too heavily invested in one asset, one company or my employer's stock?
- Do I own investments without understanding why?
- Do I hold many of the same investments in different accounts?
- Does my allocation still fit now that I am closer to, or in, retirement?

Pitfall 4: Taking too little risk

Global uncertainty and worries about the economy can push investors toward very low-risk holdings. Cash and similar investments can play an important role, but money that must last 20 or 30 years also faces inflation risk. Social Security's 2.8% cost-of-living adjustment for 2026 is a reminder that prices change over time.

To judge whether your portfolio is too conservative for your goals, ask yourself:

- Do I have enough growth-oriented investments for a retirement that could last decades?
- Can I accept short-term losses in pursuit of potential long-term growth?
- How comfortable am I taking more risk, knowing that higher potential returns come with a greater chance of loss?

Pitfall 5: Making emotional investment decisions

When markets swing, emotional decisions can undo a carefully designed strategy. Fear can lead people to abandon a plan when results disappoint, while greed can lead them to chase fads and take on too much risk.

Writing down your strategy, rebalancing on a schedule and talking with a professional before acting on a strong feeling can help you manage emotion-based decisions. When markets decline, we can answer questions and help you review your plan.

Pitfall 6: Failing to diversify

Early merchants are said to have spread their shipments across several vessels, so that if one ship was lost the rest could get through. Diversification applies the same idea to investing: spreading money among investments that may behave differently under different market conditions.

Diversification does not guarantee a profit or protect against loss.

On one level, a portfolio can be diversified among asset classes such as stocks, bonds and cash alternatives. On another, it can be diversified within each asset class. A stock portfolio holding a computer maker, a software developer and an internet provider is spread across three companies but still concentrated in one industry. One that holds a computer maker, a drug manufacturer and an oil-services firm may be considered more diversified.

Concentration can also build up in a workplace plan through employer stock. If you hold employer stock in a 401(k), ask about the net unrealized appreciation (NUA) rules before rolling it over or selling.

Pitfall 7: Focusing more on returns than on managing risk

Many investors chase performance, but buying an investment because of its past returns is not a reliable way to find future winners. Past performance does not guarantee future results; investments that did well last year may or may not do well this year. By the time a trend is widely noticed, much of the move may already have happened.

A steadier approach is to stick to a strategy built on your goals, time horizon and risk tolerance, and to review risk as carefully as return.

Pitfall 8: Ignoring the impact of taxes

When reviewing investments, consider the after-tax result. A 5% return can look better than a 3% return until the two are taxed differently. Some 2026 figures that can affect the result:

- Long-term capital gains: 0% rate for taxable income up to \$49,450 (single) or \$98,900 (married filing jointly); 15% up to \$545,500 / \$613,700; 20% above. A 3.8% net investment income tax can apply above \$200,000 / \$250,000 of modified AGI.
- Ordinary income brackets: 10% up to \$12,400 / \$24,800; 12% up to \$50,400 / \$100,800; 22% up to \$105,700 / \$211,400; 24% up to \$201,775 / \$403,550. Standard deduction \$16,100 / \$32,200.
- Contribution limits: 401(k), 403(b) and governmental 457 deferrals \$24,500; catch-up at 50+ \$8,000; higher catch-up at ages 60–63 \$11,250. Under SECURE 2.0, catch-ups must be Roth for employees whose prior-year FICA wages from the employer exceeded \$150,000. IRA limit \$7,500; catch-up at 50+ \$1,100.
- Required minimum distributions begin at age 73 if born 1951–1959, or 75 if born 1960 or later.
- Income can affect other costs: Medicare Part B is \$202.90 a month in 2026, and higher premiums (IRMAA) apply when 2024 MAGI exceeded \$109,000 (single) or \$218,000 (joint). Social Security benefits can be withheld under the earnings test above \$24,480 of earnings before full retirement age (\$65,160 in the year you reach it).

Consider taxes whenever you buy or sell investments, develop a financial strategy, or review your estate or charitable plans.

Pitfall 9: Avoiding professional advice

Investing well means positioning a portfolio to reflect your time horizon, goals and risk tolerance, and then coordinating it with taxes, Social Security, Medicare and your estate plan. That complexity is one reason many people turn to a financial professional when they prepare for retirement.

Before modifying your strategy for tax reasons, have your investment professional coordinate with your tax, legal and accounting professionals. This guide is general education, not individualized advice.

Conclusion

Recognizing these nine pitfalls may help you pursue your investment goals more consistently. A personalized strategy accounts for your current and future needs, time horizon and appetite for risk. Sticking to that strategy, and not letting emotions take over, can be just as important as the investments themselves. No strategy can eliminate risk or guarantee a particular outcome.

If you have questions about this guide or would like to talk about your own situation, we would be glad to meet with you.

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Sources

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- SSA — Receiving benefits while working
- CMS — 2026 Medicare Parts A and B premiums and deductibles
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- SEC — Investment Adviser Marketing Rule

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