LIFE, INVESTED

An Investing Plan for This Year: Doing Less Can Lead to More

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Every January, many of us commit to resolutions like eating healthier or exercising more, but a lot of us fall short of sticking to them—because lifestyle change is hard. Improving success in most areas of life demands increased effort and action. But investing is different in a way many of us have a hard time accepting: Doing less often means ending up with more.

A key to successful investing lies in working smarter, not harder. Putting your money to work doesn't require constantly chasing the next hot stock or trying to outguess the market. Instead, it's about adopting a thoughtful approach rooted in scientific evidence and long-term discipline. By embracing simplicity and focusing on what really matters, you can increase your chances of success while reducing daily stress and unnecessary complexity. Here are three ways to do that:

1. FOLLOW THE SCIENCE

The modern understanding of markets—which came from decades of academic research—has revolutionized how we invest. Sixty years ago, investing was a game of hunches, speculation, and tips from well-meaning friends. (For too many people, it still is.) But empirical work brought a scientific approach to investing, uncovering that markets are highly efficient at incorporating information. This means that trying to outsmart the market is not only unnecessary—it's often counterproductive.

Come up with a long-term plan that focuses on diversification and stick to it. A good financial advisor can help you develop an investment plan that makes sense for your goals.

To help maximize the potential of your investments, focus on what research has shown to drive returns over time: the dimensions of expected returns. Decades of academic studies have identified consistent patterns in the market that inform a thoughtful, evidence-based approach to investing.

For example, factors such as the size of a company, its valuation relative to earnings, and its profitability provide insights into areas of the market with higher expected returns. Rather than trying to predict individual stock performance, a diversified portfolio that systematically incorporates these insights can help you capture the power of the market.

2. BE A LONG-TERM INVESTOR

Compounding is one of the most powerful forces in investing—a great way to work smarter, not harder. An asset generates returns, and reinvesting those returns can lead to exponential growth over time. But this requires patience and a commitment to being a long-term investor.

Consider this: If you had put $1,000 into the S&P 500 at the start of 1970 and reinvested all dividends, your investment would have grown to about $300,000 by the end of 2024, which is an average annualized return of about 11%.[1] That's despite market crashes, recessions, and geopolitical upheavals along the way.

The lesson is clear: Trying to time the market or reacting to short-term events can lead to missed opportunities. Trust in the markets and give compounding the time it needs to deliver results.

3. CULTIVATE THE RIGHT MINDSET

Investing success is as much about mindset as it is about math. It requires patience (a.k.a. doing nothing) and the ability to stay calm when the market gets volatile. Two tips to help with that:

- **Focus on what you can control**. While you can't control the markets, you can control how much you save, the level of risk you take, and how long you stay invested. These are the levers that matter most.
- **Tune out the noise**. The world is full of pundits, predictions, and headlines that can lead to emotional decision-making—and not just in investing. With social media, there's more noise than ever. Most of this chatter is just that—noise. Staying focused on your investment plan is one of the best ways to reduce stress. That lets you focus on the rest of your life.

As 2025 gets underway, take a moment to reflect on your investment approach. Are you overcomplicating things? Are you making decisions based on fear, greed, or the latest trends? If so, consider making a plan to do less.

Simplify your strategy. Focus on evidence. Stay invested. By working smarter instead of harder, you can let the markets do the heavy lifting. Investing doesn't have to dominate your time and energy. It should complement your life, not dominate it.

In the end, success in investing mirrors success in life—it's about finding balance. By simplifying your approach and trusting in principles, you can free yourself to focus on the things that truly matter: your family, your passions, and your purpose. So this year, resolve to work smarter. Let compounding work its magic. Trust in the power of markets. You might be surprised at how much you'll achieve by doing less.

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1. The stated outcome for the growth of $1,000 is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The example is for illustrative purposes only and is not indicative of any investment.

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