

# WEALTH MANAGEMENT NEWSLETTER

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## TARIFF TREPIDATION

One of the focal points following the presidential election is the potential for an increase in tariffs applied to goods produced outside the US. Many investors have wondered what this could mean for markets.

One period offering perspective on this issue is President Trump's first term in office. Beginning in 2017, the administration eyed China as a target and, by 2018, began imposing tariffs across a range of products. The next couple of years saw back and forth trade discussions that eventually led to an agreement, though pre-existing tariffs remained in place. Despite all this uncertainty, both China and the US posted higher cumulative returns than the MSCI World ex USA Index over the four years of Trump's term.

Markets are forward-looking, and the economic impact from initiatives such as tariffs is likely already reflected in current market prices. When these expected developments come to pass, the effect on markets may be muted.

### Growth of \$1 During President Trump's First Term

January 2017 -  
December 2020



Past performance is not a guarantee of future results. See pages 2/3 for disclosures.

# AN INVESTING PLAN FOR THIS YEAR: DOING LESS CAN LEAD TO MORE

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%.<sup>1</sup> 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.

Written By: David Booth; Founder and Chairman  
Dimensional Fund Advisors - Jan 14, 2025

*see page 3 for additional disclosures*

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*Tariff Trepidation* - Dimensional Fund Advisors - Jan 30, 2025 (page 1 article)  
Written By: Wes Crill, PhD; Senior Client Solutions Director and Vice President  
Kevin Green, PhD; Head of Investment Solutions Analytics and Vice President

Disclosure: In USD. Data shown from January 1, 2017, to December 31, 2020. Growth of wealth shows the growth of a hypothetical investment of \$1. Data presented in the growth of wealth chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment. Performance includes reinvestment of dividends and capital gains. MSCI China Index and MSCI World ex USA Index returns are net dividend. Tariff events data sourced from Reuters. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. MSCI data © MSCI 2025, all rights reserved. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

*see page 3 for additional disclosures*

# COUNTERINTUITIVE MONEY ADVICE: INVESTING AGAINST THE GRAIN

There are a lot of things in life where the right move is pretty intuitive. Avoid the top rung of a ladder when you're changing a lightbulb. Don't click on that suspicious link in your email inbox. But when it comes to your money, making smart decisions isn't always so easy. In fact, there are a lot of times in investing where the intuitive move isn't the best. A stand-out example is risk: For the most part, our brains and bodies tell us to avoid it. While it may seem smart to dial down risk in your investment portfolio, taking a too-conservative approach might leave you far short of your long-term goals. Making sound financial decisions often involves embracing counterintuitive strategies. Let's explore a few more.

## LESS ACTION OFTEN LEADS TO BETTER RESULTS

*Scenario:* All too frequently, news headlines scream about stocks soaring or plummeting. When alarm bells like these ring, your impulse may be to take action. Zoom out and you'll realize that a doom-and-gloom news cycle is practically a given. Buying and selling investments based on it is not a good idea.

*Counterintuitive advice:* The urge to act on market movements can be hard to resist. However, investing is a long-term endeavor, and often the best move is to do nothing at all.

Consider the story of the Voya Corporate Leaders Trust highlighted by Jason Zweig of *The Wall Street Journal* a few years back. Established in 1935, this fund was designed to counteract the speculative excesses that contributed to the 1929 market crash. Its approach was radical: The fund purchased equal shares of 30 stocks and committed to holding them indefinitely. No new stocks could be added, and existing ones could only be sold under extraordinary circumstances, such as bankruptcy or mergers. Despite being on "permanent autopilot" for nearly a century, the Voya fund has outperformed many actively managed funds—and even the S&P 500 at times. Patience and a hands-off approach can pay off over time.

## YOUR PORTFOLIO SHOULDN'T MATCH THE S&P 500

*Scenario:* When the S&P 500 has had a bang-up year, as it did in 2024—and 2023—you may be tempted to wonder why your portfolio didn't keep up. In fact, it might lead to what's known as "tracking error regret," which occurs when investors second-guess their diversified approach because their returns don't match a popular benchmark.

*Counterintuitive advice:* Your portfolio is not built to match the S&P 500, which represents just one slice of the market—the 500 largest U.S. companies.

Instead, it's designed for reasons that are unique to you, whether it's funding retirement, paying for kids' college education or leaving your wealth for the next generation. A well-diversified portfolio is a powerful tool to help you meet those goals. Consider the classic 60/40 portfolio, which allocates 60% to equities and 40% to bonds. While it's not likely to outperform an all-equity portfolio over the long run, it is structured to provide a buffer during periods of market

turmoil. Remember, it's not the S&P 500's performance that matters. What really matters is sticking with the right plan that will help you meet your financial goals.

## EMBRACE THE BEAR

*Scenario:* When bear markets happen, it certainly doesn't feel good. In fact, it may feel like you're watching your wealth evaporate before your eyes. The impulse might be to cut your losses and sell. But bear markets have a tendency to change course. (In fact, they historically always have.)

*Counterintuitive advice:* Market downturns provide an opportunity to rebalance your portfolio. Bear markets can be prime buying opportunities. When prices are low, you are essentially given the chance to buy shares of a company or a fund when they're on sale. You may consider trimming positions in asset classes that have grown and buying more shares in those whose valuations have dropped. Rebalancing in this way helps you stick closer to the asset allocation strategy that's at the center of your financial plan.

## PUTTING IT ALL TOGETHER

Whether it's sticking to a diversified portfolio, viewing market downturns as opportunities or making smart spending decisions, counterintuitive strategies can help you stay on track toward your financial goals.

As you reflect on 2024 and move through 2025, remember that your portfolio is unique to you. It's designed to meet your specific needs and long-term objectives. And sometimes, the best move is simply to trust your plan and let time do the heavy lifting. We're here to field any questions you may have along the way.

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Disclosures for *Tariff Trepidation* and *An Investing Plan for This Year: Doing Less Can Lead to More*:

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## WHAT'S IMPORTANT ABOUT MONEY TO YOU?

Money in itself cannot buy happiness. Some would probably want to disagree with me on that statement. You often read about mega million-dollar lottery winners who wish that they had never won the lottery due to all the problems that doing so had caused them. However, your answer(s) to the question "What's important about money to you?" will help to determine your investment goals and ultimate investment allocation.

Are your goals with your money a series of short-term goals or are they more of a long-term goal? Are you planning for a new vehicle or a new boat in the next five years? On National Vacation Planning Day, you might have been planning your vacation for this year or next. Even our best plans don't always work out exactly as we thought that they would or should. As circumstances change in our lives, our plans and goals may need to be modified.

For many people their primary goal is not to outlive their money. Others may want to leave an inheritance for their children and/or grandchildren or to provide an education for their children or grandchildren. There is no right or wrong answer to the question "What's important about money to you?" It all depends on you and what will make you feel happy and be content and comfortable with your life and investment goals. We are here to help develop, nurture, and guide you in your quest to reach those important goals.

Spring is almost here! Wishing you a wonderful and enjoyable season ahead!

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