Investing in 2021 and beyond: Seek a diversified approach as you save for your future and financial freedom

By Jean Chatzky, CEO of HerMoney.com

Aside from winning a mega millions jackpot, owning stocks is among the best ways to grow wealth in the United States. In fact, the richest 10% of Americans own more than 85% of all stock, data from the Federal Reserve in the first quarter of 2020 shows.

So where does that leave everyone else? And why aren't more people investing? While only about 14% of American families are directly invested in individual stocks, the Pew Research Center found, some 52% have some level of investment in the market through retirement accounts such as 401(k)s. Millennials may be losing out on millions over their lifetimes by avoiding investing in the stock market in favor of low-interest savings accounts, research from Nerdwallet suggests.

"Investing for your future can be very personal, depending on your goals and how much risk you are comfortable with," says Ryan Geiser, founder and financial planner with Opulus. "It's important to ask yourself why you are saving and what you hope to gain from the money."

Guided by principles from the Kinder Institute of Life Planning, Geiser helps people put systems in place to eliminate debt, increase their savings rate and ultimately move closer to financial freedom. Generally, that means creating a budget where you spend roughly 50% of your income on essentials, another 20% toward paying down debt and/or investing in your future and the other 30% on whatever enhances your quality of life, such as travel.

As you seek financial independence in 2021 and beyond, here are some strategic money moves to consider:

Just start

The secret weapon to building wealth by investing? It's not being able to pick the next hot stock. It's time. If you are not investing in stocks right now, it's time to get started. The best way to do this is by putting money in an account that has some tax advantages like a 401(k), IRA, Roth IRA or SEP. In all of these the money, once in the account, grows either tax-deferred or, in the case of the Roth, tax-free.

Make small increases

Ideally, you'll put at least 15% of your income to work for your future. That's the level, over the long term, that has been shown to be able to provide you with enough to continue to live a comfortable life for 30 years in retirement. And yes, the 15% can include matching dollars you receive from your employer. But what if 15% sounds impossible right now? Start where you are? Then, every six months or year, nudge that number up by a percentage point or two. Eventually you'll get where you need to be.

And about that match…

If your employer offers a matching 401K or other investment account, make sure you are contributing enough to get the full match. Otherwise, you are leaving free money on the table that you could be putting to work for you and your loved ones. Put another way, the guaranteed and instantaneous return you get on your money for contributing and capturing that match is equivalent to the match itself. If the match is 50% on the dollar, it's a 50% return. That is a return that is impossible to beat, which is why capturing the match goes on the top of the list of financial priorities – ahead of paying down high interest rate debt (where the return is equal to the interest rate), paying down student loan debt (ditto), and accomplishing your other goals.

Focus on your mix

The amount you save is the most important factor in your investment success (just like you can't out exercise a bad diet, you can't out invest a savings shortfall). But the second most important factor is your asset allocation, the mix of stocks and bonds (primarily) you select to balance risk and reward. In general, you want to take more risk when you're young (and have more time in the stock market to make up for drops) and less when you're older and closer to or in retirement (and have less). One rubric often used to determine the percentage you should have in stocks is to take 110 and subtract your age. Another way to do it – and to keep your mix on track – is to put all of your money into a target date retirement fund.

Remember, it's a long-term ride

The roller coaster ride Wall Street investors have been on in the last 12 months thanks to a global pandemic can shake anyone. It's really important to remember not to turn 'paper losses' into real losses. Hang in there and keep putting money into your 401K or other workplace retirement accounts even when the market dips and dives. You'll be glad you did.

With reporting by Casandra Andrews