



Portfolio Confidential

Do you have questions about your own investment portfolio? Consider calling The Rich Thinking® Financial Advice Hotline. This will be a win/win: you get a free 30-minute confidential Zoom chat offering an independent, unbiased perspective on your financial situation with no sales pitch! In exchange, I get to use the anonymized data that will come from these conversations to make my Rich Thinking research even better. Email me to book your Zoom discussion: barbara@barbarastewart.ca

Barbara Stewart

My husband and I are both 36 years old and we have a two-year-old daughter. When you are married, should you look at your portfolios collectively or separately? I manage both my husband's and my portfolios and I've been treating them as individual portfolios. However, should I consider my husband's holdings and how they compare to my own? For example, my husband and I both own Tesla. Is it fine to hold some of the same stocks as a spouse or should you diversify further?

Unless you have legal reasons to keep your portfolios entirely separate, I recommend that you manage your accounts on a consolidated basis. Risk management will be key to your long-term financial success and the most effective way to manage risk is to pay close attention to your weightings in each individual stock or Exchange-Traded Fund (ETF). Whether you own 10, 20, or 30 positions, you should try to keep them evenly balanced in terms of the dollar amounts.

I don't know how you came up with your overall portfolio strategy but here are four comments for your consideration:

1) You mention that you and your husband both own Tesla. If we exclude the Registered Education Savings Plan (RESP) value, your combined portfolio is worth approximately \$97,000. With 26 individual companies (or ETFs) a balanced weighting would be about \$3,700 per name. Your total in Tesla is \$4,300 so not too out of line.

2) I can't help but notice that your weighting in Nvidia is way out of whack with the rest of your portfolio. Congratulations on making a lot of money investing in that company! (At least for now.) One of the most common mistakes investors make is falling in love with a stock and having a disproportionate amount of money in their beloved. One of the most common rationales for doing so is "This company is changing the world!" But the trouble is anything can happen at any time to any company... including Nvidia. So, what to do?

My advice is to rebalance the position to maintain a sensibly diversified portfolio. Sell a pre-determined amount

on a schedule of pre-determined dates over the next few months. The goal is to pare back to a balanced weighting in an orderly fashion so as not to be driven by emotion.

As fun as it seems now to have 45% of your consolidated portfolio in a high-flying momentum stock such as Nvidia, it might not be fun forever. For the sake of risk management, it is best to recognize that holding a 45% position in one stock is, in fact, speculation, not investment.

Finally, if you just can't bear to sell, move your Nvidia position to a separate account and label it "speculative"—look at it as a standalone holding that could win big or lose big. Also, you will no longer be skewing the performance return or strategy of your "normal" investment portfolio.

3) Focus on risk management and rebalance the weightings across your consolidated portfolio. As mentioned in point one, with 26 individual companies (or ETFs) a balanced weighting would be about \$3,700 per name. You and your husband each have holdings that are less than 1% of your combined total. That's too small to make a difference. I would advise you to either buy more as you rebalance or get rid of them entirely.

4) Your daughter's RESP account is very small currently. There is no need to own five different ETFs. Owning just one ETF will offer more than enough diversification. I'd streamline and move the entire amount into the S&P 500 ETF to keep your costs as low as possible. You may want more diversification if it grows a lot, but a single holding is fine for now.