

## Where Experts Think You Should Invest Your Money in 2020

*Here's where to put your money to get the best returns.*

By **Jaime Catmull** | Dec 30, 2019 | **Your Investing Strategy**

Whether you're new to investing or want to update your existing strategy in 2020, it can be hard to know where to put your money for the best returns. After all, what's fruitful one year can be a bad investment the next.

I spoke to business leaders and other financial experts to get their best tips for where to invest your money in the new year to make it your most profitable one yet.

### An Emergency Fund

Having liquid assets is essential in protecting yourself from going into debt when an unexpected expense arises.

"Stack cash in a high-yield savings account first," said Jacob Wade, founder of iHeartBudgets.net. "The age-old concept of an emergency fund is still the best option to keep a buffer between you and 'life.' I recommend at least one month of expenses."

### Your 401(k)

If you're not already contributing to your company's 401(k) plan, that's something you should definitely start in 2020. Aim to contribute at least the matched amount.

"It's a great way to start investing in your long term retirement," said Steven Donovan, financial coach and founder of Even Steven Money. "Don't get overwhelmed when choosing your investment. Start simple with an S&P 500 Index Fund or a Retirement Date Fund."

### An IRA

Wade recommends opening an IRA in addition to your 401(k) and maxing out your contribution if possible.

"I prefer Vanguard [for the] lowest fee possible [with investments] spread across the market," he said.



As for whether you should open a Roth or traditional IRA, Wade said, "I personally recommend Roth because you are already saving on taxes now in your 401(k), and the Roth lets you save on taxes later. Win-win."

## College Savings Fund

If you are a parent, consider investing in a college savings fund this year.

“With a backdrop of \$1.6 trillion of student tuition debt, college savings plans stand head and shoulders above any other form of investment product in 2020,” said Ksenia Yudina, founder and CEO of U-Nest. “As priority No. 1, investors must consider tax-efficient savings vehicles to grow money for the future. Nowhere is this more important than with young families. Typically, there’s not a ton of investment capital available, but there is a clear mandate for parents – invest wisely in their kid’s future.”

## Stocks

“The best place to invest your money in 2020 is the stock market,” said Austin Weyenberg, founder of The Logic of Money. “Many experts are fearing a downturn in the economy due to the extended economic expansion we are in, trade issues with China and uncertainty with the upcoming election, [but] experts have been warning of a recession for the past three to four years. If you would have listened and tried to time the market, you would have missed out on unprecedented returns during that time period.”

Weyenberg said the best strategy is to continually diversify your investments across high-quality stocks and stick with these investments through the inevitable highs and lows the market will swing through.

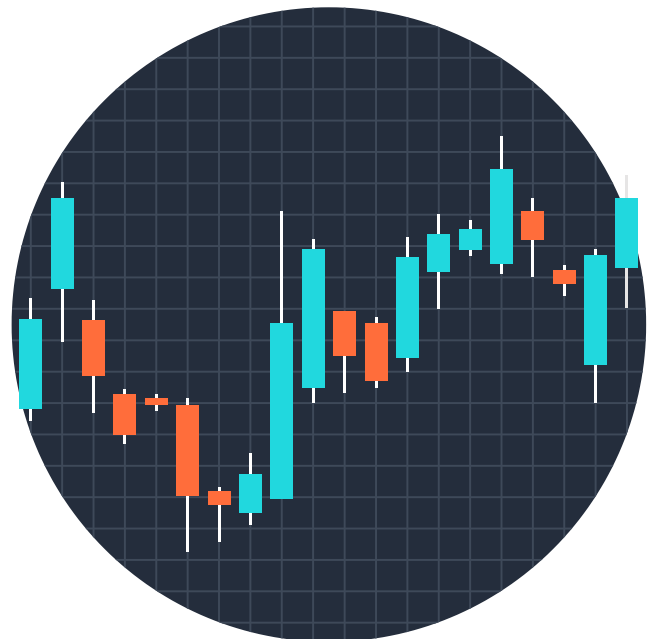
“Wealth isn’t an overnight thing,” he said. “It takes time to build your wealth, and you need to have the stomach to ride the rollercoaster that the stock market takes us on.”

## Stocks That Pay Dividends

As for which stocks to invest in, Joyce Gordon, equity portfolio manager at Capital Group, home of American Fund, recommends focusing on companies that pay dividends to their investors.

“I look for companies that can act defensively when volatility rises but can participate if the market advances,” she said. “I focus on dividend-paying companies with strong free cash flows and underlying earnings growth that have weathered previous bear markets.”

Jack Murphy, chief investment officer of Levin Easterly Partners, said the dividend-paying Citigroup and Occidental Petroleum are among his top stock picks for 2020.



## Real Estate

With baby boomers selling their homes to move to retirement communities and a lack of affordable housing on the market, now is a great time to invest in real estate.

“You can provide the affordable housing people need while coming up on a huge profit or great passive monthly income,” said Valencia Morton, financial coach and founder of Millionaire Mama.

Dustin Heiner, the founder of Master Passive Income, agrees that real estate can be a great source of passive income in 2020.

“Being an investor for over 15 years in real estate through all the ups and downs – and even the crash in real estate – I have always made money investing in real estate rental properties,” he said. “Even though prices may seem high right now, there are great properties out there that you can buy and make \$250 or more a month in passive income if you own it as a rental.”

## Real Estate Investment Trusts

If you don't have the funds to buy an entire property, consider investing in a real estate investment trust.

“Real estate investment trusts [are] a great way to invest in real estate with as little as \$500,” said Melissa Blevins, founder of Perfection Hangover. “Historically, these REITs earn as much as 17-18%, and it gives everyone – not just the wealthy – the opportunity to invest and earn passive income.”

Craig Bailey, financial advisor and president of Green Financial Solutions, also believes that REITs are a smart investment for 2020.

“Going into an election year with markets at all-time highs means 2020 will be ripe for volatility,” he said. “Since interest rates are on the decline, REITs should offer investors a nice balance between growth and income going into 2020.”

## Gold

“One of the things we think is a good diversifier is gold,” said Janet Briaud, founder and chief investment officer of Briaud Financial Advisors in College Station, Texas. “We had a run-up in all asset classes in 2019, but we think the dollar will come down, which is bullish for gold.”

Briaud Financial Advisors has about 15% of its portfolio in gold, which is the maximum Briaud would allocate for gold investments.

“The nice thing about gold is it seems to be a good safe-haven investment and goes up when the dollar goes down,” she said.



## Energy

Briaud said energy is an area to consider. Some people avoid investing in energy because of climate change, and this kind of investment is not for everybody.

“But, we need oil anyway, and we need natural gas,” she said. Utilities have the potential to do better than the overall market, Briaud added. “We expect a market that is not going to be as robust as 2019.”



## Emerging Market Debt

Emerging market debt is a type of fixed-income debt bond issued by countries with developing economies, as well as by corporations within those countries.

“Through prudent investing, emerging markets debt, in our view, offers a relatively high level of compensation for the risks entailed,” said Margaret Steinbach, fixed-income director at Capital Group.

## Opportunity Zones

The 2017 Tax Cuts and Job Act created “Qualified Opportunity Zones,” distressed communities throughout the U.S. that investors get tax benefits for investing in.

“Heading into 2020, people are more familiar with the construct and requirements,” said Kyle Kroeger, founder of Financial Wolves. “People with large capital gains planning in 2020 will be able to recognize those gains and strategically plan for the most optimal solution for an Opportunity Zone investment. The benefit of Opportunity Zones is that you can defer your current year capital gains until liquidation of your Opportunity Zone investment. Any capital gains proceeds from your Opportunity Zone investment will be completely capital gains tax-free.”

## Short-Term Bonds

“Interest rates are likely to remain low throughout 2020. Since the yield spread between long-term and short-term bonds is very narrow, it makes sense to use shorter-term bonds or bond funds for the fixed income portion of your investment portfolio,” said Brandon Renfro, Ph.D., a professor and financial planner. “You really aren’t compensated very much right now for tying up your money for long periods. If rates do rise in 2020, short-term bonds won’t lose as much value. When they mature, you can reinvest the money in higher-rate bonds.”

## Agriculture

“After several years of poor performance, the agriculture sector should rebound significantly in 2020,” said Chris Rawley, CEO of Harvest Returns, a marketplace for investing in agriculture. “Concerns about tariffs should subside and commodity prices will start to turn around. Moreover, long-term demographic trends, including a growing and more prosperous global population, will attract additional institutional and retail investors into the category. Opportunities for individual investors in agriculture are rapidly growing, and a variety of vehicles to diversify your portfolio with farm-related investments can be found online.”

## Mutual Funds

“Being performance-driven – and of course past performance is no assurance of future results – I buy and recommend mutual funds,” said Steve Azoury, financial advisor and owner of Azoury Financial in Troy, Michigan.

Azoury said he recommended these five Fidelity mutual funds to his clients as recently as early December, based on their returns: Fidelity Growth Opportunities Fund (FAGAX), Fidelity Technology Fund (FADTX), Fidelity New Insights Fund (FNIAX), Fidelity Equity Growth Fund (EPGAX) and Fidelity Semi-Conductors Fund (FELAX).



“Staying on top of and reviewing your investments often is always a good idea,” he said. “If a fund is under-performing, remove it and replace it with a better-performing fund.”

## Low-Volatility Exchange-Traded Funds

Exchange-traded funds will also be a good addition to your portfolio, experts say.

“I expect next year to be volatile given uncertainties around the impeachment, trade negotiations with China, the E.U. and the election cycle,” said Stoyan Panayotov, CFA, senior advisor and founder of Babylon Wealth Management. “I recommend using low-volatility ETFs like USMV and SPLV. While they have different methodologies, both ETF strategies seek to achieve higher risk-adjusted returns by using a portfolio of stocks that is less volatile than the benchmark S&P 500.”

## Digital Securities

“Digital securities are a brand new financial instrument, similar to traditional securities and regulated in the same way, but with a number of benefits, particularly for retail investors,” said Iaroslava Tkalich, CMO of Smartlands, a digital securities investment platform. “The main benefit of investing in digital securities (security tokens) is divisibility. Digital securities are issued using the blockchain technology, which allows the issuer to structure investments any way they see fit. One can invest in shares of any size in any asset class – real estate, debt, equity, crowdfunded projects and many others – using both cryptocurrencies and state-issued (fiat) currencies, which is especially useful for cross-border investments.”

## Treasury Inflation-Protected Securities

Treasury Inflation-Protected Securities, or TIPS, are a type of bond whose principal values are indexed to inflation.

“If inflation rises, so too does the value of TIPS, as well as their semiannual income payments,” said Collin Martin, managing director and fixed income strategist at Schwab Center for Financial Research. “When it comes to TIPS investing, it’s not just your outlook for inflation, but what the cost of inflation protection is. Today, the cost of inflation protection is low, so TIPS make sense relative to traditional treasuries to help protect your portfolio in case inflation does pick up steam in the years to come.”

## A Balanced Portfolio

No matter what you invest in this year, it’s important to make sure that your investments are diverse and balanced.

**“Market timing is always a crapshoot,” said Len Hayduchok, a certified financial planner and CEO of Dedicated Financial Services. “Strategic objectives-based allocations will always win in the long-run.”**

Jon Dulin, personal finance expert and founder of Money Smart Guides, agrees.

“For 2020, I suggest investing in a balanced portfolio due to a couple of factors: The bull market has been on a tear for 10 years, which is the longest ever. At some point, investors will start to take money off the table,” he said. “Add in the heated presidential election, and there is going to be volatility in the market. Keeping your money in a balanced portfolio [allows you to] take advantage of market upswings while also protecting yourself during market downturns.”

Phillip Washington Jr., chief investment officer of Stone Hill Wealth Management, also advocates for a well-diversified portfolio. However, there are some asset classes he recommends investing in over others.

“If investors want to overweight a few asset classes, then I would stick with what’s been [performing] well – U.S. stocks, large-cap stocks, tech stocks, utilities and U.S. REITs – until they stop outperforming [other asset classes],” he said.

## Your Side Hustle

“As Americans continue to struggle with debt and building their savings account, the best investment they can make is into starting a side hustle,” said Jeff Rose, certified financial planner and founder of GoodFinancialCents.com. “Creating a business on the side can have a huge impact by helping pay off debt faster, boosting their savings accounts and helping them accomplish their goals. For those not sure where to start, one site to check out is Fiverr.com, where you can find a variety of ‘gigs’ or freelancer services that people are willing to pay for.”

## Yourself

One of the best investments you can ever make is in yourself.

“Invest your money – and your time – into learning new skills in 2020,” said Jeff Proctor, co-founder of DollarSprout. “Our income plays a large role in our long-term financial success, which means that more often than not, the best asset to invest in is ourselves. Learn as much as you can. Spend lavishly at Barnes & Noble, get an Audible subscription, take that Udemy course, launch that Shopify store. Don’t be afraid to spend money on the things that can help you become the best professional version of you in 2020. The returns you can achieve by investing in yourself are better than almost any other investment out there. And the best part is, you aren’t at the mercy of the market. You control the outcome.”

And as Julie Berninger, founder of Millennial Boss, points out, this investment doesn’t necessarily even need to cost any money.

“I just realized my local library offers free classes and licenses to online skills-building websites for every cardholder,” she said. “So many of these community benefits go underutilized because people don’t know they exist. My plan is to learn graphic design software and coding to strengthen my resume.”

### *ABOUT THE AUTHOR -Jaime Catmull*

*With eight years of experience working in the personal finance space at GOBankingRates, Jaime Catmull has amassed an extensive network of financial influencers and experts. Now, she’s tapping that network to get the real scoop on how you can live your best financial life and increase your wealth.*