



The Discipline of Simplicity

Q1 2026 Client Letter

One of the defining characteristics of modern investing is the constant feeling that things are becoming more complicated. At any given moment, investors are told they should be thinking about interest rates, inflation, geopolitical tensions, artificial intelligence, fiscal deficits, currency movements, or the next economic cycle. Markets respond instantly to each development, and financial media fills the gaps with endless explanations about what might happen next. In an environment like this, it is natural to feel that the solution must involve doing more. More strategies. More managers. More hedges. More moving parts. Yet history suggests something different. In investing, complexity is rarely the source of long-term success. More often, the most durable outcomes come from a far simpler approach. Over time, successful investors tend to discover that the challenge is not finding more things to do, but avoiding the temptation to overcomplicate what has historically worked. This is one of the great paradoxes of wealth. As the average person or family becomes more successful, they are introduced to an ever-expanding menu of financial solutions. There are strategies designed to hedge inflation, strategies designed to hedge interest rates, strategies designed to protect against volatility, and strategies meant to hedge the strategies themselves (we call this a hedge and wedge strategy!). Each tool may have a place in certain situations. But taken together, complexity can create a financial structure so layered that it becomes difficult to understand what actually drives the outcome. When markets inevitably become volatile, complicated portfolios often behave in ways that even their architects did not fully anticipate. What individuals are often seeking when they add complexity is control. But paradoxically, complexity frequently reduces control rather than increases it.

Some of the most successful investors in history have emphasized this idea. Warren Buffett and Charlie Munger were pioneers of the idea that investing is not meant to be complicated, and patience is the key ingredient to get you through the ups and downs. Peter Lynch, as manager of the Magellan Fund at Fidelity, produced one of the best mutual fund records of all time. His strategy was surprisingly simple: invest in businesses you understand, look for companies with strong growth and reasonable valuations, and hold as long as the story remains intact. He often encouraged everyday investors to pay attention to the businesses they encounter in daily life, arguing that simplicity and observation often beat complex models. Even large institutions have gradually moved in this direction. A 2024 study from Boston College found that certain public pension funds have trailed the returns of a simple indexed portfolio over specific periods.¹ As a result, many pension funds and endowments have shifted away from highly engineered portfolios, such as the ones hedge funds tout that often have high fee structures and still underperform broad indices. So, institutions have shifted to more transparent structures centered around long-term asset allocation. These approaches are not simplistic; they still require thoughtful planning, discipline, and diversification that recognize an important truth: complexity itself rarely creates value.

Part of the reason investors gravitate toward complexity is discomfort with volatility. When markets move sharply, it can feel as though something must be done to protect against every possible outcome. Yet, as we discussed in a [prior letter](#), volatility and risk are not the same thing. Volatility represents the temporary fluctuations that occur as markets process new information. Risk, on the other hand, tends to arise from more fundamental issues like excessive leverage, lack of diversification, poor planning, or being forced to sell at the wrong time. Over the past century investors have lived through world wars, inflation shocks, financial crises, pandemics, and political upheaval. Through it all, businesses continued to innovate,

productivity improved, and disciplined long-term investors have historically been rewarded, although outcomes are not guaranteed. Trying to engineer away every moment of volatility often introduces more complexity than protection. Interestingly, the same pattern appears outside of portfolio construction. When the future feels uncertain, it can be tempting to build a financial structure capable of addressing every possible scenario. But experience suggests that complexity in an overall financial plan can introduce risks that are not obvious at the beginning, those risks often reveal themselves much later.

Long-term success often comes less from chasing perfect outcomes and more from avoiding large mistakes. This same principle applies to financial planning. Most families begin with a relatively simple structure: a handful of accounts, a home, perhaps a business, and a basic estate plan. As wealth grows, planning naturally becomes more sophisticated. Trusts are created, tax strategies are implemented, accounts multiply, and structures evolve. All of this can serve an important purpose, but over time, complexity can begin to compound. For instance, there is an important difference between intelligent tax planning and letting the tax tail wag the dog. Avoiding taxes at all costs can lead people into unnecessarily complex structures or investments that ultimately create more problems than the tax savings were worth. Part of our role is to help bring clarity to these intricate situations - working closely with clients, their attorneys and CPAs, and heirs to fully understand the structures that have been put in place, and then seeking to translate it into a clear and coordinated plan that families can more easily understand. We sometimes encounter families whose financial lives resemble a web of entities, trusts, and accounts that were each created for a specific reason at a particular moment in time. Individually, each decision may have made sense. Collectively, however, the system can become difficult to understand even for the people who created it. When something unexpected happens, complexity can very easily turn into fragility. This becomes especially important as families age. Many folks who spent decades building businesses and managing investments eventually reach a stage where the focus shifts from building wealth to preserving it, then ultimately passing it along. At that point, complexity can become less of an advantage and more of a burden. We have seen situations where surviving spouses or children inherit financial structures that are extraordinarily difficult to navigate. Multiple trusts, scattered accounts, overlapping strategies, and unclear instructions can create confusion at the exact moment when clarity is needed most. Most of the time, this isn't happening because people made poor decisions. More often it happens because each step seemed reasonable at the time. Families who successfully preserve wealth across generations tend to move in the opposite direction. They reduce unnecessary moving parts, coordinate their financial lives, and focus on structures that are durable and understandable for the next generation.

One of the lessons we have learned over the years is that simplifying financial structures is often harder than creating them. It requires stepping back and asking questions that are not always comfortable, which is part of our role as advisors at CenterPoint. Do we still need this many accounts, or illiquid investment vehicles? Does our family need this many entity structures or rental homes? Does this business strategy still serve a purpose for us or is it outdated? Would our family even understand how this plan works? It is easy to feel pressure to constantly adapt and add new layers of strategy. Yet some principles in finance remain remarkably stable: thoughtful planning, long time horizons, clear and well-thought-out structures, and disciplined decision-making. The goal is to construct and execute plans that will still work, clearly and reliably, many years and potentially decades from now. More often than not, those plans are built on a foundation of simplicity.

We hope you all have had a great start to 2026!



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¹ Center for Retirement Research at Boston College, *How Do Public Pension Plan Returns Compare to Simple Index Investing?* Issue Brief, 2024. <https://crr.bc.edu>

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