

# The Investment Philosophy of Finanz2Go

[Finanz2Go](#)

## 1. Introduction

In today's rapidly changing financial markets, individual investors face an overwhelming number of choices. From thousands of available financial products to fluctuating regulations and unpredictable economic conditions, navigating the investment landscape has become more complex than ever. At Finanz2Go, we understand the challenges private investors face, especially in Germany's unique financial and regulatory environment. Our mission is to provide clear, structured, and scientifically grounded investment advice that empowers our clients to build long-term wealth with confidence.

This whitepaper outlines the fundamental principles behind our investment philosophy, the academic theories that support our approach, and the practical implementation strategies we use to manage client portfolios. Whether investing for retirement, wealth preservation, or growth, our approach is evidence-based, cost-aware, and highly personalized.

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## 2. The Core Principles of Our Investment Philosophy

At the heart of Finanz2Go's investment philosophy are three core principles:

- **Evidence-Based Decision Making**
- **Strategic Diversification Across Asset Classes**
- **Client-Centered, Goal-Based Planning**

These principles are not just theoretical; they are supported by decades of academic research in finance and economics. Let us explore each in more detail.

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## 3. Evidence-Based Investing: What the Science Says

Evidence-based investing refers to the use of academic research and empirical data to guide investment decisions rather than speculation, market timing, or trends. The foundational work

of Harry Markowitz (1952), known as **Modern Portfolio Theory (MPT)**, demonstrated that a well-diversified portfolio could achieve an optimal balance of risk and return. This theory remains one of the most influential in financial economics today.

Further studies by **Brinson, Hood, and Beebower (1986)** showed that more than 90% of a portfolio's long-term performance variability could be explained by asset allocation, not individual stock selection or market timing. This finding underlines the importance of setting a clear, diversified allocation strategy aligned with the investor's risk profile.

Another milestone in empirical finance is the **Fama-French Three-Factor Model (1993)**, which expanded on the Capital Asset Pricing Model (CAPM) to include size and value factors, in addition to market risk. Later developments have incorporated profitability and investment patterns as additional return drivers.

In practice, this means we consider:

- The market factor (broad market exposure)
- The size factor (small vs. large companies)
- The value factor (undervalued vs. growth stocks)
- The quality/profitability factor

At Finanz2Go, we integrate these academically supported factors into our portfolio design, balancing them with individual client goals and constraints.

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#### **4. Strategic Asset Allocation and Diversification**

Diversification is often called the only "free lunch" in investing. The idea is simple but powerful: by spreading investments across different asset classes, regions, and sectors, one can reduce portfolio volatility without necessarily sacrificing expected returns.

We construct portfolios that include:

- **Global Equities** (Developed and Emerging Markets)
- **Fixed Income Instruments** (Government and Corporate Bonds)
- **Real Assets** (e.g., commodities, real estate funds)
- **Alternative Investments** (e.g., hedge fund strategies, private equity)

The goal is to combine assets that do not move in perfect correlation, thereby improving the risk-return profile of the overall portfolio.

Our portfolio construction follows a disciplined process that incorporates:

- Historical and projected asset class returns
- Volatility and correlation estimates
- Tax implications for German investors (e.g., Teilfreistellung)

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## 5. The Role of Active and Passive Strategies

Unlike purely passive investment firms, Finanz2Go believes there is a role for both **actively managed funds** and **index-tracking ETFs** within a well-diversified portfolio.

### Passive Investments (ETFs):

- Ideal for gaining low-cost exposure to broad market indices
- Transparent and tax-efficient structures (UCITS-compliant)
- Useful for long-term strategic holdings

### Active Investments:

- Useful in inefficient markets (e.g., small caps, emerging markets)
- Can provide downside protection or risk-adjusted outperformance
- Can be aligned with specific themes or mandates (e.g., ESG, dividend income)

Our due diligence process involves:

- Quantitative fund screening (Sharpe ratio, alpha, beta)
- Qualitative manager evaluation (track record, team structure, strategy clarity)
- Ongoing performance monitoring and fee benchmarking

We believe this "**core-satellite**" approach – with passive ETFs forming the core of the portfolio and active funds used for targeted exposure – provides the best of both worlds.

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## 6. Behavioral Coaching and Risk Management

Even the best investment plan can be undermined by poor decision-making. Studies in **behavioral finance**, notably by **Kahneman and Tversky (1979)**, have shown that investors are prone to cognitive biases such as loss aversion, overconfidence, and herd behavior.

At Finanz2Go, we help clients stay disciplined through:

- Regular portfolio reviews
- Rebalancing protocols
- Scenario planning and stress testing
- Education and expectation management

We act as behavioral coaches, not just portfolio managers, ensuring that emotional reactions do not derail long-term goals.

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## 7. Tax Optimization for German Investors

Taxation is a key consideration in any investment strategy, especially in Germany where different rules apply to capital gains, dividends, and pensions.

We help clients benefit from:

- **Teilfreistellung** rules (e.g., 30% tax exemption for equity ETFs)
- **Deferred taxation** through private pension wrappers (e.g., Basisrente, Rürup)
- **Capital gains allowances** (€1,000 per individual as of 2025)
- **Tax-efficient fund selection** (e.g., accumulating vs. distributing funds)

Understanding these nuances can significantly improve net returns over time. All recommendations are made in coordination with tax advisors where needed.

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## 8. Goal-Based Financial Planning

Our investment approach is never one-size-fits-all. Each client engagement begins with a comprehensive discovery session where we define goals, constraints, and preferences.

Portfolios are then constructed to match:

- Risk tolerance (conservative to aggressive)
- Investment horizon (short, medium, long term)

- Liquidity needs and cash flow planning

This **goal-based planning framework** ensures that investments serve a clear purpose, whether it's retirement, education funding, or wealth transfer.

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## 9. ESG and Sustainable Investing

More clients are seeking to align their investments with personal values. At Finanz2Go, we offer **ESG-integrated portfolios** that meet standards for environmental, social, and governance responsibility without sacrificing performance.

We evaluate ESG options based on:

- Third-party ESG ratings (e.g., MSCI, Morningstar)
- Fund policies on exclusions and engagement
- Alignment with the UN Principles for Responsible Investment (UN PRI)

This allows clients to make a **positive impact** while still pursuing solid financial returns.

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## 10. Ongoing Monitoring and Rebalancing

We believe that managing a portfolio is not a one-time event, but a continuous process. Our investment committee monitors macroeconomic indicators, market trends, and fund performance on an ongoing basis. We also rebalance portfolios at least annually to:

- Maintain target risk levels
- Harvest tax losses or gains when appropriate
- Adjust to life changes or goal updates

This proactive management ensures that the portfolio remains aligned with the client's evolving situation.

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## 11. Conclusion: Why Choose Finanz2Go?

Finanz2Go offers a unique value proposition for investors seeking a professional, transparent, and academically grounded partner in wealth management. Our approach blends the best of:

- Academic theory and real-world practice
- Active and passive investment tools
- Behavioral insight and financial planning

With a client-first philosophy, no hidden fees, and a strong understanding of Germany's regulatory and tax environment, we are well-positioned to help you build and protect your wealth.

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## 12. References

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## Contact Us

To learn more about how Finanz2Go can help you achieve your financial goals, please visit our website or book a free consultation with one of our licensed advisors.

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