INVESTOR AWARENESS GUIDE

THE INVESTORS' DILEMMA
Vicious Cycle That Can Stop Your Portfolio Dead

Spotlight on Investor Coach
DAVID CHONG

SAYING "I DO"
To Your Financial Future

3 Simple Strategies for
INVESTING SUCCESS

20 QUESTIONS
Every Investor Should Answer for Investing Peace of Mind

Are Your Problems Someone Else's Profits?

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For your journey toward investing peace of mind.

Letter

from the Editor, Mark Matson, CEO, Matson Money

After over twenty years in the financial industry, I've seen a huge range of things that can happen when it comes to investing. I've seen market highs and crashes, bubbles and busts, and plenty of bulls and bears as well. All of these circumstances can influence a person's decisions about what to do next or change their investments.

The most important thing I've learned from these experiences is that making important investment decisions based on these short-term circumstances is **one of the most dangerous moves any** investor can make.

In this guide, I hope you will find validation for what you have known **to be true about investing in your gut**. That there is no magic formula, or get rich overnight, or sure fire stock that will make you a millionaire. However, there is an academically, historically, and statistically validated method for investing long-term that will help you achieve your goals without the need for speculation or gambling with your **dreams**.

For over twenty years it's been my mission to tell the truth to investors. I've have done everything possible to back up this truth with statistical evidence. In this guide you will find **the beginning of the journey toward** discovering the truth about investing. I hope it gives you confidence and renews your optimism for achieving your goals.

The truth will set you free.

Keep it real,

Mark Matson is the CEO of Matson Money, managing over $4 billion for investors nationwide. He is an author, speaker, and a regular contributor to national media outlets including MSNBC, Fox Business News, The Wall Street Journal, Investment News, Forbes.com and many more. Mark also hosts Matson Money Live! a weekly show about investing broadcast on Livestream.

do you ever WORRY about...

- Getting high enough returns on investments?
- Maintaining your standard of living at retirement?
- Affording high quality education for children?
- The next market crash?
- The next market boom?
- Missing out on the latest, greatest stock tip?
- Making sense of all the information available?
- Someone else having a better portfolio than you?
- Not having money to care for your loved ones?
- Getting bad advice and, worse yet, paying for it?
- Buying high and selling low?

If you answered "yes" to any of these questions, you could be trapped in the Investors' Dilemma. Each of these questions simply represents a symptom of a much larger problem—the Investors' Dilemma. Once you understand the phases of this cycle and what happens to your investments as a result, you will gain a whole new perspective on investing.

The Investors' Dilemma

Vicious Cycle That Can Stop Your Portfolio Dead

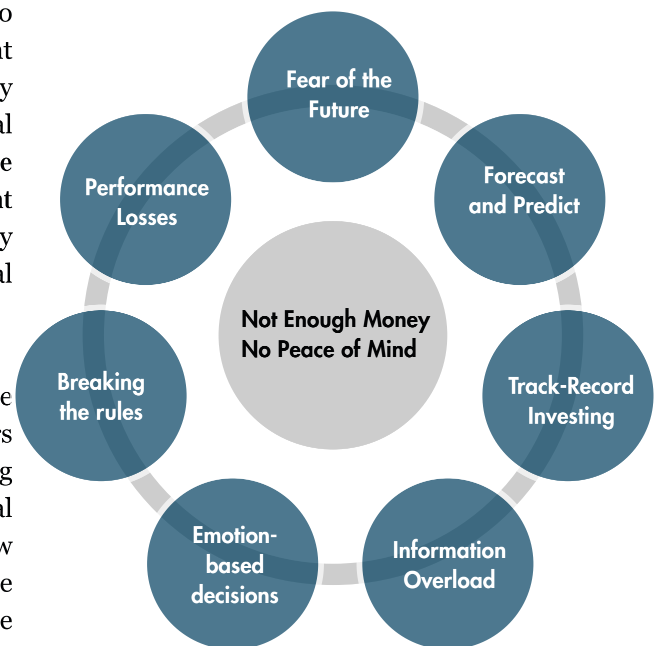
Mark Matson

The cycle begins with a sense of uncertainty about the future.

No matter how well it has been designed and implemented, an investment strategy by itself can never bring you peace of mind. Although most of the financial world likes to pretend that investment decisions are based purely on logic and rational thought, the truth is that the vast majority of investment choices are driven by emotional and psychological factors.

The Dilemma outlines the typical process investors go through when facing important financial decisions. Let's look at how each phase of this cycle works against your ultimate financial well-being:

The Phases of the Investors' Dilemma:



1: Fear of the Future

The cycle begins with a sense of uncertainty about the future. You might have questions about your financial future, such as:

"Will there be enough money to maintain my standard of living?"

"How much should I save?"

"How do I know which investment will get the best returns?"

"How much risk should I take?"

The list goes on and on, but the common quality is that almost all investors are afraid that either they don't know enough or haven't saved enough and, as a result, will find themselves destitute and powerless in the future.

You might not even be fully aware of the impact these fears have on your life, because it lurks under the surface in your subconscious. Fear plays a large role in dictating how investors feel as well as how they behave.

The Good News:

With the proper tools, strategies, and information you can achieve a level of confidence and peace about your financial future that you never knew possible... Just imagine what life would be like if you were able to overcome your fears about your financial future.

2: Forecasting the Future

Based on this inherent fear and uncertainty, many investors feel the need to get some kind of prediction about what's going to happen in the future. After all, if someone could just tell us what is going to happen with inflation, long-term interest rates, share prices, overseas markets, etc., then there would be nothing to fear.

Along these lines, it is easy to be convinced of the future. You could become an innocent victim of wish fulfillment. It would be so much easier if someone really had the answers; it is easy to lose sight of the simple fact that it is just not possible to predict the future.

This explains why people are clamoring around investing programs broadcast regularly on CNBC, eagerly subscribing to Money magazine and voraciously perusing the Internet in search of the next hot stock tip.

Why do investors and advisors believe in stock picking, market timing and track-record investing?

Believing that someone out there, whether it's you, or the broker, or some money manager who's on the cover of a magazine, can actually predict and forecast the future and pick all of the best stocks and post massive returns, is not the folly of weak minds. **It is most often the folly of the most brilliant minds.**

The Greeks called this phenomenon hubris. This is exaggerated pride or self-confidence. People who have very high intellect often feel they can beat all kinds of games. They feel they can beat Vegas odds. They feel like they can pick the winner of the Super Bowl. They feel like they can consistently pick the best stocks.

Because man has used his intellect to reveal so much of the universe, and science has accomplished so much, it is easy to believe that if intellect can accomplish all of these things, then surely it should be able to be used to do something as simple as picking the best stocks.

This is not the folly of weak minds. It's the folly often of the most brilliant, sophisticated, articulate minds.

For example, Isaac Newton discovered gravitation, or gravity. He is the father of modern mathematics. He invented differential calculus and used this new form of math to reveal and explain the movements of the planets. He is on a level with Einstein in intellect and brilliance. He was a true genius, without equal.

*In his master work, the Principia, Newton writes, "Supposing the centripetal force to be proportional to the distance of the body from the center, all bodies revolving in any planes whatsoever, will describe ellipses, and complete their revolutions in equal times, and those which move in right lines running backwards and forwards alternatively, will complete these several periods of going and returning in the same times." This is the stuff that rocket scientists use to calculate the trajectory of rocket ships, satellites, and the space shuttle. But even Newton fell from stock picking grace as overconfidence and hubris brought him back to earth. *Sir Isaac Newton lost 90% of his stake, a huge amount of his wealth, in the South Sea bubble. You can think of it as very similar to the tech bubble that many people lost massive amounts of their wealth to during the first part of the 2000s.*

So here we have the person that invented modern mathematics, calculus, gravitation equations to calculate the movement of the planets, and he gets duped into speculating with his money.

The greatest fallacy in the investing industry is that this superior performance is a factor of skill and not luck.

This is not something that only weak minds or people who aren't intelligent fall into. It's easy to fall into these traps when they're so pervasively put out there by the

financial community, the media, and the public at large.

> **The Good News:**
> You don't have to have an accurate prediction about the future to be a successful investor.

3: Track-Record Investing

But, if you did need a prediction about the future, what would be the most logical place to look for it? History… experience… in other words, the past.

In investing, looking to the past to get an idea of what investments or managers will do well in the future is called Track-Record Investing. For example, looking for managers or funds that have recently outperformed the market hoping that those same managers will continue to do the same in the future.

A glaring example of the futility of the track-record approach to investing would be the run on Technology and U.S. Large stocks in the late 1990s. Following several years of impressive returns, investors actually felt "safe" stockpiling these types of investments in their portfolios. Using the track-record perspective, it seemed as if there was a possibility that these particular investment vehicles had qualities that would allow them to defy the rules of investing.

The media blitz certainly did nothing to deter the illusion that perhaps finally investors had found the golden "low-risk, high return" investment for which we all yearn.

> **The Good News:**
> Track-record investing is not the answer to implementing a successful investment strategy.

4. Information Overload

The pull toward track-record investing is exacerbated by the barrage of information thrown at the average investor today. Most of us were taught to study, research, and gather as much information as possible prior to making financial decisions. In the past, this kind of investigation and analysis was required in order to feel confident about investing choices.

However, information today is so readily accessible that most investors get more information than necessary without even trying. Although the culture in which we live provides an abundance of information, often investors remain stuck in a scarcity mentality, frantically acting on a need to seek more, better, or different information, regardless of its usefulness.

Currently, when you look for the word "mutual fund" on any Internet search engine, you will find more than 12 million pages to peruse. In the quest for peace of mind, investors are compelled to expose themselves to books, newspapers, magazines, financial talk shows, advertisements, friends' experiences, the Internet, and more. Some even worry that if they aren't hooked in 24-hours per day, seven days a week, they will miss out on valuable information that could mean the difference between wealth and poverty.

Instead of reducing fears and doubts about investment decisions, this deluge of information only intensifies investors' anxiety. They are on overload.

5. Emotion-Based Decisions

> **The Good News:**
> If you know the RIGHT things, you don't need to know EVERYTHING.

You never can overcome your own humanity. As much as we would prefer to think that we make investment decisions based purely upon logic, advertisers and journalists are well aware that emotion ultimately drives most investment decisions.

As a quick demonstration, consider the statements below. See if you can match each statement with the emotion being expressed (answers listed in the key below).

1. *"It doesn't matter how sophisticated his charts are or how much sense he makes, I just don't feel comfortable letting him handle my money."*
2. *"I'm not sure if I should have put my money in that fund. It lost 15% already. Maybe I'll sell some of it tomorrow."*
3. *"My boss got 25% on his money. I only made 8%! I wish I got 25%."*
4. *"I wish I'd known that stock was going up, I would have bought more shares."*
5. *"My dad worked in that company all of his life and left his money to me in his will. It would be wrong to sell it just to diversify my portfolio."*

regret
greed
trust
loyalty
envy

Answer key: 1. trust 2. regret 3. envy 4. greed 5. loyalty

We as people are naturally predisposed toward or against specific investing tactics. What is interesting is that no matter what our emotional tendency may be, we can

almost always find what looks like purely factual data to support our view. It's easy to overweight information that validates our perspective while **minimizing any information that goes** against what we inherently believe.

The Good News:
Simple awareness of your emotions when it comes to financial and investing matters can make the difference between good and bad investment decisions.

6: Breaking the Rules

As in any endeavor, there are certain accepted rules that can simplify our ability to achieve success. In the area of weight-loss, for example, the rules are straightforward: 1. Eat less 2. Move more.

The rules are not much more complex when it comes to investing. The commonly held rules of investing are:

1. Own equities
2 Diversify
3. Rebalance

and, the "golden rule" of investing is:
Buy when prices are low and sell when prices are high.

All of these rules sound simple enough. However, it isn't knowing the rules that is hard; it's consistently following them that challenges most people (in weight loss or investing). When people make investing decisions about the future based on track-record or emotions, without realizing it they wind up breaking these rules, thereby sabotaging their portfolio.

The Good News:
With the proper investment strategy, your portfolio could be set up to follow the rules without interference from emotional decisions.

7: Performance Losses

Put all the phases of the Investors' Dilemma together and what you get are performance losses. Simply stated, investors fail to capture the kind of returns they expect. Typically, they expect to get the returns they see listed in the newspaper, online, or in magazines; **however, it is rare that the average** investor actually achieves the same returns as published in the newspaper.

Dalbar, Inc., a leading financial-services research firm, has demonstrated an investor's performance does not equal investment performance. In 2013, Dalbar found the following annualized returns for the 20 year period of 1993-2012 investors, whose average holding period for a mutual fund was 3.31 years:

The average equity mutual fund investor realized an annualized return of 4.25%, compared to 8.21% for the S&P 500.
The average fixed-income investor realized an annualized return of 0.98%, compared to 6.34% for the Barclays Aggregate Bond index.

These numbers ruthlessly make their point. As a result of each of the phases of the Investors' Dilemma, investors are continually getting in and out of the market, each time chinking away at prospective (and frequently expected) returns. This specifically can be seen in the case of those who attempted to ride the wave of Technology stocks. Sadly, some of these investors lost between 20-70% of their wealth practically overnight.

Obviously, when this effect is compounded over a period of years, the potential for reaching financial goals is significantly decreased. These kinds of losses can't help but create additional frustration and fear **about the future, thereby initiating the** Investors' Dilemma cycle all over again.

The Results:
Not Enough Money and No Peace of Mind

In the end, the result of The Investors' Dilemma is people who don't have enough money to accomplish their most meaningful life goals and dreams. Not only are they not where they want to be financially, but they have also spent a large portion of their lives fraught with stress, anxiety, concern, and fear that initiate and perpetuate the dilemma.

ENDING THE INVESTORS' DILEMMA

Here are some "Do's" and "Don'ts" to help end the Investors' Dilemma:

- **DON'T** focus on returns and track records (i.e. Morning star five-star funds).
- **DON'T** use actively managed funds.
- **DON'T** use a commission-based broker or planner.
- **DON'T** rely on the media for advice regarding your investments.
- **DON'T** let your emotions dictate how you manage your investments.

- **DO** focus on maintaining long-term discipline.
- **DO** use structured or index-type funds.
- **DO** find an investor coach who will work with you to find answers to key investing questions.
- **DO** find an investment strategy that fits you and stick with it.
- **DO** let your investment strategy do its job and keep disciplined.

With Knowledge And Guidance, It Really Is Possible To Experience The Peace Of Mind That Comes With A Lifelong Investment Strategy And End The Investors' Dilemma Forever.

* Dalbar's Quantitative Analysis of Investor Behavior] uses data from the Investment Company Institute (ICI), Standard & Poor's and Barclays Capital Index Products to compare mutual fund investor returns to an appropriate set of benchmarks. Covering the period from January 1, 1993, to December 31, 2012, the study utilizes mutual fund sales, redemptions and exchanges each month as the measure of investor behavior. These behaviors reflect the "average investor." Based on this behavior, the analysis calculates the "average investor return" for the various periods. These results are then compared to returns of respective indices. *Past performance is no guarantee of future result

Featured Coach David Chong

Q&A

What is it that motivated you to choose the financial industry as your profession?

I chose to enter into the financial services industry because I wanted to help individuals and families realize their goals through proper management of their financial resources. I wanted to be a source of trusted counsel and advice in the area of money. I grew up in an immigrant family with very modest beginnings. My parents worked hard, saved, invested for the future and created a more abundant life for us. Seeing the American dream come true for my parents instilled in me the belief that all people, when given the opportunity, can achieve their own dreams. My belief is that money is one of the ways that we live out our purpose in life. We use our financial resources to provide opportunities for our families, support the causes that are dear to us, build up our communities, and pursue our dreams. My goal is to help people maximize their impact in life by protecting, growing, and utilizing their wealth.

What was the hardest lesson you had to learn about the investment industry?

The hardest lesson that I learned about the industry was that as a whole it was not overly concerned about the well being of the individual investors. The industry was sales driven rather than education driven. Little effort was made to educate clients so that they could discern for themselves whether or not recommendations made by advisors would be beneficial to their financial future. The advice often given, especially in the area of investing, was based on fads, myths, and hype rather than sound academic and scientific research. Plus, the large financial institutions have a vested interest in allowing investors to behave irresponsibly. What is best for individual investors is not always what is best for financial institutions. Finally, the industry does little to address the most crucial element to investing success: the behavior of the individual investor.

What are the biggest mistakes you see investors make when it comes to their investments?

The biggest mistake that I see investors make is that they invest their hard earned money without getting fully educated about the investing process. There is so much confusion and misinformation about investing that the typical investor doesn't know what to do. This confusion often leads to the error of mistaking speculation for investing. Common forms of speculation are stock picking, market timing, and past-performance investing. Often times, this speculative behavior comes at the recommendation of the financial advisors they work with. Because they haven't been fully educated, most investors don't even know this is happening.

Does your approach to investing work for everyone?

No. It does not work for those who want to speculate with their money through stock picking, market timing, and past performance investing. It does not work for those who want to get rich quickly. It does not work for those who are not willing to put in the work to learn and be coached. However, it does work for everyone else who desires to invest prudently and grow their wealth over time by utilizing the powerful forces of the stock market.

How do you coach investors to stay disciplined with their investment strategy?

The first thing I do is educate investors about the true nature of investing. A solid strategy always begins with solid understanding. I help them to separate the myths from the truth and to see the differences between investing and speculating. I then educate them about how free markets work and what the major underlying factors for investment returns are. From there I work with them to create a diversified, efficient, and prudent portfolio that is suitable for the risk that they are willing to take on. Finally, I help them to stay the course through ongoing education and coaching.

What is different about the investment industry now from when you started?

The biggest difference that I see is that people are much more fearful, stressed, and confused about investing than ever before. In the aftermath of the stock market crash of 2008, I have met many people who have become discouraged about their financial future and have lost faith in investing. There is a high level of distrust towards Wall Street and many feel betrayed by the financial institutions that were supposed to help them. People are hungry for education and coaching so that they can have a positive experience in investing.

What kind of people do you work with?

I work mostly with executives, professionals, and closely-held business owners. But mostly, I am interested in working with people who are coachable, likeable, and want to learn how they can take control of their financial future.

What is the first step to getting started in this process?

The first step is to attend one of my monthly educational workshops. At this workshop, the investor will learn to separate the myths of investing from the truths. They will also learn the key strategies of investing that lead to long term success. After this workshop, they can then arrange for a complimentary one on one meeting to discuss their personal investments. For more information, they can contact me at (949) 298-4882 or at dchong@envisionfi.com.

David Chong, CFP®, is a financial advisor based in Newport Beach, CA. Prior to becoming a financial advisor, David was a full-time pastor. His professional mission is to coach his clients to pursue their hopes and dreams in life through the prudent management of their money. According to David, "It is with our financial resources that we provide opportunities for our families, support the causes that are dear to us, and build up our communities." To this end, David specializes in helping successful professionals and business owners to protect, invest, enjoy, and pass their wealth onto future generations.

David has always been an avid learner. He graduated from U.C. Santa Barbara in 1994. He then received a Master's degree from Biola University. David also completed the rigorous training requirements to become a CERTIFIED FINANCIAL PLANNER™.

David is married to Helena, and together they are blessed to have two beautiful, active, and fun loving kids. They live in Fullerton, CA.

How to Outwit, Outsmart & Out Invest the Wall Street Bullies

MAIN STREET MONEY

Saying "I Do" to your Financial Future

Michelle Matson
Vice President, Matson Money

Taking on responsibility for your financial future is a lifelong commitment, much like a marriage.

The investment industry is great at giving lip service to the idea of "long-term" relative to investing. But what does "long-term" really mean? Long-term can mean different things to different people and can also change based on the context or circumstances involved.

When I consider what "long-term" means, I can't help but think about the biggest long-term commitment one can make–a lifelong commitment to someone else. Obviously, marriage is a "long-term" commitment. So, let's compare and contrast a long-term commitment when it comes to both marriage and investing.

Taking on responsibility for your financial future is a lifelong commitment, much like a marriage. It could be 45 years until your retirement. When it comes to investing in the stock market, you should have at

least a 10-20 year time horizon. Unfortunately, as a whole, our country has an unsatisfactory track record for keeping either of these long-term commitments.

The average duration of first marriages that end in divorce is 7.8 years. Only 52% of marriages make it to their 15 year anniversary, and just 33% make it to 25 years.[1]

If that's the best we can do with a legal commitment that takes a relatively high degree of thought, stress, and legal fees to get out of... how difficult is it to stick with an investment portfolio for 15, 20, or 40 years? It's far easier to get out of than a marriage and you are encouraged by our culture to make changes to your portfolio frequently.

The average holding period for equities is 3.27 years,[4] falling far short of the time frame necessary to make the risk you've taken pay off. The inability to "take the heat" when it comes to investing costs the average investor over 5% annually over a twenty year period.[4] Interestingly, recent studies show that if you argue with your spouse about money once a week or more you are 30% more likely to get a divorce.[3]

So what? The point is, that investing is a much bigger, longer-term, and more serious commitment than most people realize. It's not however, a commitment to another person. It is a commitment to yourself and to having the life you want to have. Saying "I do" to your financial future is making yourself, your happiness, and your goals a priority–and putting yourself first.

Committing to an investment strategy has many parallels with getting married. Your investment portfolio is going to have good days and bad days; it will not always behave the way you wish it would; you will have to accept the good with the bad, because the risk is what makes the reward possible; and if you bail out early, you won't the get the long-term result you wanted.

That said, you have to make sure that you commit to a strategy that is right for you: only taking the level of risk that you can tolerate, making sure that you are appropriately diversified, and using a proven, long-term strategy that you are comfortable with and understand.

So, if you are ready to commit to your financial future, happiness, and peace of mind, consider the following vows:

Do you take this globally diversified portfolio,
to buy and hold from this day forward,
for richer and poorer,
in good markets and in bad,
forsaking stock picking and market timing,
from this day forward until my time horizon has been fulfilled.

I now pronounce you Investor and Portfolio... you may sleep well at night. I wish you a long and happy relationship with your financial future. You deserve to have a life full of all the things you want.

Sources:

1. www.divorcemag.com, U.S. Census Bureau, National Center for Health Statistics

2. www.divorce-in-america.com

3. Jeffrey Dew, Utah State University

4. Dalbar's Quantitative Analysis of Investor Behavior] uses data from the Investment Company Institute (ICI), Standard & Poor's and Barclays Capital Index Products to compare mutual fund investor returns to an appropriate set of benchmarks. Covering the period from January 1, 1993, to December 31, 2012, the study utilizes mutual fund sales, redemptions and exchanges each month as the measure of investor behavior. These behaviors reflect the "average investor." Based on this behavior, the analysis calculates the "average investor return" for the various periods. These results are then compared to returns of respective indices.

3 Simple

Strategies For Investing Success

The first power strategy is to stop this self-destructive behavior once and for all.

Strategy One:

Eliminate Speculating and Gambling in your Portfolio

Anytime you pay a fee or a commission to "active" managers to pick stocks that they believe will beat the market, you are, in effect, gambling that those stocks are the winners and that others are the losers.

The first power strategy is to stop this self-destructive behavior once and for all. In life, it is often just as important to stop doing the wrong things, as it is to start doing the right ones.

Again, take dieting as an example. Of course it is important to start eating the "right" kinds of food. But it is equally important to stop eating massive amounts of cake, cookies, and ice cream. To be successful you must simultaneously identify healthy and empowering

activities and start consistently implementing them into your life, and also identify destructive behaviors and work to eliminate those. Both must become a new part of your thinking and behavior if you are going to get long-term health benefits. Investing works the same way.

You must eliminate speculating and gambling with your money, stock picking, market timing, and chasing performance.

A Dalbar study found that the S&P 500, over a 20-year period averaged 7.81%. The average investor, investing in mutual funds trying to beat the S&P 500, made a meager 349% over the same 20-year period from 1992 through 2011. Why? It was because of their behavior.

They bought a fund manager's performance and mutual funds that had gone through a good 5 or 10-year period, thinking that it was the fund manager's superior ability that produced the returns. In reality, it was the underlying asset category that accounted for the results. With the desire to achieve superior returns, average investors then placed their assets with these top managers all in one asset category!

Investors are often unaware of the fact that they could lose 20-50% of their money.

After massive losses, the resulting panic and fear then caused them to sell their **funds and invest in other assets that** were now up, thereby repeating the destructive cycle.

Of course, every time this cycle happens it makes more profit and commissions for the brokerage firms. Win or lose, the brokerage company takes its cut. The brokers always take the house cut no matter what the investor makes or loses.

The first step for having a successful investment experience is to eliminate these destructive behaviors. Stop stock picking, market timing, and track-record investing. Stop gambling with your investment capital!

Strategy Two:

Use market forces. Don't fight them.

In a free, capitalistic society the capital market rates of return are there for the taking. The basic underlying working mechanism of capital markets is to earn a return on your investment capital. Companies that have a desire to raise capital in order to grow their operations **must raise it somewhere**. **In return, they** reward investors willing to provide funds for operations and expansion with a return. It is a beautiful thing.

For companies trying to raise money, this is called the cost of capital. For investors or banks willing to provide this money, it is called the return on capital. In theory, the more risk a company has, the higher the expected return to investors. In essence, the cost of capital is the investors' return on capital.

This is the only formula as an investor you will ever need to know:

Cost of Capital = Return on Capital.

	Annualized Capital Return	
US Micro Cap Stocks	12.26	1927-2012
S&P 500 (Large US)	9.82	1927-2012
Small Cap Value	14.77	1927-2012
Large Value	11.64	1927-2012
International Small Companies	14.40	1970-2012
International Large Companies	9.06	1970-2012

Performance figures taken from Dimensional Fund Advisors, Inc. (DFA) Returns software 12/31/12. Some data provided to DFA by the Center for Research & Security Pricing (CRSP), University of Chicago. Asset Classes defined as: S&P 500 Index for U.S. large stocks, CRSP 9-10 Index for U.S. micro cap stocks, Morgan Stanley Europe, Australia, Far East (EAFE) Index for international large stocks, and the international small stock index created by DFA using CRSP data.

CRSP Large Value Index for Large Value and CRSP Small Value Index for Small Cap Value.

* Index performance returns do not reflect any management fees, transaction costs or expenses. In addition, the index is unmanaged and not available for direct investment; therefore its performance does not reflect the expenses associated with the active management of an actual portfolio.

Strategy Three:
Coaching

Just as you would hire a coach to improve your golf swing or your tennis game, an investing coach can help you maximize the benefits from your investment strategy.

A coach can help you make the prudent decisions about how much volatility and what types of risk you want to incorporate into your portfolio. He or she helps you to distinguish prudent from imprudent risk. A good coach also aids you to truly understand and measure diversification in your portfolio, and works with you on what you really want your money to do in the future.

Most investors have failed by a long shot to achieve these types of returns. Based on the Dalbar Study, the average investor has failed by over 5% per year!

Accepting this fact, your job of allocating assets is greatly simplified. You only need to allocate your assets into various asset categories to achieve market returns and remain disciplined over long periods of time. This is easier said than done, and most often requires the aid of a coach.

By focusing on market returns, there is no stock picking at all. No forecast, no prediction. There's no gambling on beating the market. You just own as many stocks in that asset category as possible. That's what we talk about when we talk about market rates of return.

What does your money really have to do to bring you peace of mind?

Coaching helps you focus on your values and creates a powerful vision for the future that can be used to transform your life and expand your experience of money and investing to abundance.

The most common result I see from the traditional commission-driven financial planning process is fear, anxiety, confusion, complexity, and a reduced ability to take action on your own behalf.

A coach helps you wade through all of these very complex issues and maintain long-term discipline around the investing process. Ultimately, investing is a people problem, not necessarily a portfolio problem.

Another thing that a coach will do is make independent recommendations. These are not based on commission, but based on doing what is in your best interest.

The Answers Lie In Asking The Right Questions

What are the right questions that every investor needs to answer to gain true peace of mind?

Classic wisdoms teach us that learning and growth come from asking questions. With that in mind, I've created The 20 Must-Answer Questions for Peace of Mind. The bad news is that few investors can successfully answer "yes" to all, or even a majority of them the first time they see or hear them. The good news is that with the support of a coach, you can find the answers to each and every one.

The answers to these questions are critical for your success and they will be unique to you. No two investors will have the exact same answers—they are yours and yours alone.

As you read through these, I encourage you to be rigorously honest. To answer "yes" it must be a 100% "yes"; no fuzziness or doubt. If you have any doubt about the question, it must be answered "no." It will be your coach's job to help you achieve a perfect score.

[1] Dalbar's Quantitative Analysis of Investor Behavior] uses data from the Investment Company Institute (ICI), Standard & Poor's and Barclays Capital Index Products to compare mutual fund investor returns to an appropriate set of benchmarks. Covering the period from January 1, 1993, to December 31, 2012, the study utilizes mutual fund sales, redemptions and exchanges each month as the measure of investor behavior. These behaviors reflect the "average investor." Based on this behavior, the analysis calculates the "average investor return" for the various periods. These results are then compared to returns of respective indices. *Past performance is no guarantee of future result

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20 Must Answer Questions

1. Have you discovered your True Purpose for Money, that which is more important than money itself?

   O Yes O No

2. Are you invested in the Market?

   O Yes O No

3. Do you know how markets work?

   O Yes O No

4. Have you defined your Investment Philosophy?

   O Yes O No

5. Have you identified your personal risk tolerance?

   O Yes O No

6. Do you know how to measure diversification in your portfolio?

   O Yes O No

7. Do you consistently and predictably achieve market returns?

   O Yes O No

8. Have you measured the total amount of commissions and costs in your portfolio?

   O Yes O No

9. Do you know where you fall on the Markowitz Efficient Frontier?

   O Yes O No

10. When it comes to building your investment portfolio, do you know exactly what you are doing and why?

    O Yes O No

11. Are you working with a financial coach versus a financial planner?

    O Yes O No

12. Do you have a customized lifelong game plan to guide all of your investing and spending decisions?

    O Yes O No

13. Do you have an Investment Policy Statement?

    O Yes O No

14. Have you devised a clear-cut method for measuring the success or failure of your portfolio?

    O Yes O No

15. Do you fully understand the implications and applications of diversification in your portfolio?

    O Yes O No

16. Do you have a system to measure portfolio volatility?

    O Yes O No

17. Are you aware of the costs associated with purchasing commission-based products?

    O Yes O No

18. Do you know the three warning signs that you may be speculating with your money versus prudently investing it?

    O Yes O No

19. Can you identify the cultural messages and personal mind-sets about money that destroy your investing peace of mind?

    O Yes O No

20. Are you ready to shift your personal experience of money and investing from a scarcity mode to an abundance mode – where you can live your life rather than obsess about your assets?

    O Yes O No

All investing involves risks and costs. No investment strategy can guarantee peace of mind, assure profit or protect against loss.

notes:

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