Managing Your Money…in the Land of the True Believers

by Larry Moskat, CFP® August 30, 2009

As a financial advisor, I am always asked, "where is the best place to put your money these days?" We all long for an easy, straightforward answer, but intellectually we all know that few things done correctly are ever easy. Easy answers have all too often led so many down the well traveled path to the place I call '*The Land of the True Believers.*'

The Land of the True Believers may well be a place you have visited or have been tempted to visit. We all know people who have been to this mystical place. Some have returned, battered and shaken, while others disappeared from the radar screens, never to be heard from again. Where is this land, you ask, and what does it have to do with money management?

To begin with, there is always some "hot" financial bandwagon to jump on to jumpstart your journey. *True Believers* told you the real estate market was the **only** place to put your money. "For crying out loud man, look at last year's returns," the *True Believer*s hollered. Think back to the days when we all sat in the gas lines in the 70's wishing we owned an energy company? As a result, many of us pooled together billions of dollars and placed them into those energy limited partnerships because prices were going to go nowhere but up forever and the fees and partnership debt didn't matter. Remember back to real estate in the 80's…the stock market in the late 90's? How about gold? As gold soared to over $900 an ounce in the 70's, you would have had to be crazy not to mortgage the house to buy gold. Silver was the asset du jour awhile back. The Hunt brothers of Texas tried to corner the market on that stuff because you would have had to have been crazy not to get as much of that as you could at any price. How many people do you know who have insisted on placing *all* of their retirement money in the stock of the company they worked for, only to see the company go belly-up? Welcome to *the Land of the True Believers…where the rear-view-mirror **always** defines the future…right? WRONG!!.*

Follow some basic rules and perhaps you can avoid a journey somewhere you most likely don't want to go. Everyone was having a fabulous time on the unsinkable Titanic, right up until the very moment it sunk…just like all of the investors who banked on the certainty that their true beliefs (and investments), likewise were unsinkable.

Guarantee and insure as many of your financial objectives as possible.

First, do believe that no one has a crystal ball…no one! Nothing is sacred in the world of investments and money. Never fall in love with an investment. Know thyself and allocate accordingly. Sleeping well at night *must* be a feature reflected in your money management strategies. Financial markets cycle. It's normal and natural. Take into account your age, income-tax status, required rate of return, risk tolerance, time horizons, current asset mix, investment experience, and family makeup to begin with. Reliance on professionals can provide a good place to help you start thinking about what you should be doing with your money. And just because someone else is doing it and making money *today*, doesn't mean its right for you. Guarantee and insure as many of your financial objectives as possible. Investments are **not** legal alternatives to Las Vegas. They are a means to an end; a tool. Changes will occur. Plan for it. **Don't fear risks…understand and manage risks appropriately.** Believe in the Financial Planning process as a way to minimize risk. Balance risk by aiming at returns no higher than the required rates of return for your situation and objectives. Avoid approaches designed to "make lot's of money by next Tuesday."

If you aren't sure how to proceed, find a financial advisor who is more interested in you than what stock is going to make you a killing real soon. **Diversify.. Guarantee and Insure when able.** Be willing to make changes as necessary. Rigidity in attitude and style can spell death in the financial world. In summary, there is no one place where only *smart* people put all their money. The next time you meet someone who professes a smug certainty about the future of a single asset category or investment, you may have just met someone embarking on the financial journey of their lives… into ***The Land of the True Believers.***

We care deeply about our clients and wholeheartedly want them to succeed. Call us if we can help you or someone you care about. We can be reached at **480.556.7031** or on the web at **RIIAdvisors.com.**

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