

## ***“Oh Honey, You Know Nothing Worthwhile Ever Comes Easy”***

Dear <<name>>>,

When I sit down to pen these little reports, my purpose is to put myself in your shoes and to tell you the things I would want to hear were I you. Given the breathtaking volatility the stock market has displayed over the course of the past two months, my notion is that you’d like to hear what I have to say about this volatility.

This letter is the first part in a three part series as we enter that historically uncertain month (Can you name any months that aren’t?) of October. The title of this missive comes from a line in the 1980s film starring Chevy Chase, National Lampoon’s *Vacation*. Chase’s character, Clark W. Griswold, responds to his wife’s assertion that the family should just fly to Wally World with, “Oh Honey, you know nothing worthwhile ever comes easy.”

First, even though I’ve lived through many scary markets it never seems to be easy. In fact, it is always the one I’m currently going through that seems to be the worst because it is the one that is happening now.

Knowing that the capital under our stewardship is earmarked for your most treasured future obligations strengthens my resolve. I assure you that the emotions you’re experiencing, such as fear, uncertainty, anger, and exhaustion (to name a few), I’m feeling too.

This leads to my first point about the current environment. While learning and adaptability are imperative to long term success in any endeavor, common sense and fundamental economic and financial principles remain. The Six Pillar Money Management Process along with experience have trained me not to react to these feelings of fear and uncertainty.

### **The Six Pillar Money Management Process**

To quote legendary investor Ben Graham,

***“Individuals who cannot master their emotions are ill suited to profit from the investment process.”***

*What does this mean to you and me?*

It’s perfectly natural to feel emotions and to have regret for something we wish we had done (i.e., to have bought an investment that we considered which then moved substantially higher or, conversely, to have sold an investment which then moved lower). From this regret, wealth destroying actions often follow.

In other words, we buy now what we wish we would have bought earlier only to find we are late, or we sell now what we wish we had sold sooner only to see that as a mistake of a different kind.

*What, then, is the solution to this dilemma?*

Great investors have a plan and they act on that plan. Frustrated investors constantly react to current market events. Stated plainly, great investors act rather than react.

Formulating an investment plan based on your goals and objectives is the starting point for intelligent investing. Knowing what you own and why you own it and also why it is appropriate for the realization of your financial goals is of vital importance.

*Why is this so important?*

My hope is you find this statement extremely liberating:

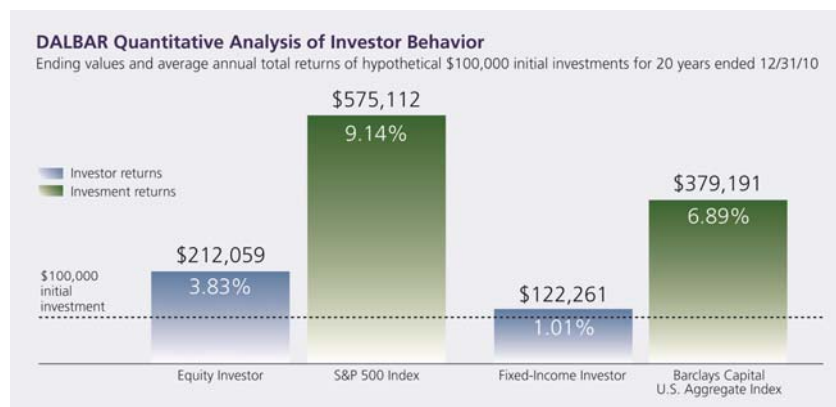
**To the extent your investments are structured in a way that will give you a high probability of achieving your stated objectives, you have the license to watch current market events with a certain level of emotional detachment.**

## Investing Based on Market View Rather than Your Personal Objectives

Now what is wrong with investing money based on a market view rather than based on your personal objectives?

**The market view is forever changing. Most recently, we've seen the market view change minute to minute.**

Perhaps you are wondering what are the results of investor reactions to this ever changing market view? We refer to this as the "Investor Behavior" penalty.



Source: DALBAR (average equity and fixed-income investors data). DALBAR uses data from the Investment Company Institute, Standard & Poor's and Barclays Capital index products to compare mutual fund investor behavior with an appropriate set of benchmarks. These behaviors are then used to simulate the "average investor." Hypothetical equity and fixed-income investor investments are based on average annual total returns. The indexes are unmanaged, and their results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or taxes.

What are these numbers telling you? A huge gap exists between **Investment performance** and **Investor results**.

*Performance* is ethereal, it's here today and gone tomorrow . . . especially the short to intermediate term performance of investments. *Results* are things you can take to the bank such as dividends, interest payments, and long term appreciation. Results enable you to continue to keep your lights on, afford increasing housing and medical costs, and send children and grandchildren to the schools of your desire, etc.

## **Focusing on What Really Matters to You**

Our Six Pillar Money Management Process was created to help our clients stay focused on what really matters. Namely, the realization of your financial goals. If you are not familiar with or would like a refresher on how this process works, please write or call to schedule time together.

Nick Murray's quote,

**"Nobody ever said equity investing was easy. Were it easy everyone would be rich"**

is an appropriate thought within the context of this letter. Many people believe, falsely in my opinion, that it is the science part of investing that is most difficult . . . the math of it all. It's true that the skill needed here is great, but pales in comparison to the strength of will needed to resist emotionally driven and wealth-destroying impulses.

My point in writing the first part in this three part series is that right here and right now we are seeing again – in real time – why long term investment success is so difficult.

*Our process was created for times such as now.*

Stay tuned for my next report entitled, ***Understanding the Difference Between Price and Value.***

Thanks for reading.

Sincerely,  
Leo

*Any opinions are those of Leo Abel and not necessarily those of RJFS or Raymond James. There is no assurance any strategy will be successful.*