

Begin with the End in Mind

written by warburton | May 11, 2020

So, a buddy comes in...actually...our buddy was visiting with us online via GoToMeeting as we at Warburton Capital continue to work remotely and shelter in place to defeat the Coronavirus!

Our buddy had been watching Financial Pornography and heard an “Expert” utter the alarming words “*It’s Different This Time*”! Man, oh Man...I really think this “Expert” was dropped on his head before he was a year old.

Personally, I throw up when I hear alarmist statements like “*It’s Different This Time*”. The Legendary Investor, Sir John Templeton, once commented that “*The Four Most Dangerous Words In Investing Are - It’s Different This Time*”!

The crisis du jour may change, but it’s never really different in the marketplace is it?

Investors around the globe meet in the marketplace to exchange securities in pursuit of a profit. They make their bid/ask offers based on their individual views of all available information, market prices and speculations - Investors Do This Today Just Like Investors Have Done This In The Past!

The varied opinions of investors/traders are very healthy and lead to “*Price Discovery*”. When a trade is made - everybody in the entire world knows Just What A Security Is Worth - At That Instant. Of course, the Efficient Markets Hypothesis has taught us that that Unexpected News in the near (or far distant) future will lead to Securities Having A Different Price On Some Unknowable Date In The Unknowable Future.

Our advice to our buddy went down the road of “*Let’s Forget About Forecasting, Let’s Derive A Rational Goal Achieving Plan and Let’s Begin With The End In Mind*”!

Thereafter we laid out a 12 Step Program for our buddy - and any of you who would like - to pursue “*A Rational Wealth Management Experience*”:

1. Make Your Goal(s) the Centerpiece.
2. Avoid “*Investment Generalists*” and engage in Top Down Planning with an

Objective Professional who thinks about your wealth beyond, simply, *"Your Portfolio"*.

3. Maintain a Long-Term Perspective and Long-Term Discipline.
4. Globally Diversify Stock and Bond Holdings.
5. Forget about What **Percentage** Of Your Investments Should Be In Stocks Or Bonds, rather, Allocate A Purposeful And Necessary **Dollar Amount** To Fixed Income For Emergencies and/or Lifestyle Funding.
6. Having funded your Known Spending Needs with Fixed Income, Allocate Surplus Liquidity to Global Equities.
7. Invest your Fixed Income conservatively (we each take plenty of risk with our Equities - don't bear a similar risk with Fixed Income) favoring short-term investment grade Bonds.
8. Over-Weight Equities to Sub-Asset Classes which have exhibited statistically significant broad market out-performance on a risk-adjusted basis.
9. Invest ONLY in Securities with minimal expenses (Give yourself a *"Fair Shake"*) and minimal tax ramifications (Why pay unnecessary taxes?).
10. View short-term markets news as *"interesting"* but not *"useful"*.
11. Ignore the forecasts of the financial media and other speculators.
12. Sit back and Enjoy Your Life!

Having considered our logic, our buddy sat quietly, appeared to be reflecting, scratched his head a few times, nodded affirmatively and blurted out - ***"I Get It - Let's Do It!"***

Our buddy is now on the road to deriving, with our collaboration, A Rational Wealth Management Plan designed to achieve his uniquely personal goals with minimal risk.

Our buddy is, also, starting to view the financial market talking heads as Entertainers - which they certainly are!

In closing, I trust you are watching CNBC much like you watch the Weather Channel. It's a terrific source of Current Events which we find to be *"Interesting"*, however, *"Not Useful"* for Long-Term Goal-Achieving Planning!

I further trust you are not making investment decisions based on the many - and often conflicting - predictions coming out of the mouths of the *"so-*

called” speculating experts. These folks on Television are experts alright, experts at entertaining us!

Always wishing you well, I remain

On Behalf of the Firm,



Tom Warburton