INVESTOR AWARENESS GUIDE







INVESTORS' DILEMMA

20 MUST ANSWER QUESTIONS

For Your Journey Toward Investing Peace of Mind

3 Simple Strategies for

PURSUING INVESTING SUCCESS

Spotlight on the Investor Coaches from

WISDOM FINANCIAL SERVICES, L.L.C.

Are your problems someone else's profits?

WISDOM FINANCIAL SERVICES, L.L.C.

Founded on the principles that clients should, at all costs, avoid the investment myths of stock picking, market timing and track-record investing; Wisdom Financial Services offers financial coaching designed to utilize Free Market Investment strategies based on Nobel Prize winning research into how markets work. The advisors of Wisdom Financial have experience in a wide variety of tax, retirement and estate planning, investment portfolio management, long term health care solutions, and life insurance strategies to coach their clients towards the realization of each client's financial goals.

For those clients who have become dissatisfied with the financial advice offered by the commission-based brokerage community, Wisdom Financial offers personalized, disciplined, fee-based investment management services that are designed to become a systematic, life-long solution to the investor's dilemma of constantly searching for the elusive "beat the market" investment. In the post-Enron investing world, the need for broad diversification of the portfolio among asset classes has become an urgent and apparent need, which is rarely addressed adequately in an investor's portfolio. Wisdom Financial seeks to assist and coach each client to develop a portfolio that is diversified, structured and regularly rebalanced to meet the pace of the marketplace.

Greg, Jim, Bob, John, Curt, Justin, and Mike all strive to coach and educate their clients in this disciplined approach to investing. Wisdom Financial Services, L.L.C., has offices in Geneseo and Moline, Illinois and Davenport, Iowa. Wisdom is a Registered Investment Advisory firm, which is authorized to do business in the State of Illinois and Iowa.

Investor Awareness Guide:

The Dilemma That Plagues Every Investor And The Three Simple Strategies That Can Put Your Portfolio On The Path To Success.

This Guide represents the views, beliefs, and opinions of the author who is the president of Matson Money, Inc., a registered investment advisory firm. Others may have different views and beliefs on the topics addressed in this Guide.

All investing involves risks and costs. Your adviser can provide you with more information about the risks and costs associated with specific programs. No investment strategy (including asset allocation and diversification strategies) can assure profit, or protect against loss.

This booklet is based on the views of Matson Money. Other persons may analyze investing from a different perspective. Nothing included herein is intended to infer that the approach to investing espoused in this booklet will assure any particular results.

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Foreword

By Wisdom Financial Services, L.L.C.

For many years, our clients and their families have asked for our opinion and guidance about important financial issues. Many people lack confidence in their investing abilities, and sadly have no peace of mind about their investment strategies. Few investors understand how the different financial markets and sectors work. This results in most investors gambling and speculating with their money through stock picking, market timing and track record investing. For these reasons we established Wisdom Financial Services, L.L.C. in 2003, to provide disciplined, academically based investment coaching for our clients and their families.

In the past, many of our clients (yes, even each of us) have suffered losses in their investment portfolios as a result of their portfolios not being truly diversified and thereby assuming unnecessary market risk. Our clients were unaware of important academic research regarding investing. Like most investors, our clients were confused by investment myths and illusions fostered by the financial press and media. Instead of helping investors achieve clarity about how to manage their investments, the media perpetuated the “get rich quick” or “can’t miss hot tip” traps and other shallow attempts at what some referred to as diversification. This caused many investors to fail in achieving their investment goals. Enough was enough - so we decided to pave the way for “clear thinking” investing.

We, at Wisdom Financial Services, L.L.C., proactively help our clients avoid investor illusions and myths. While doing our due diligence, we discovered Matrix Asset Allocation, a Registered Investment Advisor company that manages over 2 billion dollars of assets for clients worldwide. For over 14 years, they have been helping clients attain financial peace of mind and disciplined success.

So what makes Wisdom Financial Services and Matrix Asset Allocation so unique? In the last fifty years there has been unprecedented “Noble Prize winning” academic research regarding investing and financial markets. This research has largely been ignored by the financial media and has not successfully been shared with the investing public. In spite of this time-proven academic research, most investors have fallen prey to investment myths that not only limits the return and growth of their portfolios, but also robs them of financial peace of mind. Picking stocks, timing the market, using track record investing, and not truly diversifying their portfolios have proven to be detrimental to the success of the investor, but extremely profitable to the Wall Street firms. Most investors are still unknowingly utilizing and falling prey to these investment myths.

The good news is that due to proven academic and empirical research, there is no need to use old investment methods and strategies with their inherent unnecessary risks. There is a better way!

The Wisdom Financial Services approach to investment is refreshingly different. No longer will investors have to unnecessarily speculate with their investments. Rather, they can have peace of mind knowing that their portfolios are engineered, constructed and rebalanced based on Nobel Prize winning economic theory. Free Market Portfolio Theory is based on time-tested principles that enable the investor to lessen their risk and avoid gambling with their financial future.

Wisdom Financial Services provides a proven "game plan" to avoid the investing myths and illusions and "coach" our clients toward financial success. Free Markets Can Work For You!

If you are like many of our clients and have fears and concerns regarding your financial future, Wisdom Financial Services, L.L.C. is ready to help.

The brokerage industry services investors, like Bonnie and Clyde serviced banks.*

--William Bernstein

*A stockbroker is someone who invests other people's money until it is all gone.**

--Woody Allen

*Why do brokers exist? Why is there a whole industry devoted to helping individual investors pick out stocks when every jot of financial wisdom in the past 50 years, including Nobel prize-winning work, suggests that this is a mug's game?**

--Holman Jenkins Jr., member of the editorial board of the *Wall Street Journal*

**Quoted in The Only Guide to a Winning Investment Strategy You'll Ever Need, The Way The Smart Money Invests Today* by Larry E. Swedroe

Greg Jim Bob John Curt Justin Mike

Do you ever worry about…

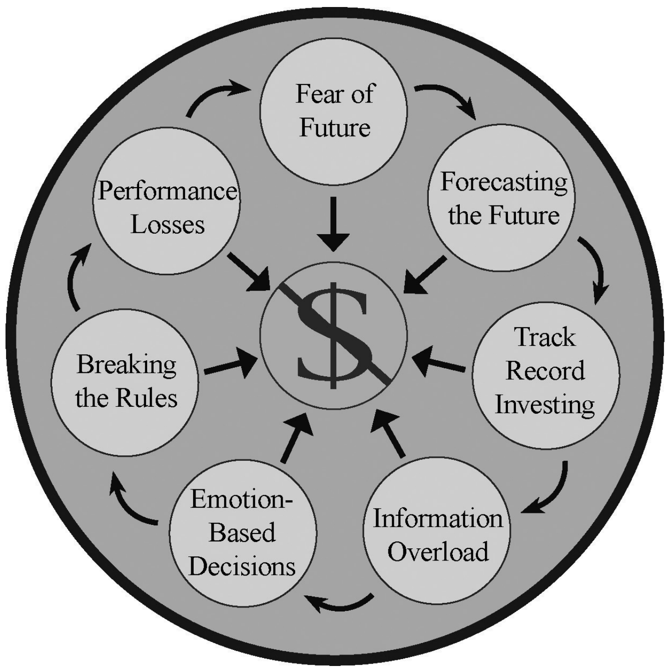
- ❑ Getting high enough returns on investments?
- ❑ Maintaining your standard of living at retirement?
- ❑ Affording high quality education for children?
- ❑ The next market crash?
- ❑ The next market boom?
- ❑ Missing out on the latest, greatest stock tip?
- ❑ Making sense of all the information available?
- ❑ 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—Investors' Dilemma. Once you understand the phases of this cycle and what can happen to your investments as a result, you will gain a whole new perspective on investing.

The Investors’ Dilemma

No matter how well it has been designed and implemented, an investment strategy by itself can never bring you investing 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 that someone else really does have the information, power, and insight to forecast 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 drawn to 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 advisers believe in stock picking, market timing and track-record investing?

Believing that someone out there, whether it's you, or a 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. **More likely, it is 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 the Universal Law of 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 in which many people lost massive amounts of their wealth 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 a trap that only weak minds or people who aren't intelligent fall into. It's easy to be mislead when the concepts are so pervasively put out there by the media and the public at large.

The Good News:
You don't have to have an accurate prediction about the future to pursue investment success.

*Sir Isaac Newton, N.W. Chittendon, "Newton's Principia: The Mathematical Principles of Natural Philosophy," Chapter X, p. 183, Proposition XLVII, Theorem XV, available on-line at http://books.google.com.
**Source: http://www.cnn.com/2009/POLITICS/07/29/levenson.finance.regulation.

3: Track-Record Investing

But, if you wanted 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 in the hope 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 investing peace of mind, investors feel 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 tends to intensify investors' anxiety. They are on overload.

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

5. Emotion-Based Decisions

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."*	**regret**
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."*	**greed**
3.	*"My boss got 25% on his money. I only made 8%! I wish I got 25%."*	**trust**
4.	*"I wish I'd known that stock was going up, I would have bought more shares."*	**loyalty**
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."*	**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 fundamental principles of investing are not much more complex. They 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 ignoring the fundamentals, which can sabotage their portfolios.

The Good News:
With the proper investment strategy, your portfolio could be focused on fundamental principles and freed from personal emotions.

7: Performance Losses

Put all the phases of the Investors' Dilemma together and what you usually 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 2014, Dalbar found the following annualized returns for the 30 year period of 1984-2013 investors, whose average holding period for a mutual fund was 3.33 years:

- The average equity mutual fund investor realized an annualized return of 3.69%, compared to 11.10% for the S&P 500.
- The average fixed-income investor realized an annualized return of 0.70%, compared to 7.67% for the Barclays Aggregate Bond index.

* Dalbar's Quantitative Analysis of Investor Behavior, 2014 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 1984-2013, 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. **Id. Dalbar's QAIB defines "Average Investor" as "The universe of all mutual fund investors whose actions and financial results are restated to represent a single investor. This approach allows the entire universe of mutual fund investors to be used as the statistical sample, ensuring ultimate reliability." p. 22. "Average equity investor" and "average "bond investor", as used in the same study, is that subset investing only in equity mutual funds or investing only in fixed-income funds, respectively. See p. 28 at n. 4.

- These numbers ruthlessly make their point. As demonstrated by the phases of the Investors’ Dilemma, investors are continually getting in and out of the market, each time chipping away at potential 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’ Dilema cycle all over again.

The Results:
Not Enough Investing Peace of Mind

In the end, the result of The Investors’ Dilemma is to limit people’s ability 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. Morningstar five-star funds).	**Do** focus on maintaining long-term discipline.
Don’t use actively managed funds.	**Do** use structured or index-type funds.
Don’t use a commission-based broker or planner to manage your portfolio.	**Do** find an investor coach who will work with you to find answers to key investing questions.
Don’t rely on the media for advice regarding your investments.	**Do** find an investment strategy that fits you and stick with it.
Don’t let your emotions dictate how you manage your investments.	**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, 2014 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 1984-2013, 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. **Id. Dalbar’s QAIB defines “Average Investor” as “The universe of all mutual fund investors whose actions and financial results are restated to represent a single investor. This approach allows the entire universe of mutual fund investors to be used as the statistical sample, ensuring ultimate reliability.” p. 22. “Average equity investor” and “average “bond investor”, as used in the same study, is that subset investing only in equity mutual funds or investing only in fixed-income funds, respectively. See p. 28 at n. 4.

Three Simple Strategies For Pursuing Investing Success

Strategy One:
Eliminate Speculating in your Portfolio

Never allow anyone to speculate with your money!

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, speculating 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 with your money, stock picking, market timing, and chasing performance.

A Dalbar study found that the S&P 500, over a 30-year period averaged 11.10%. The average investor, investing in mutual funds trying to beat the S&P 500, made a meager 3.69% over the same 30-year period from 1984 through 2013. 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.

* Index performance returns do not reflect any management fees, transaction costs or expenses. In addition, the indices are unmanaged and not available for direct investment; therefore their performance does not reflect the expenses associated with the management of an actual portfolio. [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 1984-2013, 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.

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 sellers of commission-based products. Win or lose, the seller takes its cut. Commission-based sellers always take the house cut no matter what the investor makes or loses.

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

Strategy Two:
Use market forces. Don't fight them.

In a capitalistic economy, the opportunity for capital market rates of return is always present. The basic underlying theory of capital markets is to provide the opportunity 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 seek to 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' potential return on capital.

This is the only formula as an investor you will ever need to know:
Cost of Capital = Potential Return on Capital.

Don't fight market forces by attempting to beat the market, because the vast majority of hyperactive managers fail to achieve market returns. Harness the power of free markets by owning structured market portfolios that are designed to deliver market rates of return. These funds are typically available to only the most sophisticated investors. These funds buy a cross section of stocks in any given asset category, and often employ highly effective trading strategies to minimize trading costs to the portfolio.

Investors often are surprised and delighted to learn how generous market rates of return have been over long periods of time. The following graph lays out the returns from various free markets. Remember, there is absolutely no stock picking or market timing required historically to achieve these returns.

	Annualized Capital Return	
US Micro Cap Stocks	**12.64**	**1927-2013**
S&P 500 (Large US)	**10.06**	**1927-2013**
Small Cap Value	**15.08**	**1927-2013**
Large Value	**12.00**	**1927-2013**
International Small Companies	**14.60**	**1970-2013**
International Large Companies	**10.03**	**1970-2013**

Performance figures taken from Dimensional Fund Advisors, Inc. (DFA) Returns software 12/13. 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.

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 approximately 5%-10% per year!

Research shows the average active mutual fund underperforms the market by two to three percent per year. If the market has historically earned double-digit rates of return and the average investor just 3.83%, that means the investor's own behavior accounts for roughly a loss of 7% 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.

Power Strategy Three: Hire a coach

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.

* Index performance returns do not reflect any management fees, transaction costs or expenses. In addition, the indices are unmanaged and not available for direct investment; therefore their performance does not reflect the expenses associated with the management of an actual portfolio. [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 1984-2013, 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.

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

Classic wisdoms teaches us that learning and growth come from asking questions. With that in mind, I've created The 20 Must-Answer Questions for Investing 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. Let's begin.

The 20 Must-Answer Questions

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

Yes No

This is the very heart of your most sacred values. What is it that you value more than money itself? Most investors get caught up in investing their money for money's sake. The more the better, and the end game is to have the most. Your True Purpose for Money is the compass and foundation from which all spending and investing decisions are formed. Every investor has one, but often it takes some focus and development to clarify it into a laser-focused tool for personal and portfolio growth. This is the first step in developing true peace of mind.

2. Are you invested in the Market?

Yes No

Do you own stocks, or preferably, stock-based mutual funds? Most investors can answer "yes" to this question.

3. Do you know how markets work?

Yes No

While most investors answer that they do have money in the market, very few can honestly say that they truly understand the dynamics of how free markets price securities. They are, in effect, ignorant of the forces that ultimately determine their investing results. You can easily see how having wealth in something that you do not understand would be extremely disturbing, especially when markets take large losses. Never put your money in anything you do not truly understand—that includes the stock market! It is your coach's job to help you focus on the right things so that you do not have to focus on everything.

4. Have you defined your Investment Philosophy?

Yes No

Everyone knows that it is important to have basic philosophies of life to simplify making complex decisions. For example, it is critical to have basic underlying philosophies of religion, business, education, and even the nature of good and evil. Most people do not even know that it is possible to have a philosophy when it comes to the field of investing. It is possible and critical to success. Most people choose an investment strategy without an underlying philosophy. To be successful, a philosophy must be developed and instituted first.

There are two basic market philosophies: markets work and markets fail. It is your job to understand what each means and choose the one that is appropriate for you. Don't forget to use your coach.

5. Have you identified your personal risk tolerance?

Yes No

This is an academic and scientific number that helps you compare various investment scenarios. It is essential that risk is not simply dispatched in generic terms and left without being quantified. Remember, you cannot successfully control something that you cannot measure. Risk must be measured to be used properly. It is important to have your existing portfolio analyzed by an independent coach to properly identify the types and extremes of risk in your current assets.

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

Yes No

Everyone knows it is prudent to diversify, but how do you measure it? Academic and economic scientists use a very specific measuring tool called correlation to determine if your portfolio has been properly built. If you do not know specifically, chances are you are not truly diversified. In the typical portfolio, assets tend to move in a step-rate fashion so that when one crashes, they all crash. To diversify the right way, you must be able to measure it.

7. Do you consistently and predictably achieve market returns?

Yes No

Most people don't even know what market returns are. After reading this guide, you should have a good idea. Your next step is to analyze your current holdings to see if they have consistently held up to the returns of the asset categories you are in during the periods you have held them. The odds are against you, and you have probably lost to the market. It is easy to find managers who had top performance in the past; it is all but impossible to pick them in advance with any consistency.

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

Yes No

Even if you own a supposedly "no load" mutual fund, the internal commissions could be more than you could ever imagine. Without an independent analysis, you will never know or understand what these hidden costs are doing to you and your portfolio. What you can't see, can hurt you. Burying your head in the sand and staying in the dark is not the solution. Your coach will give you an independent analysis and show you how commissions and trading costs kill off your returns.

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

Yes No

I would be amazed if you did because most people don't even know that Harry Markowitz, the economist who developed this Nobel Prize-winning investment tool, even exists. Yet, the most sophisticated investors have been using this tool to build better portfolios for over a decade now. This economic study allows a coach to help you see exactly how much volatility and expected return your existing portfolio has, and allows you to compare other mixes.

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

Yes No

Investing can be very confusing, even for professionals. Rare indeed is the investor who knows his True Purpose for Money. Rarer still is the investor who knows what all of the hidden costs are, what the true risk profile is, and how diversification works in his portfolio. Much of their results are left to chance, or worse yet, the commission-driven financial plans of an advisor or broker. Most investors simply throw up their hands in disgust and frustration from trying to grasp it all. It doesn't have to be that way.

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

Yes No

A good investment coach will help you, first, by answering all of these questions. If you cannot answer yes to most of them, chances are you are not working with a coach. As an investment manager, if I didn't first know the answers to these questions before I invested my wealth, I wouldn't sleep at night. I would feel totally out of control and in the dark.

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

Yes No

This strategy integrates your life goals, visions, dreams, values, and investment risk and return preferences into a total plan for success. Money serves no purpose at all, unless it helps you to live a more powerful and dynamic life. By creating this lifelong game plan, your money and life will take on more purpose and direction.

13. Do you have an Investment Policy Statement?

Yes No

The great football coach Vince Lombardi left nothing to chance and created masterful game plans in advance that took into account every possible eventuality of the game. In other words, good or bad, he always had a plan to guide him to victory. He never panicked. That is exactly what an investment policy statement can do for you. It lays out the game plan for any and all market outcomes. No matter what happens to the market, you are prepared in advance. It also spells out how much risk and return you are targeting, and your time horizon. If you do not currently have one, that is a serious flaw in your investing process.

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

Yes No

How do you know that your portfolio is doing what it is supposed to do? If you make 15% is that good, or if you lose 10% is that bad? What benchmarks do you compare it to? How do you know if it is working?

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

Yes No

How do you know if you are diversified? How do you measure it? What is your portfolio likely to do during various market cycles? What is your worst-case scenario for your portfolio, and what is the best? Historically, what is your worst and best five-year performance? These all are questions you should be able to address if you have properly built-in diversification in your portfolio, and you understand how it really works.

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

Yes No

Scientists measure variability of outcomes with the statistical measure of Standard Deviation. How do you measure it? It is actually possible to use statistics to examine volatility, the key measure of risk, with the same analysis that won the Nobel Prize for Harry Markowitz. Without this measurement, you are flying blind. It is the foundation of prudent and sound investing. If your planner or broker did not educate you about standard deviation, this should be a big red flag that tells you something is missing. Your coach can help you fix this problem.

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

Yes No

The large financial institutions create the illusion that, by using their research, it is possible consistently and predictably to make superior returns. Are you aware of how they use the media and advertising to create the illusion that they can do something that is, in reality, smoke and mirrors? By understanding all of the techniques they use to persuade investors, you can avoid many of the deadly investor traps.

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

Yes No

They are stock picking, market timing, and track-record investing—otherwise known as chasing performance. With the help of a coach, you can discern if you have accidentally fallen into these destructive investor behaviors and traps.

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

Yes No

Money can be a great blessing or a corrosive and divisive burden. Many of the mind-sets and beliefs that you may have about money can destroy your ability to use it as an empowering tool in your life. By understanding these biases, you can effectively choose more powerful beliefs to alter your relationship with money and how you use it in your life.

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?

Yes No

Scarcity means "not enough." When you experience money in this mode, the outcome is doubt, regret, and often, fear. Money frequently is felt to be a negative and frustrating thing to deal with. In scarcity mode, no matter how much money you have, it is never quite enough. Money is experienced as a painful event.

This is often felt after large unexpected portfolio losses. By shifting your experience of money to an abundance mode, you now are able to experience your wealth as "more than enough." This is the only question you must be able to answer "yes" to now, so that you may work with a coach to transform your investing experience from scarcity to abundance.

Your Next Step

Knowledge without action is useless. Your next best step is to contact your financial coach and schedule a meeting to begin answering these questions today.

Don't put it off; it is too important. You owe it to yourself and your loved ones to find out the answers to these questions.

The most dangerous and devastating problems in life are the ones you do not know exist. You cannot fix a problem that you don't know you have. The first step of solving any problem is to identify and quantify its destructive effects.

Your coach has been trained and educated in the art and science of walking you through the process to resolve these problems. Coaching is the solution.

Call your coach today to schedule your Investor Inventory.







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