

Don't Fuel Around

With oil so volatile over the past few years there is amazing debate as to what the future of fuel for our rides will be – gasoline, diesel, biodeisel, ethanol, natural gas, hydrogen, etc. Most cars on the road today run on gasoline so let's concentrate on the various types of that particular fuel. What type of gasoline do you put in your ride? Most cars on the streets today can run on what most consider "normal" gasoline or 87 octane. The high performance cars, whose compression ration typically exceeds 9.3:1, those with motors that are designed for a fuel that burns slower may require 91 or 93 octane fuel. For a higher octane you'll pay more – typically a dime a gallon more for each level of fuel you increase. Over the past few years the old dime a gallon more for each progressively better grade of gas has been expanding as volatility of oil has grown – be a smart and patient shopper – the oil companies and dealers have been very savvy (some say greedy crooks, you decide) business people over the past few years and sometimes the per grade spread is 20 or 30 cents a gallon, taking advantage of the oil volatility and consumer fear. Don't get taken for a ride buying your fuel, shop smart as usual and buy for the best value. The higher octane fuels require more crude oil to make, hence the higher price. Some racing and aviation fuels today have octane ratings of 120+, but most of our rides don't require such adrenaline filled energy. If your ride will run well on 87 octane, it isn't going to pay to put 93 octane in it. On the flipside, if your ride requires 93, you can harm your engine by feeding in 87 and the pinging you'll hear if you put it in will drive you crazy before you can burn through the tank. You wouldn't put diesel fuel into your Z06 Corvette would you? Never! Always use the proper fuel to protect your ride and get maximum performance and efficiency.

What fuel you put into your investment portfolio is equally important. The dilemma with investments is the level of complexity is much higher and there are no instructions for investments. The fuel door, fuel cap or owners manual of your car specifies what type of fuel to use. With investments, you're left to the sea of overwhelming, conflicting information of our marketing driven society. Financially, most people are on a long term accumulation plan to gather enough assets to retire and pay for college. Both of these races require decades of planning and investing- even in retirement the race has just begun – hopefully you'll have a happy 30 year retirement, during which you'll still own investments, but more conservative ones while taking distributions from your money. What grade investment are you putting in your investment life? Savings, CD's and money markets are not investments, they're fuel with a 15 octane rating and they're temporary parking places for your money until you decide what to do with it long term. These accounts are not risk free, the risk here is inflation risk – you're guaranteed to lose money after taxes and inflation in these accounts. Do not use these accounts for long term or retirement savings; you'll lose your personal financial race. Risky stocks, ETF's, mutual funds or hedge funds aren't likely the way to go for most people either – these are ultra high octane investments. These investments are too high octane for the average investor and typically result in big losses and blown motors before the race is over. The middle of the road, a well balanced professionally managed portfolio is likely the best fuel for most people to accomplish their financial goals and objectives. This portfolio can be dialed in to an octane of 87 – 120 and in today's world a well balanced portfolio of a combination of stocks, bonds, commodities and real estate can deliver returns in the 8-12% range consistently. This type of portfolio will help you reach your goals and finish the race on time or perhaps ahead of schedule if you can make the appropriate investments. What fuel are you running in your investment tank? Mike Chadwick can be reached at mike@fiscalwisdom.com

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