

Automatic, Manual or Manu-matic?

Your ride must have a transmission to perform at the level we've become accustomed to in 2007. Back in the 50's the cars had one, two and three speed transmissions and at that time that was high tech, seemingly amazing. Now the car companies are trying to one up each other by offering 7 and 8 speed transmissions. Some cars have an "unlimited" number of gears, these CVT (continuously variable transmissions) can alter the ratio of the input shaft to the output shaft to essentially have an infinite number of gear combinations within a finite range. The concept of the higher gears and CVT is a home run, better fuel economy, always in the sweet spot of the engines RPM range and no downside. Does anyone want to trade their CVT for a one speed? I didn't think so. Once you've chosen a transmission configuration that fits your preference, the debate now moves to which one is better. Who can shift better, the car or you? Who can do it faster, which is more reliable? Another option today is to choose an automatic that can be driven like a manual, without the clutch. Some rides offer paddle shifters while others offer shifter like pods on the console where a shifter belongs. It all depends on what you're looking for in the driving experience. In my opinion a real driver's car must be a manual transmission with a clutch and a real shifter, and you can never have too many gears. You can really control the car with a manual gearbox and aren't relying on the computer or the internal hydraulic pressure within the transmission to make the call for you. The CVT's & clutch less manuals are pretty cool too to give you some combination of casual automatic most of the time with the ability to change into manual mode when you feel the need to play. Would a one speed transmission do the trick in today's world of high speed, big hills and heavy payloads? Not a chance.

Let's now think about the gears in your investment portfolio. Do you have any gears? Have you been doing the same thing with your investments for the past 5, 10 or 20 years? The economic world we live in is an ever changing one, here you must have an infinite number of gears (strategies) to choose from in order to do well in the game of life. If you don't have different gears how do you plan for and react to an ever changing economic landscape? Do you react or do you plan? I hope you plan and don't react. You certainly plan on the route you're going to take when traveling in your ride. If you know of construction you'll avoid the area completely so you're not hung up waiting around for the road to clear. You cannot afford to get hung up waiting around financially, it can ruin your outcomes. You certainly didn't want to own internet stocks in 2000 – 2002, today you certainly don't want to own hedge funds, real estate or debt instruments collateralized on sub prime mortgage loans. Finance is like an ultra complicated chess game and you can play it alone, against the professionals or you can hire a coach. I'd much rather play chess with Bobby Fisher on my side rather than play against him. Your investment portfolio needs gears (strategies), lots of them so be sure to have them in your bag of tricks and plan for what's ahead, don't react to things once they happen. How many gears are in your transmission? ☺ Mike Chadwick can be reached at (860) 489 8880 or mike@fiscalwisdom.com. ☺

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