

Looking Ahead

When you drive down the road you're typically looking ahead, far ahead. If you were to look right in front of your car you wouldn't be a very effective driver as you could not see or anticipate what was coming as you proceeded. The only time it makes any sense to look right in front of your car is when you're approaching it to ensure there isn't an obstacle in front of you or if you're parked or at a stoplight. ☺ While driving, most of us are scanning the road way, we look right in front of the car, far ahead, on both sides, etc. to see obstacles. As your speed increases, it's more important for you to look further ahead so you can plan on doing what you'll have to do when the time comes. Especially when cornering, it's important to look way ahead of the corner, not right where you're turning to prepare for the whole turn, not just a small part of it. If you've ever taken a racing course, this anticipation technique is a lot of what it takes, especially at high speed. Without looking ahead the proper distance things become reactive, you don't have a chance to think about it, it's just a knee jerk reaction. A reaction can often result in a tailspin or an accident. Reactions can be good or bad, but if given the choice between a reaction and a plan, I'm taking the plan. Some people just aren't good drivers regardless of what they're looking at; they manage to play bumper cars with other cars and obstacles on the road. An insurance adjuster once told me a story about a woman he interviewed after an accident and she said "a tree suddenly appeared where no tree had ever been before." Another story he was told was "I saw a sad faced old gentleman as he bounced off the hood of my car." It is absolute craziness what goes on in our world, but the bottom line is preparation can lead to better outcomes. Perhaps racing driver training courses and basis physics should be mandatory for everyone with a driver's license, even if you're not going to race, the knowledge you gain is invaluable in every day circumstances.

In your financial world, the very same recipe will lead to success or failure, depending on what side of the street you're on. Do you have a well thought out long term game plan that will lead to success or are you reacting when things happen to you? When people discuss investing, they always talk about buying low and selling high. In reality, most people actually buy high and sell low. Selective amnesia allows people to justify this behavior by only remembering when they made a good decision and reaped profits and forgetting about all of the bad decisions where they lost money. When things are sexy and exciting, it's often too late to make money on them in the investment world. When things are scary and dull, there are often big opportunities available for those who can see through the chaos. Think about this quote, "What a wise man does in the beginning, a fool does in the end" This can be easily translated into chasing the "sexy" or "hot" investments and following the crowd is a guaranteed recipe for failure. Internet stocks in 1999 were insanely priced. Real estate today is insanely priced. Muscle cars today are insanely priced. If investing were easy, we'd all be rich. If driving were easy, there would be no accidents. Are you reacting or looking ahead? Mike Chadwick can be reached at 860 673 1942 or mike@fiscalwisdom.com.

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