

Racy or Reliable, Practical or Politics?

It all depends on the type of driving you do and your willingness to fix the ride or have it fixed. Repairing my ride is the last thing on my list, but everyone is different and some don't mind the issues for the gains in performance and the fun factor. If you are commuting to work or driving a lot for business, reliability is likely your main concern. Race cars cannot afford you Honda Accord reliability and reliable cars cannot give you Corvette Z06 performance. If you are a hard core racer and compete at Lime Rock, Stafford Springs or another race track then the car can never be too fast or have a performance edge. Reliability is a secondary concern and will be addressed later in the day or another day, as long as the ride doesn't fail during the race and you win. Winning is why we're all there, does anyone race to be average? Mario Andretti is a household name because he wins, not because he's average. All of our hopes and dreams are to be winners. The army's slogan is "be all you can be" not "be the average person." Would anyone want to join a group of averages? I doubt it. This whole idea today of not giving kids scores in school and in sports because it'll hurt their feelings is a joke! Will they stop giving us scores as adults? Never! Can we get our drivers license without an adequate score? Can we win the race without the best time? Scores are necessary in life, it's just a matter of finding what you're good at and going after it, outworking and outthinking the competition. If the kids cannot get used to being scored and winning as children, learning later in life is going to be that much harder. Winning is first place, second place is the first loser. What place do you want to be in?

Now let's think about our investments and their reliability. Before we dig in here, bank accounts are not investments – they're a place to put money just as a temporary holding place until you decide where you really want it. I don't own savings accounts – just two checking accounts and investment accounts. Banks are only good for checking and loans, period. Are your investment accounts steady eddy performers or are they ultra volatile? Are you keeping score of your accounts? If not you MUST! I'll bet you know how many horsepower your car has! ☺ If you lost 50% during the bear market of 2000 – 2002 you're in an ultra volatile portfolio. With investments, it's just as important to not get killed when things are bad as it is to do well when things are good. Portfolios can be constructed to earn 50% in a good year, but that aggressive of a position can lose the same or more in a bad year. If you want steady eddy, it's reasonable to say you can earn 8 – 10% annually over the long term with a bad year losing 5 – 15%. If you're young and have time to weather the storm it's okay to be aggressive. If you are getting close to needing your money, for whatever reason, you should be more conservative because it could take a decade to recover from a bad market. Let's say you have \$100,000 and lose 50% from an aggressive investment – you're down 50%, it's \$50,000 in this example. In order to make up your losses you need to make 100% on the \$50,000 to get back to breakeven. If the markets return 10% average, it'll take 10 years. It likely took 1 – 3 years to lose the money. Can you afford 11 – 13 years with no return on your money? Be careful with investments, many times old reliable is actually better than racy and sexy. Mike Chadwick can be reached at 860 489 8880 or mike@fiscalwisdom.com

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