



ENDOWMENT

WEALTH MANAGEMENT®

Improving Your Personal Investment Skills Robert Riedl, CPA, CFP, AWMA

Portfolio returns and achieving personal financial goals are a largely a function of two inputs: investor skill and luck. Oftentimes, those inputs get confusing – identifying what is skillful and what is luck/chance.

A basic rule of thumb is that anything you cannot personally control is luck. Investors dedicate a significant amount of time, attention and energy to things beyond their control; in other words, we often confuse luck for skill. We should be focusing more on those things that we can control – those things that are actually skillful planning and execution.

Investment skill is often demonstrated through patience and discipline to following your investment philosophy and achieving your personal goals. These are not easy qualities to develop. The three tips below may make it a bit easier to improve your investment skill.

- 1. Increase Your Conviction in Your Endowment Investment Philosophy.** Historically many investors make security selections based on a “gut feeling”, expected quick gains or perhaps something they heard or read. If you don’t know why you own something, you are much more likely to be influenced by short-term news, market movements and our emotions. Having conviction in your long-term Endowment Investment Philosophy can provide the strength and courage to remain disciplined to your portfolio, tolerate market volatility and achieve your goals during these difficult times.
- 2. Know Your Emotional Limits.** Everyone is different. Some people are more susceptible to uncertainty and loss than others. Don’t pretend to be someone you are not; a lot of money is lost because we act like the person, we wish we were rather than the person we are. Once we identify your risk tolerance limits, we can tailor an action plan and portfolio to give you the best probability of achieving your personal financial goals in the desired time frame using your appropriate risk profile.
- 3. Create a “What If” Plan.** The markets never go straight up. Significant pullbacks, recessions and even sudden crashes are inherent features of financial markets. It is not a question of if, it’s a question of when they will happen. During those volatile times, your emotions run high and making a thoughtful decision is very difficult. For that reason, it is helpful to create a “precommitment plan”. A decision plan of what you will do if X happens. That way when things are difficult, it is not about deciding what to do, it is simply acting on what you have already decided to do. Don’t get distracted by the news and fear of future events rather stay focused on our professional advice and executing your wealth plan.

Taking the emotion out of investment decision making helps you think more clearly and deliberately about your choices and their tradeoffs. Increasing your investment skill isn’t about brute strength. It is about thinking realistically about who you are, what you are going to face and having a wealth plan and Endowment Investment Philosophy to get you through the tough times. ***Remember, you deserve to relax, enjoy your life, and live your adventure!! Leave the rest to the professional team at Endowment Wealth Management!!***