



## Dangers of Market Timing

Two of the most dangerous words that can be uttered in the investing world are “market timing.” Market timing occurs when investors try to predict which direction the stock market will head. While some investors, through the use of complex trading indicators, have been known to make money timing the market, it is highly inadvisable for long-term investors to try this extremely risky strategy.

### Opponents of Market Timing

Most investors and academics believe it is impossible to forecast market movements. Such a technique amounts to gambling when compared to a sound investment approach. The technique fails far more than it works, and market timers often end up buying high and selling low—the opposite of good investing. Furthermore, if you attempt to time the market, you run the risk of missing periods of exceptional returns.

For example, over the past 20 years, a \$1 investment in stocks, as represented by the Standard & Poor’s 500®, would have grown to \$9.33. If that same \$1 investment happened to miss the best 18 months of stock returns over the past 20 years, the ending value would have equaled only \$2.36. This would have been less than the value for an investor in a 30-day Treasury bill, a.k.a.

cash, \$2.41. It is fairly clear that only those investors who remained invested in stocks through the entire 20-year period were sure to get market exposure during the crucial hot months.

### Advocates of Market Timing

On the contrary, a number of websites, newsletters and other trading services boast they can time the market. While their returns may have in fact beaten the market by a considerable margin, it’s safe to assume that these systems can’t consistently hold up over the long term. On some occasions and during some stretches of time, market timing can help you generate impressive profits. However, you must be familiar with the dangers behind such an approach.

Sure, there have been a number of investors who got rich timing the market. On the flip side, there probably have been a great deal more who got burned by it. We know how easy it is to procrastinate when it comes to initiating a long-term investment plan. However, the sooner you begin, the more likely the plan will succeed. While it can be tempting to play the market-timing game in an effort to build wealth quicker, you may in fact be digging yourself a deeper hole.

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# Nurturing Resilience

We all encounter both expected and unexpected transitions in our personal and work lives. However, those who are resilient are better able to navigate change, bounce back from disappointments, and welcome new opportunities. They persevere during difficult times and have a positive outlook even when experiencing trials and tribulations.

Resiliency is a trait or personal characteristic that you can nurture. In *Making Sense of Life's Transitions*, William Bridges wrote,

“There are ways of facilitating transitions, and they begin with recognizing that letting go is at best an ambiguous experience... They involve developing new skills for negotiating the perilous passage across the ‘nowhere’ that separates the old life situation from the new.”

In a nutshell, successful transitions require both practical strategies and emotional fortitude. Therefore, because nearly all of life's transitions have a financial tether, it is important to also consider how you can nurture your financial resilience.

From a practical standpoint, financial resilience requires a foundation of basic financial knowledge and a strategy for building financial security.

However, financial resilience also requires emotional strength. This is achieved by identifying your fears and behaviors in regard to money and by working to understand and overcome the underlying issues.

A review of your money history will give you tremendous insight into the money messages that consciously and unconsciously influence how you deal with money issues on a day to day basis. These revelations are not intended to give you the opportunity to place blame, but rather to help you recognize some potential obstacles to your financial resilience. Remember, recognition is the first step to change!

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# Guideposts for Life

In *The Thinker's Way*, author John Chaffee describes the word "value" as "the general term we use to characterize anything that possesses intrinsic worth, that we prize, esteem, and regard highly based on clearly defined standards." He continues, "Thus you may value your devoted pet, your favorite jacket, and a cherished friendship, each based on different standards that establish and define their worth to you." In other words, we tend to think of our values in terms of what we treasure the most in life.

In addition, values are specific attributes or guiding principles that we highly revere such as "integrity," "loyalty," and "generosity." Values are also the personal motivators that consciously and unconsciously influence how we behave, the decisions we make, and the degree of happiness we experience. These values vary from person to person, but include such intangibles as recognition, challenge, prestige, harmony, security, freedom, and creativity.

Lou Tice states in *Smart Talk for Achieving Your Potential* that each person who chooses to be centered and strong needs to identify their own hierarchy of values:

"Sort out for yourself what the essentials are, why you are on earth, what is important to you, and what your life is worth. I encourage you to use affirmations and set goals to bring more of those things that are important to you abundantly into your life."

In a nutshell, your values are what you identify as being most important to you, and your priorities are those same values placed in a ranking of importance. In addition, your values and priorities can be described as an internal compass that guides both the big and little decisions in your life.

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## Words to Live By

" People do not grow old. When they cease to grow, they become old."

Ralph Waldo Emerson

" It is never too late to pursue the work that speaks to us from inside ourselves. Let's look at that idea the other way around as well. We are called to recognize our strengths, and it is never too late to hear that call."

Deborah P. Block & Lee J. Richmond  
*Soul Work: Finding the Work You Love,  
Loving the Work You Have*

" ...there are some things in life that are well worth an investment of our time, energy, and assets, and some that just aren't. Taking the time to clarify your priorities is a great investment."

Marc Eisenson, Gerri Detweiler, & Nancy Castleman  
*Invest in Yourself: Six Secrets to a Rich Life*

" I find the great thing in this world is, not where we stand, as in what direction we are moving."

Oliver Wendell Holmes

"Whatever kind of planning you do, stay aware and adjust your path to your feelings as you go. Just use desire as your North Star and you'll be putting a powerful plan into action."

Barbara Sher  
*I Could Do Anything if I Only Knew What it Was*

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# Taking Charge of Your Life

Many of us spend our lives trying to please others or pursuing goals that others have set for us. In contrast, the authors of *Invest in Yourself*, Marc Eisenson, Gerri Detweiler, and Nancy Castleman, advocate the self-designed life—the conscious choice to “invest your time and energy getting what you want and doing what you believe in—not wasting them on things you don’t really want, but think you should have.” In fact, they wholeheartedly recommend setting the bar high, “no matter what you are aiming for in life.”

The first step to taking charge of your life is clarifying your values and priorities. The reason this exercise in self-reflection is so powerful is because identifying what is most important to you will increase your self-understanding and strengthen your sense of autonomy. An excellent resource to help you in this process is *Values Clarification* by Sidney Simon, Leland Howe, and Howard Kirschenbaum. This book is described as “the classic guide to discovering your truest feelings, beliefs, and goals.”

In addition, focusing on what is most important to you will keep you on track when making both the big and little decisions in life. We all have multiple and often conflicting demands on our time, energy, and financial resources. The right course of action is not always clear unless we view our options in the context of our values and priorities.

As stated by Lou Tice in *Smart Talk for Achieving Your Potential*, “If you don’t have a hierarchy of values, if you don’t have priorities already in your mind, you don’t know how to make your choices or how to control your reactions.” As you purposefully and progressively “make room” in your life for what is meaningful to you, the degree of happiness and fulfillment that you experience will grow and multiply. Always keep in mind that the essence of an emancipated life is the freedom and ability to live in such a way as to support your values and priorities.

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## *In My Opinion . . .*

*Robert J. Cole, Jr., CLU, ChFC, CASL, CFP®*

**“Let’s see how far we’ve come. . . .**

Lyric from the band Matchbox Twenty -  
“How Far We’ve Come”

The last twelve months have been a challenging time for most of us. The stock market correction has left many people disenchanted with the sudden “disappearance” of financial assets that they thought they “owned”. Some (like my son-in-law) have lost their jobs. Others, faced with the task of paying off large amounts of debt that they had built up, are considering bankruptcy, an idea totally inconceivable just a few years ago. The media has been quick to report the scandals on Wall Street and everyone is trying to sort through the constantly changing strategies coming from Washington on how to deal with Iraq, the Swine Flu, and pirates. It’s enough to overwhelm even the most solid of optimists.

I still count myself in this last group, for I think that optimism is a choice. Before you groan at what sounds like a rant from another out of touch romantic, let me point out that I have spent the last six months in close touch with many of our clients who have had their optimism for the future abruptly shaken. I also have had many chats with my wife and my family members about our own challenges. In short, I have been at the front lines of this fray since it began and I think that I am qualified to have an opinion worth considering.

I am of the belief that we are going through a healthy “cleansing” of our spirits. For many people, the past fifteen years have been a useless journey towards happiness based on materialism. Now, after finding out that all those “things” didn’t really bring the bliss that they thought, the bill has come due. The strong will learn from those mistakes, pick up the pieces, and return to the job of living a meaningful life. Sure, it will be painful, but most growth involves pain. Contrary to our longings, the state of contentment is not the path to fulfillment. Which path you choose is up to you, but that choice will surely shape the rest of your life.

In an age where this morning’s news is outdated by lunch time, it is all too easy to lose perspective on our lives. In fact, it takes a constant, conscious effort to fight the all too human traits of worry and anxiety. We need to constantly remind ourselves that even with all that we have been through, most everyone is privileged to live in an environment where food, water, and shelter are still abundant. While most of us have had to scale back, we still have enough to cover our needs. Some of our clients are fighting health battles, but doing so in the best medical system in the world.

Over the years, I have stressed the importance of keeping a balanced, centered life at the core of your daily living. This is easy to discuss when things are going well, but very difficult to practice in the face of adversity. We now find ourselves in just such a moment. In the song quoted above, singer Rob Thomas challenges his listeners to apply the lessons of the past to facing the challenges of the future. In short, let’s claim progress as the fruit of our past and focus on the daily use of those lessons to appreciate how lucky we really are.

Until next time, that’s my opinion . . .

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