



## BEING A “NORMAL” INVESTOR

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In *What Investors Really Want*, Dr. Meir Statman uses a middle-ground approach to help “normal” individuals understand the thoughts, needs, and emotions that drive the financial decisions they make. He describes his unique perspective in this way:

*“Standard finance proclaims that investors are rational people, free of cognitive errors. On the other hand, much of behavioral finance says that investors are irrational, beset by a host of cognitive errors. Lost in the middle are normal investors like you and me. We are intelligent people, neither rational nor insane. We are ‘normal smart’ at some times and ‘normal stupid’ at others.”*

As a framework for this discussion, Statman—an award winning scholar—defines the three types of benefits we derive from our investment choices:

**Utilitarian benefits** answer the question, “What will this investment do for me?” This is an objective evaluation based on the likelihood of increasing your wealth via investment returns.

**Expressive benefits** answer the question, “What does this investment say about me?” In other words, what does this investment convey to me and to others about my values, tastes, and status?

**Emotional benefits** answer the question, “How does this investment make me feel?” Examples of positive emotions include excitement, hope, and pride; whereas examples of negative emotions include regret, fear, and shame.

Statman further explains that we can view these benefits in terms of what we **should** do versus what we **want** to do. For example, investment advice is full of “shoulds”—save more, spend less, diversify, buy and hold—which emphasize the utilitarian benefits of investments. On the other hand, our “wants” are more visceral in nature, and emphasize the expressive and emotional benefits of investments.

In exploring these and other motives, Statman offers advice and concrete lessons on how we can set priorities and make tough decisions. In addition, he explains how age, gender, genetics, and personality affect investment decisions and how people of different countries and cultures think about risk and return as well as poverty and wealth.

Lastly, Statman also reminds us that “investments are about life beyond money.” And, in the end, “we cannot take our investments with us.” Therefore, he encourages his readers to understand, embrace, and enjoy all three benefits that our investments provide—utilitarian, expressive, and emotional.

**Editor’s Note:** Meir Statman, Ph.D. is the Glenn Klimek Professor of Finance at the Leavey School of Business, Santa Clara University. Visit his blog at <http://whatinvestorswant.wordpress.com/>.

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# RESILIENCY, RESOURCEFULNESS, & RENAISSANCE SPIRIT

Individuals and retirement planning experts alike are recognizing that a successful and satisfying retirement experience depends on more than a healthy nest egg. In fact, financial reporter John Wasik contends, “Financial security and retirement are not the two peas in the pod they used to be.”

Instead, retirement should be thought of as a major life transition that deserves thought and preparation in all areas of life. For example, one study found that it was the size of a retiree’s social network—and not the size of his or her portfolio—that had the strongest influence on life satisfaction.

In addition, role and relationship changes, time management issues, and rediscovering a sense of meaning and purpose can all have a profound effect on quality of life in retirement. In fact, it is not uncommon for most individuals to experience ambivalent feelings about retirement because of the many significant changes they anticipate.

Nonetheless, learning to respond to change in healthy and productive ways will help you to design a retirement experience of your own making. In the world of music, the “passing note” is a note that is not part of a particular chord, but is placed between two chords to provide a smooth melodic transition from one to the other. Likewise, there are specific ways that you can act as “passing notes” in your own life as you transition into retirement.

Most importantly, **resiliency**, **resourcefulness**, and **renaissance spirit** are all traits or characteristics that you can nurture to help you navigate change at mid-life and beyond. In addition, each represents an empowering mindset and proactive approach to life.

You can also consider resiliency, resourcefulness, and renaissance spirit as effective strategies for overcoming

challenges and grabbing hold of opportunities that you will encounter in retirement.

## Resiliency

Resiliency is the ability to be flexible when adapting to change. It also describes the ability to “bounce back” from a loss, disappointment, or other difficult

circumstances. Those who are resilient don’t give up and usually have an optimistic outlook even when experiencing trials and tribulations. Here are more characteristics of resilient people:

- They feel good about themselves, and their self-esteem is rarely affected by the criticism and negative opinions of others
- They are emotionally stable individuals, and are not easily “rattled” in stressful situations
- Even in difficult situations, they don’t give up
- They stay in control of the direction their lives are taking

## Resourcefulness

Resourcefulness involves making the most of what we have and always looking for effective and creative ways to reach goals. Resourceful people are often thought of as being clever and diligent individuals. Here are other examples of their attitudes and behaviors:

- They accept responsibility for their own needs and wants
- They deal skillfully and promptly with new situations and difficulties
- They possess confidence in their ability to solve problems and respond to challenges in creative ways

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- They are proactive in assessing, managing, and developing their personal resources

### Renaissance Spirit

A renaissance spirit is a zest for life and learning. Those who possess a renaissance spirit have diverse and in-depth interests that they pursue with a sense of wonder, adventure, and fun. They also share these characteristics:

- They have passion for that which they value most in life and their enthusiasm is often an inspiration to others
- They are willing to challenge themselves and to step outside of their own comfort zones—they may even dare to be different!

- They are open-minded and independent in their thinking

- They are committed to life-long learning

William Bridges, author and preeminent authority on change and managing change, defines *transition* as the psychological process people go through to come to terms with a new situation. Therefore, as you think ahead to your retirement years, determine to be proactive in nurturing your own resiliency, resourcefulness, and renaissance spirit—three qualities that will help you to make the very most of every age and stage of life.

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# CREATING YOUR FINANCIAL & LIFE PLAN

The strongest foundation for your financial plan is a growing awareness of the nature, influence, and importance of your values. Therefore, it is important to engage in thoughtful reflection in order to identify and clarify what is truly most important to you.

The next step is to allow this understanding to guide your interactions with your financial advisor and to provide a framework for establishing meaningful financial and life goals. You will also find it helpful to think of your life as being multifaceted and to consider each facet as a critical component of your total “life portfolio.”

In addition, as you reflect on each facet of life, ask yourself these questions: “What is my current level

of satisfaction in this area of life?” “What ‘riches’ am I currently experiencing in this area of life?” “In what ways can I invest in this facet to enrich my life and the lives of others?” These self questions will help to sharpen your focus and develop a vision of what you are working toward.

You will find that the clearer your picture of the future becomes, the easier it will be to move toward that image. You will also discover that as you purposefully and progressively make room in your life for what is meaningful to you, the degree of satisfaction and fulfillment you experience will grow and multiply.

There is a lot of truth to the old saying, “If you don’t know where you are going, any road will take you

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# Creating Your Financial Cont...

there.” Therefore, as you plan for your future, it is important to envision and articulate the various elements you want to include in your life portfolio. Whatever you identify and claim for yourself will become your internal compass, and will guide both the big and little decisions you make.

In *The Soul of Money*, author Lynne Twist wrote, “No matter how much or how little money you have flowing through your life, when you direct that flow with soulful purpose, you feel wealthy.” She continued, “You feel vibrant and alive when you use your money in a way that represents you, not just a response to the market economy, but also an expression of who you are. When you let your money move to things you care about, your life lights up.”

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## *In My Opinion...*

### **Living a Cliché . . .**

Our ten second sound bite culture loves to use clichés. You know what a cliché is . . . right? It is a brief statement meant to convey a universal truth that everyone supposedly understands. I say “supposedly” because, when you find yourself actually living out a cliché, you might find that the reality is something quite different.

Take the one “Unless you have your health, nothing else is important”. Recently I have had several people close to me experience a change in their health status. I watched their life grind to a halt, their anxiety rise, and have to deal with the frustration of not knowing what the future holds for them. Of course, this is simply dealing with the reality that all of our “visions of the future” are simply that . . . visions. That is not to say that one should not plan for the future. In fact, it is imperative because, once an unfortunate event takes control; you cannot be short on insurance, legal documents, and care plans. No one knows what the future holds for them and many times a radical change is but a phone call away. Still, preparing for that call is a big part of dealing with it.

How about “Money can’t buy happiness”. Many never get to test this one since they feel that they can’t accumulate enough money to do so (more is better . . . right?). This may or may not be true, but this attitude prevents them from arriving at the “happiness” standard. This area is so complicated that it has opened up a whole new field of psychology called Behavioral Finance or its planning partner Life Planning. With the recent market turbulence, people are being forced to re-examine their love affair with materialism and the promised benefits that it brings. The single biggest cause of disappointment is fixation with expectations. Be flexible with your expectations about the future and much of your disappointment will fade away and that maybe the gateway to the happiness you seek.

Here’s one more: “No Pain, No Gain” born out of the exercise world to validate the years of abuse we have done to our bodies in the name of good health. While there is no doubt that living life involves a certain amount of pain, there is no reason to push yourself into that state. I like “Enjoy the Ride” much more. Again, this doesn’t mean you avoid sensible activity. I still workout three times per week, watch my diet, and still get my down time to read, enjoy friends and rest; but there is hardly any pain involved

My point is that the next time you find yourself mindlessly reciting a cliché, stop yourself for a minute, savor the real meaning and decide how to express yourself in a personal, experienced based way. It will raise your sense of the deep wealth that simple daily living has to offer.

Until next time, that’s my opinion.

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