



Michael Kaminski's Cerebral Sixteen



You are not designed to be a successful investor. You are human...money is an emotional topic....you are programmed to act impulsively, irrationally, emotionally...on money matters. Too often, these hardwired reactions are not in your long-term best interest. The great news, while you are not designed to be a good investor, that is not your destiny. The dominant determinant in investing results is not your investments—it's your behavior.

Below I offer a few tips to help you better manage your money with less heart and more mind:

- 1 **Fire Your Stockbroker:** Short-term, tactical buying and selling add little value to a long-term plan.
- 2 **Hire a CFP®:** Serious planners have this credential, evidencing their devotion to helping clients develop and implement long-term, strategic plans. Long-term investors need a behavior coach, not a stock salesperson.
- 3 **Turn off the Business "News":** Write CNBC=TMI on your bathroom mirror. (in case you are not a teen, TMI=too much information) Day-to-day, hour-by-hour business reporting is not relevant to the long-term investor—it is just noise.
- 4 **Don't Do That!:** "Never underestimate the value of doing nothing"—Winnie the Pooh. Resisting the temptation to "do something" during volatile times is often the wisest strategy. Stick with your long-term plan. Walk away.
- 5 **Establish a Waiting Period:** Nothing needs to be done right away for the long-term investor. If the urge to act is knocking at you, commit to a cooling off period before acting...sleep on it.
- 6 **Ignore Predictions:** Everybody has one. Everybody is routinely wrong. Nobody can consistently predict the future, no matter how confidentially they say it, or how many degrees and credentials follow their names. "I never like to make predictions, especially about the future."—Yogi Berra
- 7 **Diversify:** Simple. Time-tested. Put a little of your wealth in a lot of things. You won't make a killing, you won't get killed.
- 8 **Cultivate Humility:** Overconfidence is seldom good in life, and is particularly lethal in investing. Overconfident investors over-trade—increasing cost and lowering returns.
- 9 **Automate:** Systematize everything you can around the investment and saving process...payroll deductions to savings, dollar cost averaging, pre-set entry or exit points, annual rebalancing...relying on the guidance of a trusted, dispassionate advisor.
- 10 **Read History:** Today is better than yesterday. Tomorrow is brighter than today. The path of history is up.
- 11 **Ditch The Pessimist:** Fearful, half-empty, negative, gloom and doom friends will wear you down, steal your joy and erode your optimism. Make no mistake, optimism is rational and always right long-term. (See #10) Pessimism is long-term irrational.
- 12 **Be Contrarian:** The comfort of crowds is powerful. It always feels safer to invest when markets are up, and scarier when markets are down. Resist this temptation. "Be greedy when others are fearful, and be fearful when others are greedy."-Warren Buffet.
- 13 **Exercise/Eat Well/Sleep:** "Every important mistake I've made in my life, I've made because I was too tired"—Bill Clinton
- 14 **Personal Responsibility:** Isn't it liberating to know "the markets" don't cost you money—it is your behavior that leads to losses? Work on your behavior and let the markets do what they do.
- 15 **Make "Disaster" Preparations:** Get ready, its coming. Markets will decline again sooner than you'd like. Why? Elections, Monetary Crisis, Energy Problems, Terrorist Attacks, Border Dispute, Natural Disaster, War, Credit Default, Banking Panics...preparing for this eventuality, like canned foods and water in your basement, will help you better endure the next crisis.
- 16 **Repeat after me:** Faith. Discipline. Patience...Faith. Discipline. Patience...Faith. Discipline. Patience.....

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