The "invest right, live right" Investor Checklist

Pawleys Investment Advisors
invest right, live right™

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Like it or not, money affects just about every nook and cranny of your life. With the proliferation of stock market information, most people randomly stumble into investing, often lacking a detailed strategy or plan. It is challenging to wade through information and decide which sources might actually prove meaningful to your unique situation. With just a little bit of time and effort, however, anyone at any stage of their financial life can really supercharge their results. This is especially true for those in their 20's and 30's. For the 20 year period ending in 2011, the Standard and Poor's 500 returned 9.14%, while the average mutual fund investor earned just 3.83% (source: The Dalbar Study). A 5% difference can equate to hundreds of thousands of dollars over the years. The average holding period for long-term mutual funds has dropped to around 2 years, as investors allow the driving force of 24x7 news to affect their decisions. Emotion-based buying and selling in volatile markets hampers good performance. With a little planning and professional guidance, you can turn your money into a work-horse and change your life in amazingly powerful ways.

*** Have a vision, build and work a reasonable investment plan**

An important starting point for any investor is to step back. Consider WHY you invest. Perhaps your goal is to buy a Lamborghini, or maybe your passion is to help fund projects to provide clean drinking water for everyone across the globe. Most people just want to buy a home, educate their families, and retire without worry. I would encourage quiet, thoughtful time to really think about what you would like your money to do. You might just be excited to look at a big balance in your retirement account each month, without having a clear vision of what your goals are. That is ok! Initiate a process that works for you to explore your vision. You might choose to run some projections through an Excel spreadsheet, while somebody else might post meaningful photos to Pinterest. Every investor is a unique individual, so try to find what speaks to you to capture your vision. From your vision, you can start to work with a professional to fill in the details of a reasonable investment plan and really start to build your investment chops.

*** Believe, stay positive, enjoy, be thoughtful and take your time**

Investing and planning for retirement can riddle people with anxiety. Advertising from financial firms runs the gamut from scaring you to death about not having enough money, to making it look like a piece of cake to be able to buy that gorgeous beach house. The truth likely falls in the middle. By having your vision and plan, you are better positioned to remain focused on things within your control, enabling you to stay positive. Be thoughtful and take your time, and avoid impulse buying or selling at all cost. The capital markets provide a wonderful avenue to build wealth if you know how to navigate objectively. With negative news stories and scandals it can, at times, become difficult to keep your belief in the system, but by stacking the odds in your favor to generate solid, consistent performance, you will succeed!

*** Surround yourself with people that are financially healthy**

In all pillars of life, it helps to surround yourself with people that can help you improve. They act as teachers, role models, and can share positive energy to help support your goals. Money is a confidential topic for most investors, and those that have the most discretion often have done better financially than the bragasauruses.

*** Anticipate challenges you may encounter, condition yourself to be prepared**

Losing confidence can cause investors to make poor decisions. Sometimes economic data can signal certain events in the markets, and investors can adjust portfolios accordingly. That being said, even the most experienced top professionals encounter challenging times. The recession and concurrent stock market drop during 2008-2009 shattered the confidence of many who had been previously spoiled by the stellar performance of the markets. Many sold their holdings at or near stock market lows, permanently locking in losses and eliminating any possibility of recovering their money. Utilize a strategy that forces you to buy low and sell high, because if you lose confidence and do the opposite you will cause irreparable damage.

*** Regularly test and evaluate your behaviors - gauge how you are progressing, be flexible**
The recent lackluster performance delivered by all-star portfolio manager Warren Buffet is well documented. Although it is critical to stick to your strategy, you need to constantly improve what you are doing, which means making changes over time. The market is a living, breathing entity that has evolved over the decades. Every investment should have its quality evaluated and performance bench-marked versus an appropriate index. QUALITY and FIT are the two key gauges for building a sound, diversified "all-weather" portfolio. Use science in your process to remain objective, but add some subjective flare and artistry as you hone your skills. Continuously improve your process and remain flexible, and you will do well in the long run.

*** Maintain balance - proper context within the larger picture of your life and family**
It is important to save and invest well, but not at the expense of building memories with your friends, family and community. Open the wallet from time to time, and avoid becoming obsessed with your financial empire.

*** Stay organized to reduce stress**
You can use a shoebox or a complex cloud-based website to store your financial information. Use whatever works for you, keep it secure, and stay organized so you don't have to scramble for information when you need it.

As I mentioned above, the capital markets are a wonderful way to build wealth, and if you prepare well and work with qualified professionals, you too can "invest right, live right!"

Questions? E-mail Kathryn at kschwartz@PawleysAdvisors.com