

EASING STRESS DURING UNCERTAIN TIMES

September 2011

“People don’t plan to fail, they fail to plan.”

The principals at Moisand Fitzgerald Tamayo have had their Certified Financial Planner designation for no less than 17 years and our least experienced advisor has been with our firm for nine years. Thus, due to our years of experience working directly with clients and through our interactions with peers around the world, we have seen untold numbers of personal financial situations, a huge variety of economic and market conditions, heard thousands of predictions by various pundits, and seen every sort of investment imaginable. Sadly, we have also been called in after the damage has been done to do what we could to help people recover from financial disasters, the vast majority of which were largely, if not entirely, preventable.

We have also been privileged to guide people to make sound financial decisions that help them toward achievement of their financial goals. In our view, the critical difference between those that succeed in their decision making and those that fail is quality financial planning and a prudent disposition.

Financial planning is a decision making process and a financial plan is the product of that process. Even if beautifully bound in fine leather, a series of charts and graphs created by sophisticated software is not a plan. It may be important to use sophisticated software and make projections, but only to aid in coming up with the plan. The projections themselves are not plans.

A plan is a group of intended actions or behaviors that will be taken should certain events occur at specific times. Sometimes it is simply a mental list of do’s and don’ts. Other times it can be a written document. Regardless of form or formality, plans that succeed have several characteristics.

First and foremost, a good plan requires a sound and thorough planning process. This involves establishing and prioritizing short, medium, and long term goals, gathering all needed information, and analyzing that information in light of those goals. From there, the needed actions required for various contingencies can be created. This plan is then implemented, monitored and revised as those goals, family situations, economies, markets, tax laws and other things change. This does not guarantee a good result, but it certainly boosts the odds of success.



Financial failures can almost always be tracked to poor planning; either by a lack of a plan, a bad plan, abandoning a good plan, implementing a plan poorly, or failing to revise a plan when or as needed. One can see the downside of doing this without *professional* help. We see many do-it-yourselfers lacking in one or more of these areas. Unfortunately, we also see “advisors” that fail in these areas also. These “advisors” have no plan or utilize a bad plan. Too often in the quest for the next sale, the plan is implemented in a way that increases the representative’s compensation, or once the sale is made, no attention is paid to the plan unless another commission is possible.

“Everyone has a plan until they get hit” – Mike Tyson, former world heavyweight boxing champion.

Has the future ever been certain? Of course not and we shouldn't suddenly expect it to become certain. The only certainty is uncertainty. The only constant is change.

At Moisand Fitzgerald Tamayo, we create plans that are prepared for an uncertain future and flexible enough that they can adapt to unpredictable changes. Interest rates, stock prices, economic growth, inflation, the tax code, our families, and our health will all change. We just don't know exactly how, by how much, or when these changes will occur. Plans that *expect* change will come are able to adapt to it sensibly, rather than react to pending change out of fear, greed, or anger.

A client's role is to keep us informed of how life's twists and turns may cause them to revise or reprioritize their goals. Their ongoing task is trying to avoid letting the emotion of the day tempt them to abandon or interfere with a sound plan.



Everyone's plan is unique but we have noticed that those who are most content about their finances work to maintain a prudent disposition by following these seven guidelines:

1. I am an investor not a speculator. I will always remember that people who have accumulated extraordinary wealth also took extraordinary risk. For every person who made it big, there are multitudes that tried in a similar way and lost big. When someone brags about their return on an investment, I will assume there are many failures not being mentioned and I will remember that I have a real plan for my family's needs based on realistic methods, not speculating.
2. I do not confuse entertainment with advice. I acknowledge that the financial media is in the entertainment business and their need to be provocative can compromise my long-term focus, build an unneeded sense of urgency, and distract me from my goals. If I find myself getting anxious about my future, I will turn off the news and tune in to the positive things in life.
3. There are no crystal balls. I will not change my investments based on a short term forecast about the economy or the markets. I will recognize that the urge to form an opinion will never go away, but I won't act on it because no one can repeatedly predict the future. It is, by definition, uncertain. Being correct is not enough. To profit one must be right by enough to compensate for the costs of acting on the prediction. Over my time horizon, it is highly unlikely to be that accurate. When I hear “in this market...” or “because x is about to happen, you should ...”, I will recognize the short term nature of the statement and remind myself that I am an investor with a good plan and I will ignore the suggestion.
4. I am a capitalist. I will remember that despite its flaws, over time capitalism creates wealth better than any other system in the history of the world. For me to succeed, I will view volatility as a sign that markets are working. As new information arrives, markets will adjust prices quickly. This has always been the case so I expect, not dread, the many times dramatic volatility appears in the markets.
5. I know risk is unavoidable but manageable. Because of the nature of risk and the financial industry, the most likely beneficiary of “safe” or “guaranteed” products is the salesperson and the company that created the product.
6. I am broadly diversified. I will not be lured by the temptation to chase what has been “hot” in the markets, abandon solid holdings that look “cold” or vulnerable, or focus my portfolio in a few securities or even a few asset classes. I will remember that the likely outcome from doing such things is reducing one's long term result. There is a mountain of research that supports this statement.

7. I will contact my advisor. Whenever my family situation changes, I think my goals may be changing, or I have doubts about my plan, I will seek the advice of my advisor. These are the events that can warrant a change in plans.



Once a good plan is in place, the most likely impediment to success typically isn't the economy, the markets, or our politicians. It is those who become disconnected from or lose confidence in their plan and put themselves in danger of making poor choices. The next time finances come up in a social setting, listen for conversations like those described above. Chances are good that you will notice people who are not particularly content or feeling financially secure. Whether they are fretting or bragging, there is often an edge there. You may hear people say things that indicate they have a flawed planning process or that they are not committed to these principles.

Deviating from a good plan can be tempting. Working with us, clients don't have to worry about the quality of their plan. We are proactive in creating good plans that are implemented, monitored and revised with great expertise and objectivity. We are diligent about and committed to finding ways to improve their chances of succeeding. No one can predict what the future will bring, but we can say with confidence that if one stays committed to the list above, their odds of success are improved.