

The 20 Must-Answer Questions

1. Have you discovered your True Purpose for Money, that which is more important than money itself?

Yes No

This is the very heart of your most sacred values. What is it that you value more than money itself? Most investors get caught up in investing their money for money's sake. The more the better, and the end game is to have the most. Your True Purpose for Money is the compass and foundation from which all spending and investing decisions are formed. Every investor has one, but often it takes some focus and development to clarify it into a laser-focused tool for personal and portfolio growth. This is the first step in developing true peace of mind.

2. Are you invested in the Market?

Yes No

Do you own stocks, or preferably, stock-based mutual funds? Most investors can answer "yes" to this question.

3. Do you know how markets work?

Yes No

While most investors answer that they do have money in the market, very few can honestly say that they truly understand the dynamics of how free markets price securities. They are, in effect, ignorant of the forces that ultimately determine their investing results. You can easily see how having wealth in something that you do not understand would be extremely disturbing, especially when markets take large losses. Never put your money in anything you do not truly understand—that includes the stock market! It is your coach's job to help you focus on the right things so that you do not have to focus on everything.

4. Have you defined your Investment Philosophy?

Yes No

Everyone knows that it is important to have basic philosophies of life to simplify making complex decisions. For example, it is critical to have basic underlying philosophies of religion, business, education, and even the nature of good and evil. Most people do not even know that it is possible to have a philosophy when it comes to the field of investing. It is possible and critical to success. Most people choose an investment strategy without an underlying philosophy. To be successful, a philosophy must be developed and instituted first.

There are two basic market philosophies: markets work and markets fail. It is your job to understand what each means and choose the one that is appropriate for you. Don't forget to use your coach.

5. Have you identified your personal risk tolerance?

Yes No

This is an academic and scientific number that helps you compare various investment scenarios. It is essential that risk is not simply dispatched in generic terms and left without being quantified. Remember, you cannot successfully control something that you cannot measure. Risk must be measured to be used properly. It is important to have your existing portfolio analyzed by an independent coach to properly identify the types and extremes of risk in your current assets.

6. Do you know how to measure diversification in your portfolio?

Yes No

Everyone knows it is prudent to diversify, but how do you measure it? Academic and economic scientists use a very specific measuring tool called correlation to determine if your portfolio has been properly built. If you do not know specifically, chances are you are not truly diversified. In the typical portfolio, assets tend to move in a step-rate fashion so that when one crashes, they all crash. To diversify the right way, you must be able to measure it.

7. Do you consistently and predictably achieve market returns?

Yes No

Most people don't even know what market returns are. After reading this guide, you should have a good idea. Your next step is to analyze your current holdings to see if they have consistently held up to the returns of the asset categories you are in during the periods you have held them. The odds are against you, and you have probably lost to the market. It is easy to find managers who had top performance in the past; it is all but impossible to pick them in advance with any consistency.

8. Have you measured the total amount of commissions and trading costs in your portfolio?

Yes No

Even if you own a supposedly "no load" mutual fund, the internal commissions could be more than you could ever imagine. Without an independent analysis, you will never know or understand what these hidden costs are doing to you and your portfolio. What you can't see, can hurt you. Burying your head in the sand and staying in the dark is not the solution. Your coach will give you an independent analysis and show you how commissions and trading costs kill off your returns.

9. Do you know where you fall on Markowitz Efficient Frontier?

Yes No

I would be amazed if you did because most people don't even know that Harry Markowitz, the economist who developed this Nobel Prize-winning investment tool, even exists. Yet, the most sophisticated investors have been using this tool to build better portfolios for over a decade now. This economic study allows a coach to help you see exactly how much volatility and expected return your existing portfolio has, and allows you to compare other mixes.

10. When it comes to building your investment portfolio, do you know exactly what you are doing and why?

Yes No

Investing can be very confusing, even for professionals. Rare indeed is the investor who knows his True Purpose for Money. Rarer still is the investor who knows what all of the hidden costs are, what the true risk profile is, and how diversification works in his portfolio. Much of their results are left to chance, or worse yet, the commission-driven financial plans of an advisor or broker. Most investors simply throw up their hands in disgust and frustration from trying to grasp it all. It doesn't have to be that way.

11. Are you working with a financial coach versus a financial planner?

Yes No

A good investment coach will help you, first, by answering all of these questions. If you cannot answer yes to most of them, chances are you are not working with a coach. As an investment manager, if I didn't first know the answers to these questions before I invested my wealth, I wouldn't sleep at night. I would feel totally out of control and in the dark.

12. Do you have a customized lifelong game plan to guide all of your investing and spending decisions?

Yes No

This strategy integrates your life goals, visions, dreams, values, and investment risk and return preferences into a total plan for success. Money serves no purpose at all, unless it helps you to live a more powerful and dynamic life. By creating this lifelong game plan, your money and life will take on more purpose and direction.

13. Do you have an Investment Policy Statement?

Yes No

The great football coach Vince Lombardi left nothing to chance and created masterful game plans in advance that took into account every possible eventuality of the game. In other words, good or bad, he always had a plan to guide him to victory. He never panicked. That is exactly what an investment policy statement can do for you. It lays out the game plan for any and all market outcomes. No matter what happens to the market, you are prepared in advance. It also spells out how much risk and return you are targeting, and your time horizon. If you do not currently have one, that is a serious flaw in your investing process.

14. Have you devised a clear-cut method for measuring the success or failure of your portfolio?

Yes No

How do you know that your portfolio is doing what it is supposed to do? If you make 15% is that good, or if you lose 10% is that bad? What benchmarks do you compare it to? How do you know if it is working?

15. Do you fully understand the implications and applications of diversification in your portfolio?

Yes No

How do you know if you are diversified? How do you measure it? What is your portfolio likely to do during various market cycles? What is your worst-case scenario for your portfolio, and what is the best? Historically, what is your worst and best five-year performance? These all are questions you should be able to address if you have properly built-in diversification in your portfolio, and you understand how it really works.

16. Do you have a system to measure portfolio volatility?

Yes No

Scientists measure variability of outcomes with the statistical measure of Standard Deviation. How do you measure it? It is actually possible to use statistics to examine volatility, the key measure of risk, with the same analysis that won the Nobel Prize for Harry Markowitz. Without this measurement, you are flying blind. It is the foundation of prudent and sound investing. If your planner or broker did not educate you about standard deviation, this should be a big red flag that tells you something is missing. Your coach can help you fix this problem.

17. Are you aware of the incentives brokerage firms and the financial community have when selling commission-based products?

Yes No

The large financial institutions create the illusion that, by using their research, it is possible consistently and predictably to make superior returns. Are you aware of how they use the media and advertising to create the illusion that they can do something that is, in reality, smoke and mirrors? By understanding all of the techniques they use to persuade investors, you can avoid many of the deadly investor traps.

18. Do you know the three warning signs that you are gambling and speculating with your money versus prudently investing it?

Yes No

They are stock picking, market timing, and track-record investing—otherwise known as chasing performance. With the help of a coach, you can discern if you have accidentally fallen into these destructive investor behaviors and traps.

19. Can you identify the cultural messages and personal mind-sets about money that destroy your peace of mind?

Yes No

Money can be a great blessing or a corrosive and divisive burden. Many of the mind-sets and beliefs that you may have about money can destroy your ability to use it as an empowering

tool in your life. By understanding these biases, you can effectively choose more powerful beliefs to alter your relationship with money and how you use it in your life.

20. Are you ready to shift your personal experience of money and investing from a scarcity mode to an abundance mode?

Yes No

Scarcity means “not enough.” When you experience money in this mode, the outcome is doubt, regret, and often, fear. Money frequently is felt to be a negative and frustrating thing to deal with. In scarcity mode, no matter how much money you have, it is never quite enough. Money is experienced as a painful event.

This is often felt after large unexpected portfolio losses. By shifting your experience of money to an abundance mode, you now are able to experience your wealth as “more than enough.” This is the only question you must be able to answer “yes” to now, so that you may work with a coach to transform your investing experience from scarcity to abundance.

Your Next Step

Knowledge without action is useless. Your next best step is to contact your financial coach and schedule a meeting to begin answering these questions today.

Don't put it off; it is too important. You owe it to yourself and your loved ones to find out the answers to these questions.

The most dangerous and devastating problems in life are the ones you do not know exist. You cannot fix a problem that you don't know you have. The first step of solving any problem is to identify and quantify its destructive effects.

Your coach has been trained and educated in the art and science of walking you through the process to resolve these problems. Coaching is the solution.

Call your coach today to schedule your Investor Inventory.