



## WHAT IS THE BIGGEST INVESTMENT MISTAKE THAT INVESTORS MAKE?

Too many investors follow what we characterize as a “whack a mole” approach to investing. They believe the most successful investment strategy is to look for areas with high returns, and then try to “beat the heck out of them”. This method of wealth management is commonly referred to as, “chasing performance”, or “running after returns”. Although this approach is quite common, it is narrow and flawed, because it avoids a critical component of smart investing – risk.

### **Reasons for making this investment mistake?**

- 1) It's sexy. The media, the magazines, and the talking heads spend all of their time talking returns. Sound bites regarding returns saturate the public.
- 2) Wage stagnation. With salaries frozen or even dropping, many people have no choice but to overemphasize current returns.
- 3) Risk information is difficult to find. Discussing or sharing information on risks is rare. Risk is acknowledged – “All Investments Have Risk” – but rarely explained.

### **What's the impact of the common “find a better mole” approach?**

- 1) Potential to make wrong investment decisions
- 2) The probability of missing long-term financial goals
- 3) Emotions guide the investments decisions - not facts

### **What does the smart investor do differently?**

To pursue investment goals and objectives, savvy investors follow a balanced approach of analyzing returns AND risks. This means pursuing (specific or calculated) “risk-adjusted returns” as the core strategy, not just chasing returns. Following this more inclusive strategy can help work toward financial goals, with (calculated or known) risk, and with greater confidence.

*No strategy assures success or protects against loss.*