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MARKET MATTERS: Every day is a school day for investors

By Joseph Matthews
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In the next few weeks, school bus yards will become active and backpacks will be pulled from hallway and bedroom closets. School-age children will spring back into the daily routine of getting up early and doing homework at night — a routine that is going to make summer mornings of sleeping-in seem like a distant memory.

Just like children attending school, investors should be in a constant state of learning. This type of mindset will keep you on your front foot, well prepared to understand investment opportunities as well as more difficult market conditions. Opportunities can be tactical, within the context of one business cycle, or strategic, over the course of multiple business cycles. As far as difficult situations are concerned, history has shown us that most are to a certain extent unpredictable and out of our control. Just as children in school, learning can help us identify and correct mistakes as well as avoid similar errors in the future.

As highlighted in previous columns, investors who let emotions and biases get in the way of sound decision-making — instead of making decisions consistent with their risk tolerance, investment time horizon and need for liquidity — risk not achieving their investing goals.

Keeping personal bias and emotion out of the equation helps an investor tilt the probability of meeting their financial goals.

So how do you learn in a world filled with so much noise about investing?

It starts with separating the noise from what is really important to you and directly related to achieving your own goals. Examples of things that should be on that list include: understanding the types of investments and purpose of those investments in your portfolio, and knowing the range of possible outcomes (good and bad) of your investments and of your total portfolio. In conjunction with getting up to speed on these topics, completing and annually updating a personalized financial plan will assist you with taking a highly customized approach to addressing your personal goals and prudently managing risk.

This is not easy by any means — but, then again, neither was high school chemistry (at least for me) or your college statistics! The good news is that you won't need a Ph.D. in finance. The guidance and mentoring of your trusted investment professional through the times that are too good to be true and too difficult to stomach will help immensely. Working as a team surely will help with making you a more informed investor and should give you a much better report card than the average investor.

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