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Keep Your Feet on the Ground

By Derek Lenington, CFP, and Dylan Ross, CFP

Successful investors are grounded. They're logical and disciplined, and they don't let emotions drive investment decisions. Successful investors understand and embrace the idea that the economy is *always* uncertain; it may have seemed more certain in the past, but that's with the benefit of hindsight.

The U.S. economy has cycled between good and bad times, and you can expect that trend to continue (see Strategy #2 for more historical perspective). Unless you think that trend will end and things will always be either good or bad forever, every bad period must be followed by a good period and every good stretch has to be followed by a bad one. The big unknown is how long each period will last.

People often focus on an unanswerable question: When are things going to turn around? When times are good, your investments do well and you hear rumors of bigger bonuses at work this year. The question of when it'll all change seems less important, but the answer still remains uncertain. The question is much more pressing during the bad times, when investments haven't performed well or talk of an economic recession picks up. However, if you embrace the fact that the economy is *always* uncertain, the strategies in this book can help you make better decisions about your investments.

This book is filled with information on the tactics, strategies, and steps you should take with your money. But this strategy is focused on how *you* — the key player in your financial life — need to prepare for and approach your finances. The following guidelines will help you ensure that your attitude, decisions, and behavior truly support your desire to invest successfully during uncertain times.

Invest in Yourself

You are your biggest asset, thanks to your ability to earn money, and you need to protect and develop that asset. This means more than the occasional doctor's visit and a jog around the block. You can let yourself sink into a rut, afraid to move, or you can challenge yourself to move ahead and earn a new degree; seek out a new, potentially more rewarding job; or master new technologies and apply them in your professional and/or personal life.

You may also need to retool your physical plant, so to speak — losing weight, improving your focus and energy level with exercise, or budgeting for additions to your wardrobe so you feel good about the way you look.

TIP

No matter your age, show a real interest in being a part of fast-paced change, or risk being considered a dinosaur (remember — they're extinct). Not only do these steps better position you for the uncertainties of life discussed in Part I, but they also help you increase your value:

- **Make yourself indispensable at work.** See Strategy #4 for tips about beefing up your networking efforts, sharpening your skills or adding new ones, and going back to school.
- **Exercise, eat well, and get enough sleep.** Strength and flexibility, proper nourishment, and a good night's sleep may increase your productivity and help to keep your mind sharp.
- **Be creditworthy.** For tips on improving your credit and debt, see Strategies #10 and #11.
- **Prioritize, prioritize, prioritize.** Making more money sounds great, but at what expense? Take some time to get your priorities in order and find the balance that works for you. Think about family, sleep, and mental and physical health.
- **Talk to someone.** If your finances are causing you mental and/or emotional stress — or distress — get help! A financial professional can help you take control of your finances and map out a plan for you to succeed. If financial concerns are only one of a number of issues causing you to feel overwhelmed, speaking with a counselor or other mental health professional can help lighten that load, which will make everything on your plate more manageable.

Know Your Financial Situation

It's impossible to make the best financial decisions without first understanding your current personal financial situation. You need to assess your strengths and weaknesses as well as the current economic environment. This check-up can produce anxiety — you have areas of relative strength and ones needing improvement — but that's okay. What's not okay is to avoid putting together a plan that improves the areas that need shoring up. (Part I of this book can help you assess your financial health across a range of important categories.)

TIP

If you need help with your self assessment or financial review, consider hiring a fee-only financial planner to help. Because fee-only planners don't sell products or receive commission, their advice isn't constrained to certain products and will be in your best interest. Membership organizations such as the National Association of Personal Financial Advisors (`www.napfa.org`) and the Garrett Planning Network (`www.garrettplanningnetwork.com`) are good resources. You can also check the Certified Financial Planner Board of Standards, Inc., (`www.cfp.net`) to make sure the planner you've selected is a CFP certificant, ensuring a minimum level of training and competency.

Strategies #9 through #15 can help you address areas that are often weak links, and Parts II and III can give you various tools and techniques you can use to make change happen. If you haven't yet thought about retirement in a concrete way, Parts V and VI offer spending and investment strategies to reduce the risk you'll outspend your resources.

Keep Your Emotions in Check

Fear and greed are two powerful emotions that influence your investment decisions for better or worse (usually for worse). Completely ignoring emotions is a tall order for most folks. Remember that although worrying is okay at times, you have to work around these powerful emotions to be a successful investor. Keep these tips in mind when managing your emotions:

- **Acknowledge your emotions.** Admit when you're feeling fearful or greedy. Only by acknowledging your feelings can you guard against their influence on your actions. You can't discount fear as an influence on your decisions until you first admit that you're afraid.
- **Don't wait for the feelings of fear or greed to go away before you act.** They may never completely vanish. This book can help you develop financial plans and strategies to guide your decision making. When your emotions surge, refer to this book to stay on course.
- **Understand how emotions fit into the economic cycle.** You probably feel best about investing when markets have been going up, up, up. The higher the recent increase, the better you may feel about putting you money in. But only people who already had their money in the market, *before* it started going up, got those big, attractive gains. They had their money in the market when it didn't feel best.
- **Remember, everyone's in the same boat.** If the economy is slowing down or contracting, it also impacts your neighbors, co-workers, other consumers, and producers. You're not being left behind while everyone else is passing you by.
- **Avoid people who try to exploit your feelings.** Turn off the financial channels. Their programming is intended to play to your emotions to keep you tuned in. If you have to watch, remember that it'll be sensationalized at times. News editors need to make the news sound exciting, even when it's really not.
- **Don't dwell on things beyond your control.** Instead, focus on what you *can* control. (See the next section.)

Control What You Can

Events that influence your personal financial situation fall into one of two categories: events that you can control and events you can't. It's important to recognize things that are out of your control, but don't dwell on their outcomes. Focus on what you can control. You have no control over the following: inflation, tax increases, stock market returns, interest rates, and what others are doing. But here's what you can control:

- How much you spend
- Your level of personal finance and investing knowledge
- Where you put your hard-earned money (see Part II for detail)
- How much risk you take (see Part III)
- How you react to what you can't control

Put Your Goals in Writing

You may have heard the old saying "If it isn't being measured, it probably won't change; and if it does change, you probably won't notice." This holds true for financial goals, too. Part IV is all about setting and achieving goals, from buying a home to raising children and preparing for retirement. Setting realistic goals is important, but it's equally important that you devise a system for tracking your progress. You'll enjoy checking off your progress as you reach your milestones.

TIP

You may be tempted to give yourself a bit too much leeway in meeting your targets, so have someone keep you on track. You'll benefit from finding an accountability coach to work with: a spouse, partner, or friend. Coaches don't need to know every intimate detail, but they do need to know the following:

- Your goal
- The info you'll be reporting
- How often you'll give them an update

Offer to do the same in return — keep it fun and get started.