



Reasoned Responses to Radical Money Situations

Have you thought recently about doing something radical with your money, or what's left of it? Are you so dissatisfied with the performance of your investments that you've considered yanking it all out and sitting on cash? Alternately, have you been wondering if you can gain back your losses and then some with a more "creative" investment? Both of these solutions may seem like extreme reactions to the recent market downturn, but when it's retirement income at stake, many people stop thinking and start reacting. The results can be disastrous.

Before you throw your retirement income into a "Guaranteed High Returns - No Risk!" proposal, arm yourself with the tools you will need to evaluate ANY investment, not just the potentially shady ones. Here is an excerpt from my book, "The 12 Simple Steps of MoneyMinding" which you can order as part of the [MoneyMinding Library](#), or through [amazon.com](#).

For specific evaluation of solutions, the following hierarchy will ensure, as best as possible, that strategies and products are appropriate for you and your desired lifestyle. It is important to know and understand this information and to consider each point in the order listed. Because when you do, it means that if the philosophy of the strategy or product being considered doesn't match your own, as in the case perhaps of offshore investments where you prefer to keep your money local, you would not continue with your analysis:

- a. Understand the philosophy behind the strategy or product and compare that to your own;
- b. What is the type of financial vehicle or instrument being recommended or considered?
- c. What is the quality?
- d. What is your exit plan and how do you get out of the strategy or product?
- e. How long do you intend to maintain it (what is the term of the strategy or product) and is this appropriate for your lifestyle goals?
- f. Where will it be held and who will hold or maintain the product or money?
- g. What are the tax implications?
- h. What is the expected return or rate of the strategy or product?
- i. What, if any, fees are associated with this strategy or product?

If this seems complicated or long, then consider the alternatives and how effective they are:

- **A decision based on emotion:** like that “gotta have it” item that sat in the closet never touched;
- **A decision based on logic alone:** “It makes sense to keep this job ‘cause it pays better and has good benefits even though I have to work evenings and weekends away from my family.”
- **A decision based on a partial understanding:** like the economic forecast you heard when deciding what term to take for your mortgage, or the prospectus you were given for your mutual fund investment.
- **A decision based on intuition:** “I’ve got a really good feeling this stock is really gonna go through the moon.”
- **A decision based on numbers only:** “Obviously if this investment is expected to return 20% and everything else is only 12%, I’m going to take the 20%.” But what other considerations are there?
- **A decision based on one strategy or product at a time:** “It’s time to make a deposit to my retirement plan. I wonder what the best investment for this money is this year.” What about the rest of your investments?
- **A decision made because it’s convenient or seems like a good idea at the time:** “Bob is a nice guy, and he said he could cut my tax bill in half – I’ll go with him ‘cause parking at his office is easy.”

This is your life we’re talking about. You don’t have to remember this all at once. You can refer to it whenever you are making financial decisions, especially for major decisions.

Consider the consequences of one decision at a time without a framework to guide you. This is how, at best, you end up with a filing cabinet full of statements, or at worst, losing your entire life savings to fraud or a bad investment decision. Even somewhere in between isn’t good.

What if you only ever stuck your money in low interest-rate bank deposits because you worked so hard to earn the money; you sacrificed on some of the things you wanted because you were worried about having enough money in the future; you finally amass a savings amount you think you can live on, and your spouse dies; or you get sick and aren’t able to enjoy the money you worked so hard to earn, save and keep? You’d likely feel “ripped off, cheated or depressed”.

Is that what you want your life to mean – settling for mediocre and fearing loss of money your whole life? Yes, you can work your whole life and not lose any money, but in the process, you lost your life! It seems to me that perhaps a different view might be necessary!!

Please don't hear that I'm telling you to take uncalculated risks either. The BC Securities Commission has a whole investor education section on their website, called InvestRIGHT, which I had the privilege of contributing to a few years ago when they were setting up their investor education program. You can protect yourself against walking blindly into investments that are likely scams. Beware whenever you see these investment red flags:

- Offshore investment
- Cash only
- Tax evasion
- Unregistered salesperson with no references
- No investment documents
- No transaction paperwork
- Guaranteed high return, no risk, or both
- Quick success with immediate request for more money
- Secrecy
- Pressure to act fast or lose out

If you live in another part of the world, check the securities licensing website for your jurisdiction. And remember: become aware of what you want, and implement financial savvy. Be willing to learn about money concepts and strategies, because you will find that sometimes what originally seemed like the low-risk, conservative way to go is really the high-risk way because what you lose in the process can be far more valuable than money.

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Money expert Tracy Piercy, CFP is the founder and CEO of MoneyMinding Inc., a wealth building system that turns conventional money wisdom upside-down. MoneyMinding offers a turn-key marketing and coaching program for advisors who understand the importance of empowering their clients with education, and are looking for a system to streamline their client financial education process.

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