MY INVESTMENTS ARE DOWN. WHAT CAN I DO?

THE LOSS PROTECTION STRATEGY ANYONE CAN HAVE!

First, understand that **this is more than an intellectual question**. It is a highly charged emotional issue. Considering the consequences for many people retired, or close to it, these decisions can have life changing impact. The logical place to go for help is to the person who made the initial recommendations; however, if not that person, then someone with similar experience and credentials. But, before you can speak with any financial advisor about your portfolio **you must first be aware of your attitude towards the situation** – are you angry, fearful, sick to your stomach, or indifferent? If you are desperate to gain back the losses, you will be making emotional decisions that may or may not be appropriate. If you are blaming the advisor (or your spouse or other acquaintance) for the recommendations then you will be open to almost anyone else's advice – whether or not is appropriate. If you are afraid to make any kind of decision you will be hesitant to make a "wrong" one – even if this isn't the appropriate action to take.

After you start to become aware of your own attitude and emotions, **then consider the responsibilities of an investment advisor**? What have you shared with them about your personal financial situation and investment preferences? Have you told them "I can't afford to lose anything" or "I trust you" or "do what you like – just make me a lot of money"? Their obligation is to understand you and to make investment recommendations that are appropriate. They are not expected to guarantee high returns on your money, or to have all the answers about making money. Ultimately, it is your money and your life; therefore, some of the responsibility will fall back on you – the investor. If the material circumstances of your life are negatively impacted because of investment losses (assuming no fraud) then some of that responsibility is yours.

So what is the client's responsibility? To provide all the necessary information for your advisor, keep your advisor informed of your circumstances and your feelings about your investments, and to read the information that is sent to you - including your statements. When you start to feel uncomfortable, you need to recognize that emotional response and work with your advisor to make adjustments that keep you emotionally comfortable. Investing has been described as 80% emotional and 20% intellectual.

How can you reduce the emotional impact of market fluctuations? At the beginning of the transaction there is an opportunity for advisor and client to **make the sell decision before any money has been invested** – and you don't need to become an investment expert. Consider the following **loss protection strategy**, and then understand how the same concept can help you decide what to do after a drop.

Mr. and Mrs. No-Risk, Hi-Return decides to invest in a mutual fund currently valued at $10 per unit. Their advisor expects that based on past performance, it "should" provide 10%ish returns per year, but this of course, isn't guaranteed. Mr. and Mrs. Return say they are only comfortable with 10% risk. So, if they invest $10,000. This means that of their $10,000 investment they are only prepared to risk losing $1,000.

They then agree with their advisor on the following key values for their investment:

$10 PER UNIT	$10,000 INITIAL INVESTMENT
10% ACCEPTABLE LOSS	$9000 INVESTMENT VALUE
$9.25	BE ON ALERT (They call their advisor and watch the value of their investment more closely)
$9	They ask to SELL THE INVESTMENT
$12 OR MORE NEW VALUE	$10.8 NEW SELL PRICE ($11 ALERT)
$15 OR MORE	$13.5 NEW SELL PRICE ($14 ALERT, ETC.)

It's not physically possible for an advisor to promise 300 or more clients that they would do this type of monitoring. Everyone will have different price points and risk factors. If it's that important to you, then you can learn to monitor investment values and call your advisor if you feel concerned.

Now, what if your portfolio has already dropped below your comfort level? First, **calculate both the dollar lost if you sold the investment today and the percentage**. Then when you are making decisions, focus on the value that is most easily accepted. For example, if the dollar value drop is $10,000 and represents a drop in your total portfolio of 8%, perhaps the 8% is easier to accept. Second, ask whether you **would buy your investment(s) today**? If yes, then discuss the expected returns and apply the loss protection strategy above. If no, then why are you still holding on? Finally, ask **what would you invest in today** and use the same loss protection strategy as described above. Then your only real concern is the challenge of making investment decisions that are not based on greed and fear because your life has been impacted because of your current investment losses. It can be very tempting to take even greater risk hoping for greater returns to make up for the lost money. If the losses have that much of an impact on your life, you will need to re-evaluate your investment criteria and start learning about other ways to earn income (besides another job and by growing a huge investment portfolio) so you learn and carry on from here.

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