



Right Minded Thinking

Many of us work hard at our jobs, take pride in what we accomplish, and get paid commensurately. We climb the ladder of success by uniting with others to achieve our goals. Our personal lives are also a reflection of our values, and much consideration is given to providing financial security and protecting our family's quality of life. So why do some people neglect to optimize their investment and financial planning needs?

The reason may be that they are afraid of making wrong choices and living to regret the possible consequences. Unfortunately, for many investors the stock market hardly ever makes one feel as if it is the "right" time to invest. As the saying goes, "The stock market climbs a wall of worry": as it rises, investors experience the uncertainty and fear that it may suddenly collapse. During uncertain periods, they—waiting for the right time to invest—keep their money in a money market fund. Mistakenly for them, they are waiting to hear some magical bell that will chime, a bell that will alert them to the perfect time to invest. This hardly ever occurs, especially since market bottoms are frightening and are usually accompanied by overwhelming fear and anxiety.

Kenneth Wapner, the author of many books about spirituality and human potential, speaks about "Right Minded Thinking" or accurate perception—specifically, the illusion of fears and how to overcome them. I believe many of his principles can be applied to investing. When stock or real estate markets decline precipitously, many investors often experience fear. When the outlook is bleak, they may feel compelled to sell their investments or become too scared to put new money to work. But perhaps we should listen to the teacher of patience, knowledge and discipline, the teacher of Right Minded Thinking. This is the place of truth or accurate perception. Yet, how do we enter this realm of Right Minded Thinking? We need to educate ourselves by creating a plan for our future financial needs. It is almost like removing the weeds growing in our garden, the ones that are choking the plants that provide us with food and nourishment. Because of the fear of failure, some investors choose to hide their heads in the sand instead of cultivating the possible opportunities that lie ahead.

Time in the Market, Not Timing the Market

If you thought the housing market in your neighborhood would decline significantly in value over the next few years, would you abruptly sell your comfortable home and move into an apartment or hotel in anticipation of buying back your home or one similar in the future? It would not make sense. It could present too many problems for you because it would create too many unknowns: Would you know the exact time to repurchase the house? What would be the bottom or turning point in the housing market? At what price would you buy? More important, would this type of dwelling still be suitable for you in the future? Keep in mind that when you sell something in a panic because you think it will decline in value, there is another investor buying it from you who believes it will increase in value. Whether it is the real estate market or the stock market, no one knows when the right time to "buy" into the market is. When you buy equities for the long term, the greatest mistake you can make is letting your emotions get in the way and selling in a panic. The opportunity cost of being out of the market and missing the next significant rally in stocks is too great! The best alternative is collaborating with financial professionals whose experience and knowledge you trust.

Individual investors who try to chase returns without a clear investment strategy may risk underperforming the market over the long term, which can cost them millions of dollars. With the assistance of senior financial planner Tom Snively, I am including a chart with this letter that illustrates the return of the average equity mutual fund investor, compared to the average equity mutual fund.

Taking measured risk provides opportunity. Indeed, individuals and entrepreneurs who took risks made the greatest fortunes. I have always enjoyed reading the last four stanzas Alfred, Lord Tennyson's poem "I Envy Not in Any Moods."

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I hold it true, what'er befall
I feel it, when I sorrow most;
'Tis better to have loved and lost
Than never to have loved at all.

In terms of love, it so eloquently expresses aspects of fear and taking risk. Of course, its message is not simply relevant to love but encompasses all aspects of life, including investing. Right Minded Thinking would consider failure to be a judgment we place on an action. Choosing not to sell your investment portfolio when the sentiment in the market appears the most negative is an action. It is in that garden full of weeds, or as Tennyson says, "... when I sorrow most," that fear hungrily grows. It is in these adversities, though, that we can sow the seeds of investment opportunities and reap a harvest that meets our future needs.

Paragon Capital Bits and Pieces

Tom Snively and his lovely wife Jennifer are expecting their first baby this September! We wish them all the best.

Best wishes to you and your families as we enjoy springtime and the benefits of warmer weather as well as renewed financial success for everyone.



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