



Monday, February 22, 2010

New Year, New Paradigm

Inspirational speaker Stephen Covey in his book [The Seven Habits of Highly Successful People](#) incorporated the following Frank Koch story from [Proceedings](#), the magazine of the U.S. Naval Institute:

Two battleships assigned to the training squadron had been at sea on maneuvers in heavy weather for several days. I was serving on the lead battleship and was on watch on the bridge as night fell.

The visibility was poor with patchy fog, so the captain remained on the bridge keeping an eye on all the activities.

Shortly after dark, the lookout on the wing of the bridge reported, "Light, bearing on the starboard bow."

"Is it steady or is it moving astern?" the captain called out.

Lookout replied, "Steady, captain," which meant we were on a dangerous collision course with that ship.

The captain then called to the signalman, "Signal that ship: We are on a collision course, advise you change your course 20 degrees."

Back came a signal, "Advisable for you to change course 20 degrees."

The captain said, "Send, I'm a captain, change course 20 degrees."

"I'm a seaman second class," came the reply. "You had better change course 20 degrees."

By that time, the captain was furious. He spat out, "Send, I'm a battleship. Change course 20 degrees."

Back came the flashing light, "I'm a lighthouse."

We changed course.

The captain in this story experienced an enormous paradigm shift when the second-class seaman compelled him to reframe his thinking based on what was actually happening during these maneuvers and to realign the course of his ship.

We, too, often experience paradigm shifts, and now that the market has recovered from the turbulence of the credit crisis, we must set our financial sails on a right course as we plan ahead for the new year. Of course, similar to a lighthouse that grounds us, there are certain tenets in financial planning that we must adhere to in order to create a solid foundation for a successful wealth experience. These areas include setting up trusts to protect our assets from estate taxes and to provide a legacy for our loved ones, gifting money to our children or grandchildren, creating tax-efficient portfolios, and reviewing our wills and retirement accounts to make sure our beneficiaries are correct.

To continue to serve you well, this past year I hired a consulting firm to assist us in enhancing your wealth experience. Just as a lighthouse illuminates the path for ships, they are providing guidance for us as we continue to identify what you,

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our clients, expect from us as a wealth manager. We are aware that a true wealth experience for you includes our bridging the gap from an investment company to a wealth management firm that provides solutions for wealth protection, wealth transfer, wealth enhancement and charitable giving. But a true wealth experience also includes helping you disassociate from the constant barrage of “media noise” we are subjected to on a daily basis.

Similar to the captain of the ship who had mistaken the lighthouse for a naval vessel, some of our clients are guessing about the future of the stock markets and have preconceived ideas about how the markets function. For example, they listen to the nightly news or financial press to hear what happened to the stock market that day. This “market” they are referencing is usually the Dow Jones Industrial Average, an index of thirty stocks that has no correlation to their globally allocated investment portfolios. Unfortunately for many of our clients, they also allow themselves to be emotionally involved with the gyrations of the stock markets—elated when they hear the Dow (market) is up and unhappy when it goes down. This thought process can be mentally draining and acts as a poor substitute for determining whether they are successfully meeting their retirement goals. Listening to the media, who make forecasts about the market in the short term, one can incorrectly create paradigms or “maps” based on limited financial information or experience or, as Dr. Covey illustrates in his book, create a “subjective reality”—an attempt to describe the map of a particular territory. Unfortunately for most people who are seeking financial advice, investing for the short term while looking for long-term solutions is similar to using a map titled New York City to find your destination in Miami. No matter how hard you try, you are doomed to fail.

Covey says, “The objective reality, or the territory itself, is composed of lighthouse principles.” Like the lighthouse in the story, some of the important tenets or principles of a solid wealth management experience have been around for decades. As stated below, these guidelines are solid principles when they are followed over a long period of time.

Faith in the Future: Know that capitalism and the entrepreneurial spirit of Americans and the rest of the world can survive in any economic environment.

Patience: Expect the markets to be volatile. However, over the long term, they have consistently provided us with a great hedge against inflation.

Discipline: Don’t try to time the market by selling investments when it declines in value or buying them back when things look good. Studies have proven that this strategy is not successful.

Knowledge: Bull markets climb a “wall of worry” when equity values increase amidst a background of fear and economic uncertainty. When the perception among investors is positive and the expectations for stocks are good, equity prices tend to decrease in value.

While I concur with the aforementioned principles, I would like to include my own lighthouse truths—what I call the Four C’s—principles that are a foundation for me and my wealth management firm.

Character: holding ourselves to the highest standards of integrity and always putting the interests of our clients first.

Chemistry: aligning ourselves with our clients’ goals and values to help them achieve a safe, secure financial future.

Caring: listening empathically to help our clients find creative solutions to the emotional as well as the financial aspects of money.

Competence: being sure that our clients know that they are working with a team of experts with unlimited resources.

We can be your beacon, your financial lighthouse. While discussing important issues that affect you, your children, or grandchildren can be very emotional, allowing us to help you reframe these issues may possibly prevent you from making future mistakes that could impact you more than just the market’s declining in value. With our guidance, we can embrace this new paradigm and enhance your total wealth experience and make your financial future the equivalent of a safe port.

News from Paragon Capital

Tom and his wife Jenn welcomed their first son Logan on September 24th. They are having fun navigating the joys and challenges of new parenthood.

My daughter Kim has returned from her semester in Rome, Italy. We discussed her experiences and what she learned. She mentioned to me that she has matured as an individual, she speaks better Italian, and she learned to travel with her parents because it's much cheaper and the hotel rooms are great!

Best wishes to you, your family and friends for a happy and healthy new year!



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