John C. Gower, CFP, EA
Registered Investment Advisor
9131 Watson Industrial Park • Suite 207 • St. Louis, MO 63126 • (314) 961-2092

The Golden Rule for Clients: Develop a Long-Term Investment Plan and Stick with It. The key to successful investing is in having the self-discipline to adhere to your strategy.

"To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework." -- Warren Buffett

It's not that any strategy is perfect: there's no such thing. But a strategy doesn't have to be perfect in order to be highly profitable over time. The value of discipline cannot be overstated.

In investment management, the real opportunity to achieve superior results is not in scrambling to outperform the market, but in ***establishing and adhering to appropriate investment policies over the long term.***

You are more likely to reap the rewards of an investment strategy if you stick with it through good and not-so-good periods over a long period of time. Empirical research concerning long-term investment results indicates that underperforming the S&P 500 25% - 40% of the time is not uncommon for successful investment managers. In fact, it appears to be normal. Investors who understand this are more likely to stick with a perfectly valid long-term investment strategy in the inevitable underperforming periods. In the field of investing, it is all too human to extrapolate recent results, which have no statistical significance.

You don't need to be in the number one fund(s). It's naive to think you're going to find the single best mutual fund or other investment vehicle. You are better off searching out solid funds that match your own investment style and tolerance for risk, and sticking with them.

Overreactions cause many investors to buy and sell at exactly the wrong times. Decisions that are driven by greed or fear are usually wrong, usually late and very unlikely to be reversed correctly. Don't even consider trying to outguess or outmaneuver the market. You'll fail, perhaps disastrously. It's futile to try to time the market, jumping in and out at just the right moments. To succeed at timing you have to be right, or lucky, over and over again.

Reviewing the market lessons of years gone by only renews my commitment to the discipline imposed by having a specific, well-researched strategy in place—a strategy that has objective decision-making criteria. Such discipline is essential to your investment survival for four reasons:

1. **Every investment strategy involves some capital risk.** There's no way around it: to live is to take risks. In the same way, your financial life has risks. Investing your capital involves accepting some risk of losing part or all; not investing invites the risk of losing buying power to inflation.

2. **Nobody really knows what's going to happen next.** Nobody. The investment world is about people and their attitudes about money. It's primarily a world governed by human emotions and behavior and, as such, cannot be predicted with certainty by anyone or any method.

3. **The market won't present a clear warning when it's time to act.** That's right. Nobody rings a bell when a bull or bear market starts or ends. The reality is that you cannot know in advance how long a good thing is going to last. Systematic investing will help balance the up and down swings in your portfolio.

4. **Our emotions naturally cause us to postpone committing ourselves.** First, there's our natural optimism. Second, there's simple greed. And third, there is an enormously powerful influence felt by every investor: the fear of regret. It's this fear of doing the wrong thing that can paralyze us and prevent us from taking prompt action.

Over the long run, all successful investors have discipline. One of my most important jobs is to make sure you stay disciplined and stick to your investment strategy.

Remember: market declines are always temporary, market advances are permanent.