# Are You Sure Your Investments Appropriate For You?

At our EBI West Conference a couple weeks ago in Dana Point, CA, we were treated to a chat between Ken Fisher and Barry Ritholtz.

Fisher talked about how he built his firm, Fisher Investments, into one of the largest RIAs on the planet, now managing upwards of $100 billion.

If you don't know who Ken Fisher is, you've probably seen his ads before:

The man *really* hates annuities.

Messaging is important in the financial services industry because in many ways we're all selling trust. Creating trust can be difficult when there is competition for your services and an audience that may be unfamiliar with your work.

Before the barrage of internet ads from Fisher Investments, they actually started attracting clients through direct mail marketing. It may seem hard to believe now, but this was an effective strategy. Barry asked Fisher what they said in their early mailings to grab people's attention to get them to become clients.

He said the very first marketing campaign that was wild;y successful had one simple question on it:

Are you sure your investments are appropriate for you?

I like this because it's a question and not a promise.

Investors often look at the wrong metrics when considering the appropriateness of their portfolio. They think about it in terms of high valuations or low valuations, overweight or underweight, bullish or bearish, growth or value, income or total returns, alpha or beta, etc.

And sure, these things matter in some sense but not nearly as much as how appropriate your portfolio is for *you* personally. It doesn't matter how other people invest or how optimized your investment strategies are if your chosen investment mix doesn't jibe with your personality, skillset, or temperament.

Here are a handful of important variables when judging the appropriateness of your investments:

**Willingness, ability and need to take risk.** These variables are often at odds with one another so it requires some give and take but a deep understanding of your own risk profile is a simple, yet commonly overlooked first step. Investors can get themselves into trouble by confusing their risk profile and time horizon for someone else's.

**Your tolerance for volatility.** Risk and reward are forever and always interwoven when investing. The amount of volatility -- in terms of investment fluctuations, number of trades, and the size of your gains and losses -- will play a huge role in how well you stay the course with your portfolio.

**Where you are in your investing lifecycle.** This is stating the obvious, but someone in their 30s should view their investments much differently than someone in their 60s. Age, time horizon, and human capital must all be considered when building an investment plan. The biggest asset for people in their 20s and 30s is time while the biggest one for someone in their 60s or 70s is likely a portfolio of financial assets.

**Past experiences with gains and losses.** Our memories can shape how we feel about the markets but the best predictor of future actions in the markets are past actions. How you reacted to the last crash or bubble is a good way to judge how you will react in the future. Investor emotions are guilty until proven innocent.

**Ability to understand what you own.** Investors often have money in a workplace retirement plan along with an IRA at a fund company, maybe a taxable brokerage account or two and possibly a Coinbase account. When your investments are held all over the place you can quickly turn your portfolio into a mish-mash of funds, individual securities, and strategies that have no rhyme or reason. It becomes difficult to know exactly how your investments are performing, what your overarching strategy is, and what your overall risk level is in the portfolio. It's impossible to tell how appropriate your investments are if you don't have a good handle on all of the moving pieces to begin with.

**Your tolerance for regret.** Investing is not a science. There are no hard and fast rules or procedures. This makes it hard to precisely judge the appropriateness of your investments. A lot of it comes down to how well you can balance out your fear and greed, your need for growth and desire for safety, and your ability to handle the pleasure received from gains against the pain that comes from losses.

It's hard to believe with all of the headlines swirling around but the S&P 500 is up 5% on the year at the moment. The time to perform a check-up on your investments is before something bad happens in the markets, not after the fact.

Now is as good a time as any to figure out how appropriate your investments are for you.

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