

Sticking to Strategy and Putting Fear Out to Pasture Boosts Wealth

An udderly moo-ving tale of cows, cash and counter-intuitive investing

When it comes to building wealth, the most destructive forces are fear and the inability to stick with a disciplined (yet somewhat against-your-instincts) strategy.

Here's a little story about how investors can conquer their fears just by having a disciplined advisor and a strategy:


You and I form an investment club and we agree to invest \$100 a month for the next eight months to buy cows.

The first month we go to the market and learn that cows are selling for \$100 each. So we take our \$100 investment and buy one cow.

\$100 x 1 month = 

Now we're feeling good – we're embarking on our well-disciplined investment program.

The next month we go to the market with our \$100 and it turns out there's a rumor afoot in the market. The rumor is that Harvard is about to release research findings that confirm eating beef more than three times a week increases your risk for cancer by 20 percent. Is it possible to have such a rumor in America? Of course, it is! Based on that rumor, the price of cows drops to \$50 each. So we take our \$100 investment and buy two cows. At the end of two months we have three cows worth \$150.

\$100 x 2 months = 

We've invested \$200 and already lost \$50 dollars or 25 percent of our investment. Hmm...

Next month we're in the market and learn that results of the Harvard study are even worse than suspected. The study says if you eat meat three times a month, not three times a week, your risk for cancer increases 40 percent, not 20 percent. Based on that data, the price of cows plummets all the way down to \$25 each. So we take our \$100 and buy four cows. At the end of three months we have seven cows worth \$175.

\$100 x 3 months = 

Overall, from our investment of \$300 we've now lost \$125 or 40 percent. This is an uncomfortable place to be when you're investing hard-earned money. You may be feeling a bit unsure, doubting the strategy – but your financial advisor keeps you on track.

In the fourth month of our investment club we go to the market and it is flooded with panic selling of cows. You see, due to the Harvard study findings, McDonald's has switched to an all-pork menu.

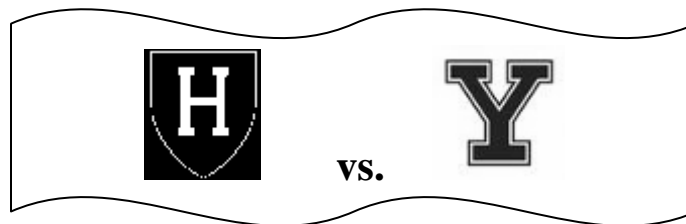
Suddenly the price of cows plummets to a low of \$10 each. So we take our \$100 and buy 10 cows. At the end of four months we have 17 cows worth \$170 dollars. We've invested \$400 and lost \$230 or approximately 60 percent of our investment. Nervous is a nice word for what you're feeling!

The following month we go to the market and, since the price of cows can't get any cheaper and they're not getting any higher, we take another \$100 and buy another 10 cows. At the end of five months:

- We own 27 cows worth \$270 dollars
- We invested \$500 and are down \$230

More than halfway through our eight-month investment plan we've lost a little less than half of our investment.

During the sixth month a new rumor surfaces. Yale is about to release a study stating if you eat pork more than three times a week your risk of cancer increases by 20 percent. Consumers know they want to eat some sort of meat but the findings are confusing. Soon, the price of cows rebounds to \$25 each, so with our \$100 we buy four cows. At the end of six months we have 31 cows worth \$775 and we have a profit of \$175 and now made back about 30 percent on our investment.



So we're back at the market in month seven, and Yale released its study that pork consumption can increase your risk of cancer. Now there are additional rumors: the head of the original Harvard study had actually been studying pork all along. In fact, he was cheating on his wife and the pork council found out about it. Then they blackmailed him to switch the results from pork to beef! Is such an outlandish situation possible in America? Of course it is! Now, based upon this new rumor, the price of cows rebounds all the way up to \$50 each. So with our \$100 investment we buy two more cows.

- We now have 33 cows worth \$1,650
- We invested \$700 and have earned a \$950 profit
- We've more than doubled our money

Enjoy the Pork Big Mac,
Pork Quarter Ponder, and
Pork Cheeseburger!



At the eighth month we go back to the market with our \$100 investment. The rumors were true the Harvard professor was caught cheating on his wife by the head of the pork council who did force him to falsify the results and has since been arrested. Whew! The price of cows is back to \$100 each so we buy one.

At the end of our eight-month commitment, we have acquired **34 cows worth \$3,400.**

\$100 x 8 months =



With a **\$2,600 profit**, our little investment club has almost quadrupled our money. Here are the benchmarks you need to consider:

*What was the price of cows in the first month? \$100.
What was the price of cows in the eighth month? \$100.
And how many days was the price of the cows above \$100? Never.*

The point? For those who can master their emotions and stay focused on an investment strategy, you can truly prosper in even the most volatile marketplace.

So the next time the financial news is making your stomach do somersaults, stop, take a deep breath and think about the cows. It could mean the difference between a “filet mignon” portfolio – or one that’s reduced to “hamburger.”

If we started at \$100 per cow, ended at \$100 per cow, and the price never exceeded \$100 a cow, which were our best months? The best month was when the prices of cows were at their lowest: \$10 a cow. Think back - when did you feel the worst about your investment strategy? When the price of each cow was \$10.

Guided Wealth Transformation™

GV Financial Advisors’ philosophy – we call it *Guided Wealth Transformation™* – is a process for transforming your experience with money. We engage in a structured series of guided conversations that help transform your perspective of life’s critical issues. Our goal is to make the complex become simple, turn confusion into confidence and transform fear into focused action. Give us an hour of your time and we will help you experience your money in a refreshing and liberating way.

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