



Too much of a good thing?

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Compared to 2012 or just about any other year, 2013 turned out to be one of the best years in the stock market. Typically this is cause for celebration (it's certainly better than experiencing another 2008) but I think it should also give us pause as 2013 provides an opportunity to reflect on a trait too often missing in the investment community: humility.

Why should we treat 2013 as a humbling experience? Because its opposite, pride or overconfidence, is a dangerous emotion when mixed with money. When it comes to personal finances, our behavior and emotions are two of the major determinants of our success.



I fear that overconfidence is becoming more common as related in a recent conversation I had with an investor. After making a couple of changes to her portfolio at the end of 2012, the woman claimed the results in her portfolio were considerably better in 2013 than what she experienced in 2012. She was clearly proud of her investing acumen which neglected to acknowledge the relative performance difference of 2012 compared to 2013. The reality is the overall stock market performed much better in 2013, so much of her higher returns had nothing to do with her actions.

The concern with her logic is connecting the positive performance in her investments to her decisions which can instill greater confidence to make more changes. History is littered with examples of people who thought they knew more than everyone else and could use this superior knowledge to make better decisions — only to find out that the stock market is one of the most competitive arenas filled with thousands of incredibly intelligent people.

So how can you apply this knowledge to your own situation? First, let's acknowledge the significant increase in stock prices in 2013 and recognize that most investors had no idea we would see an almost 30 percent increase in stock prices in one year. If we couldn't predict last year's return, what makes us think we can predict this year's returns?

Second, just realizing the impact of overconfidence on our decisions increases our awareness, helping to minimize the role of emotions on our financial decisions.

Finally, it's worth not only considering our most successful investment decisions but also the ones that didn't work out, because humility is often found when we acknowledge we're not perfect.



An enduring message to begin the new year

During the holiday season I had the wonderful experience of accompanying my young granddaughter on a visit to Milwaukee's historic Pabst Mansion. The home of beer baron Captain and Mrs. Frederick Pabst is always decked out for the season and provides a small glimpse into how those other generations celebrated the holidays and family.



The mansion rooms are filled with Christmas trees and other festive decorations but the most moving item for me personally was the letter that Captain Pabst left for his children as the end of his life neared. The original letter, written in the Captain's own scrawling hand, is on display in his study which also features the family values intricately carved into the room's heavy wood beams. The letter has been replicated to make it easier for visitors to read, and the message is moving and poignant. In its simplicity, it captures the life legacy Captain Pabst wanted to share with his children—a personal reminder of the family values and of his final wishes for them.

As we begin a new year, let's all remember the things that are most important in our lives and the personal legacy we wish to leave behind.

March 19 workshop – Social Security & you

Our first Social Security & You workshop this past November was such a success that we decided to offer it again.

Join FSG's Justus Morgan and Justin Moilanen to learn the basics of Social Security including: how benefits are determined for workers, spouses, and surviving spouses, as well as the interaction between claiming now versus delayed benefits, and how different claiming strategies can significantly impact your retirement sustainability.

This interactive presentation to be held at our office on Wednesday, March 19 from 6:30 p.m. to 8 p.m. is for individuals and couples getting close to the age when they may start collecting Social Security retirement benefits.

To reserve your seat, please call Lori at 262-554-4500 ext. 105. Seating is limited.

Save the date for these upcoming events with Financial Service Group

June 21	Racine's Lighthouse Run
August 1	First Friday event
August 5	Long Term Care Planning workshop
October 14	Medicare webinar hosted at FSG
November 18	Investment workshop