



## My first prediction in writing

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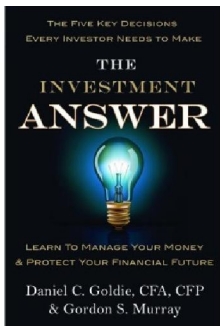
I'd like to share a prediction in this month's column with you. I think stock prices will go down more. After almost six years of gains, it seems almost inevitable that stock prices should at least reach a plateau or even go down. They can't go up forever, right? If I'm correct that stock prices will go down, my real question to you is, so what?

Unfortunately, what I don't know is when stock prices will decline which arguably allows anyone to make the above prediction as only a fool thinks prices increase forever. Nor do I make any attempt to determine the timing as people who focus solely on the direction of the stock market confuse speculating with investing. The confusion between speculating and investing leads to a lot of unnecessary anxiety and poor decisions when it comes to managing your investments.



While it may not be the textbook definition, I view speculating as making investment decisions based on short-term predictions of where the market is headed or which individual companies will outperform the overall market. On the other hand, investing is focusing on the long-term reality that companies or economies generating increasing profits will lead to higher valuations. Of course, long-term could mean a year or a decade before the price reflects the company's value which is why investing is an inherently risky proposition.

It's important to remember what investing in stocks actually represents. With each purchase, you're actually buying ownership in a company which entitles you to a proportional share of the company's profits. Imagine buying a local company generating significant profits. If you were the sole owner, you would be entitled to all the company's earnings. Owning stock shares is similar except you split the profits with all the other shareholders. One important distinction between the local company and publicly traded companies is that you're constantly barraged with the price of the publicly traded company which doesn't always reflect the underlying value of the company.



Most small business owners aren't constantly buying and selling companies yet many people who own stock do just that. Long-term investors view themselves as owners of the companies and act accordingly. Just as a real business owner won't sell their company at the first sign of trouble, nor should investors.

If you're looking for a book that recognizes this distinction between speculating and investing, I highly recommend Daniel Goldie and Gordon Murray's book "The Investment Answer" which discusses the five key decisions every investor needs to make.



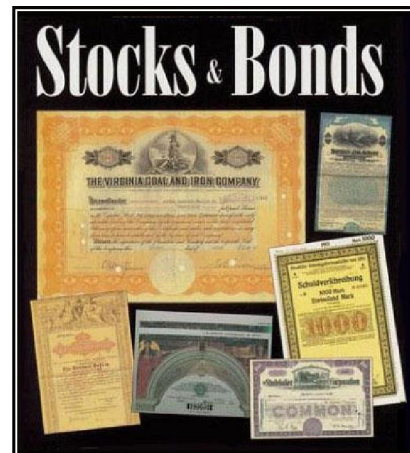
## Register for Investing 101 workshop on November 12

Are you frustrated by financial jargon? Do you know the difference between a stock and a bond? How much are you really paying for your investments?

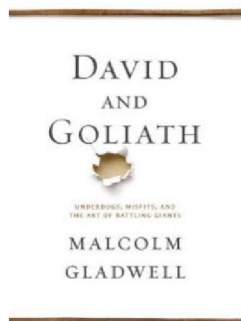
Whether you are retired or preparing for retirement, we encourage you to attend our presentation on Wednesday, November 12, 2014 at 6:30 p.m.

Please join Justus Morgan and Justin Moilanen for an evening of learning and discussion. You'll leave feeling more comfortable about asking questions about your portfolio and have a better understanding of investing basics. Think of it as "Investing 101."

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



## Mike's book review of *David & Goliath: underdogs, misfits & the art of battling giants* by Malcolm Gladwell



This is a great book for anyone considering limitations such as size, intelligence, strength or social status as a hindrance to achieving success. What we think are limitations can actually become a competitive advantage. Gladwell starts with the biblical story of David and Goliath – why the outcome was actually very predictable. It is no surprise when one considers that artillery dominates infantry when viewed in modern warfare. David was artillery and Goliath was infantry.

In typical Gladwell style, we are presented with logical and engaging stories of the underdog, the misfit overcoming and triumphantly succeeding what to a casual observer seems insurmountable. One of many examples is David Boies becoming one of the most successful litigators of our time because of the adaptations he made to cope with his dyslexia. And his story of overcoming dyslexia is one among others including Charles Schwab, Richard Branson and Gary Cohn.

"David and Goliath" is a natural follow up companion to Gladwell's earlier book, "Outliers" – describing why Mozart, or a Bill Gates achieve what appears to be genius. And that is Gladwell's amazing talent – helping to explain the unusual in an engaging, compelling, storytelling fashion.

## Thanks for your feedback!

Special thanks to all of you who provided your insights during our recent Client Satisfaction Survey. Conducted every other year, the CSS helps us know where we're delighting you and where we can apply some extra thinking and effort to enhance your experience in working with us.