



First Ascent Asset Management

Laying the Foundation—Make it Personal

When people think about investing, they usually start by looking outward. They want to know what is happening in the stock market? How is the economy? Are interest rates going up or down? That's the wrong place to start.

Investing is a highly personal activity. So you should start by looking inward at factors that are specific to you and your family.

How you invest should ultimately be determined by things like:

- your personal goals
- your current financial situation
- your ability to assume risk
- your attitudes toward risk
- the amount of time you have to reach your goals
- as well as your experiences and your personal preferences.

So before you start thinking about what investments to buy for your portfolio, you need to go through a discovery process that will help you develop a frame of reference for your personal investment decisions.

It starts with setting goals. We will talk more about goal-setting in a subsequent lesson, but for now, the important point is to understand that you should not make any investment decisions until you have a clear picture of what you are trying to accomplish with your money. All of your investment decisions should be tied to your personal goals. Then, once you have developed a strategy based on your goals, stay focused on *those* goals and stay disciplined in adhering to *your* strategy.

Don't copy strategies just because they work for others. A strategy that works for the Yale endowment or your rich Uncle Henry probably won't work for you.

Investing is not a contest. Don't measure your success by comparing yourself to others. Don't worry about beating the market or making more than your neighbor down the street. Measure your success in terms of progress toward your goals.

There is no one right answer. It is not possible to design a portfolio that will beat all other portfolios over all time periods. Some people never get started investing because they get caught up in trying to create the "perfect portfolio." Others abandon their strategy every time they see something else that performs better.

Relax. Find a strategy that's designed for your personal situation and stick with it. As long as you are making progress toward your goals, your portfolio is doing its job.

Be patient. You will not make progress towards your goals every day or even every year. You are guaranteed to encounter periods of turbulence. You cannot avoid it. No one enjoys these periods, but do not let the discomfort cause you to lose focus on your goals.

If you have a financial advisor, make sure you consult your advisor to help you identify your goals and develop a strategy tailored to meet them. This is an area where a financial advisor can be particularly valuable. The hardest part of investing is staying disciplined and focused on your strategy after you adopt it. This is another area where financial advisors can be helpful—they hold you accountable.

So what's the main take away from this lesson?

Make it personal. Develop a plan that meets your goals and takes your needs and preferences into account. Stay focused on your goals and your progress toward them. Ignore everything else.

Thank you and I look forward to our next class together.