

## Well Begun Is ...?

*"I guess I'm just an old mad scientist at bottom. Give me an underground laboratory, half a dozen atom smashers, and a beautiful girl in a diaphanous veil waiting to be turned into a chimpanzee, and I care not who writes the nation's laws."*

The end of the year is as good a time as any to reflect upon beginnings. Our quote from S.J. Perelman, screenwriter to the Marx Brothers and *New Yorker* essayist, was a beginning so beguiling that whatever followed could not possibly live up to its promise.

Accordingly, we apologize for what follows. We all tend to be better at beginnings than middles and ends. Young love is full of promise, but ardor cools. Go to a gym a month from now and you will find yourself waiting in a long line to use the ellipse machine; go a month after that and you can hop on any machine you want, thanks to a weakening of the New Year's resolve of the others previously in your way. We see this same pattern in the investment world. Investors are constantly "getting serious" about their investment portfolio only to have their ardor cool, boredom warm and resolve weaken.

Bookstores bulge with tracts promoting great investment beginnings for you. Plug "Buffett" into Amazon.com and narrow the result to business and investing books. You have more than 2,100 choices of books about investing like Warren Buffett by authors whose net worth pales in comparison to their subject. We will hazard a guess that the reason for their relative poverty is *not* the failure to read what they themselves wrote. We appreciate his folksy wisdom as much as anyone, but Warren (Mr. Buffett to you laypeople) is a genius. We doubt these books will go very far in making us invest like him, any more than reading Serena Williams will make us expert tennis players or reading S.J. Perelman will help us punch up our newsletters. Try as he might, Mr. Perelman would never make "diaphanous veil" pop into our heads.

We help our clients at the beginning with asset class selection and its relation to their goals, coming up with an investment roadmap. We provide investment manager selection and ongoing implementation and monitoring, the means to reach their destination. Finally, rather than giving them directions and pointing them on their way, we provide our clients with investment counseling, making sure they follow the roadmap so they successfully reach the end of their investment journey. This last point sounds trivial, but it is not. This ongoing discipline and process is where most investors fail. There is always something new and exciting coming out of Wall Street's product factory, some exciting new beginning for your portfolio that weakens your resolve by appealing to greed or fear. It makes no sense to stick grimly to an ill-designed investment program, but it also makes no sense to ignore the reality that investors have problems sticking to *any* investment program.

*"From the moment I picked up your book until I put it down, I was convulsed with laughter. Some day I intend reading it"*

- letter from Groucho Marx to S. J. Perelman.

Why do beginnings have so much appeal? What creates the allure of the new? We believe it is a matter of psychology. In investing, diet/exercise programs and other aspects of our lives, many people live with a feeling of desperation, a sense that they have wasted precious time and fallen short of their goals. In response, they have perpetual hope that they can remedy their problem "if only...." Each exciting new investment product, diet and exercise program represents a possibility that we can make

up our previous failures with a big score, that we can clean the slate on all those previous mistakes, that we can be the envy of our neighbors (competitors). And yet, our rational minds know that this is folly - time and consistency are the most important elements of any investment, diet or exercise program. You can cram for a history test in school, but not for your retirement or good health. This rational realization, however, is unpalatable (or at least boring), so it is easier to submerge it in the hope and excitement of a new beginning.

This is why logic does not always work in investing. Logic tells us that the more information investors have, the better they should do - but the biggest market bubble in U.S. history in the late 1990s coincided with the greatest availability and broadest dissemination of investment information in history. Despite the availability of low-cost index investments, the big development in the markets in the last few years is the multiplication of high-cost hedge funds.

Purveyors of investing books and financial products know of our weakness for the promise of beginnings; the winsomeness of the new idea is more powerful than the humdrum of following a well-designed investment roadmap. The information, advertising and plethora of highly touted new products are just market noise; noise tends to lead to ill-advised action. Information is more plentiful than ever, but it does not necessarily increase knowledge or, more importantly, wisdom or discipline. As illustrated by Groucho in our box quote, intending is easier than doing.

In investing, well begun is not half done, regardless of the proverb. You need to combine a good beginning and good investments with wisdom, experience, a consistent process and discipline. At the end of *this* year, make a beginning (and middle and end) that counts. Give us a call at (503) 419-3938 or contact us through our website at [www.sigmainvestment.com](http://www.sigmainvestment.com). We resolve to be here to take your call rather than getting in your way at the gym.