

THE SOPRANOS, JOURNEY AND YOUR FINANCIAL PLAN

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The pundits argue that we are a nation divided. Presidential candidate John “*never met a doctor I didn’t want to sue*” Edwards preaches the gospel of two Americas. I am going to surprise everyone reading this and agree. We are a nation divided into two distinct camps...

People who loved the ending of the Sopranos, and people who hated it. I happen to be in the *loved it* camp, but to avoid an exercise in futility I am not going to argue my point. I believe it would be as useless as trying to explain the value and importance of low tax rates to many of the socialists running for office next year. I bring this up because of the song choice at the end of the show, *Don’t Stop Believin* by *Journey*. I liked the choice; my brother thought *Sympathy for the Devil* by the *Rolling Stones* would have been more apropos.

Anyway...This past month after reading several studies regarding the status of Americans and their financial planning status or rather lack thereof, that same *Journey* rock anthem entered my head on a perma-loop to the point I considered banging my head against a wall.

Workin hard to get my fill

Everybody wants a thrill

Paying anything to roll the dice just one more time

Some will win, some will lose, some were born to sing the blues

Oh the movie never ends, it goes on and on and on and on

Don’t stop believin

Money-Track and the Investor Protection Trust, an investor education group, conducted a poll with results that were not only frightening but downright sad. The poll surveyed over 1,200 investors on basic principles of investing. The results: Only 1% of respondents understood the basics. A staggering 43% of investors would fall for the old “**guaranteed return**” investment scam. *Investment News* also reported on this frightening poll stating that “*Given investment swindle scenarios such as the opportunity to invest in an options-trading system with guaranteed returns of at least 100%, 43% of investors would take the bait.*” Don Blandin, President of the Investor Protection Trust, stated; “*Everyone wants to believe that they can make a quick score on something. They have to understand that there isn’t going to be any overnight rags to riches for the majority of people.*”

The poll also found that 66% of respondents would actually meet with a “*financial professional*” without first doing a background check with the Securities and Exchange Commission. We have extensively reported on con-artists with zero credentials and experience that are pawning themselves off as financial advisors, certified senior advisors, retirement planners, and or other bogus designations with alarming regularity. Investors need to do a little homework and discern who these guys really are; (a simple search at the SEC website goes a long way). The unfortunate reality is that most of these designations carry the gravitas of the “*official bikini inspector*” designation worn by enlightened youth on the New Jersey shore.

Another frightening bit of information taken from the poll was that two in five investors were expecting Social Security to make up the bulk of their retirement, with half of all respondents not even putting a financial plan into place. Another study done by the Employee Benefit Research Institute found that only one in every three people ever calculate their retirement needs and a shocking 53% have saved less than \$25,000.

Laurence J. Kotlikoff, professor of economics at Boston University writes...

“Whether we want to admit it or not, most of us are financially sick. We overspend, underinsure, invest on hot tips, gamble, max out our credit cards, get hooked on Starbucks and spend as little time as possible thinking about the future. Most of us end up in old age living off Social Security. Or we do the opposite. We pinch every penny, over-save, over-insure, take no risks and avoid debt like the plague; only to wind up in a retirement home with far more money than we can spend. We squander our youth instead of our money.”

Getting ones financial plan done properly will help create balance in ones finances and life. We suggest doing it sooner rather than later. We believe that one of the reasons so many people fall for investment scams is their failure to plan leads them to take desperate measures to catch up. They want to “believe” that they can bridge their retirement and saving gap easily. An HSBC Direct Consumer Survey of 2,000 people found that lack of saving knows no income boundaries. 58% of those surveyed who earned between \$200,000 and \$249,000 annually, stated that they had difficulty saving because they had to pay their bills. Comparatively, 56% of consumers who earned less than \$25,000 annually reported that they couldn’t save because of bills. 10% in the \$200K to \$249K category stated that they did not make enough to save, compared with 59% who earned less than \$25K.

Rather than putting your faith and belief in get rich quick schemes and the modern day snake-oil salesman, may we suggest following some tried and true principals which we at Markowski Investments use as our compass.

Compounding.

Utilize the best safe yields you can find and stick with them. Albert Einstein described compounding as the eighth wonder of the world; it may not be as exhilarating as chasing the latest fad, but it is certainly more lucrative. There is a story of an ancient Athenian merchant entrusted with a large sum of money to establish a trust fund to run for 2,000 years. This Athenian pocketed all the money except a single Drachma, which he invested in Athenian government bonds paying 3 percent compounded annually. He didn’t live long enough to see the results, but after 2,000 years that Drachmae wound up being worth more than all the assets on the Earth. Stephen Phillip Brown from *Wealth Manager Magazine* gives us an example of its power. “If the Lenape tribe of Native Americans had invested the 60 guilder (\$24) proceeds from the sale of Manhattan island to the Dutch in 1626, in a bank that paid 6.5% interest compounded continuously, that investment would be worth \$1.3 trillion today, providing more than enough scratch to repurchase Manhattan, the four surrounding boroughs, and a good chunk of New Jersey too.”

Don’t lose money.

Speculating on the latest investment fads and trends; buying into get rich quick schemes are sure-fire time tested ways to losing money. The secret to wealth accumulation is compounding gains over long stretches of time; large losses such as the dotcom blow ups can force individuals back years. Burdening oneself with too much debt is another way people lose money. Whereas compounding interest can be an investor’s best friend, it has an inverse effect when it comes to debt.

Invest like a multi-millionaire.

Wealthy individuals are not pressured to become wealthy, they already are. Wealthy people do not try to “get rich quick.” Wealthy individuals take their time and let their investments and compounding work its magic.

Buy assets on sale.

Investors must always look for value, stocks, bonds, and real estate; all move in long patterns, up and down. Don't overpay, wait for an asset to become economical so you obviously get much more for your money.