

Stock Market Wisdom From Children's Stories - The Dog and the Meat

A dog with a large piece of meat in his mouth crossed a bridge over a river on his way home. Looking down, he saw his reflection in the water below. Thinking it to be another dog with another piece of meat he let go his own and dived at the other dog in order to get his piece of meat as well. When he opened his mouth to grab the other dog's piece of meat, he lost his own piece of meat.

Moral: Greed begets nothing.

As a financial advisor with almost 50 years of experience, I have seen this sad circumstance over and over and over again. I am sure that advisers with far less experience than I have also seen people make this exact same type of big mistake.

What big mistake am I talking about?

Someone with a well thought out, well constructed investment portfolio which was created to withstand the test of time will read an article in a newspaper or a financial magazine, or see a story on television, or hear about some fad investment from a friend, and will want to dump some or all of his classic holdings for the possibility that something else will grow faster. That's the big mistake I am talking about.

Please allow me to share a real-life example with you. Some years ago, a major pharmaceutical company hired me to speak to a large group of physicians about the outlook for the economy and the stock market. At many informational meetings and seminars, companies will sponsor an outside speaker to break up the day for the attendees and to garner goodwill with their audience.

After my talk, a large number of these physicians approached me to ask whether they should sell their portfolio of blue-chip stocks and buy the very speculative dotcom investments that were presently getting all the press. Of course, I said "no".

In effect, they were asking me if I would recommend abandoning a sound strategy that had worked for the past 50 or 60 years in favor of the latest investment fad. I was very surprised to see how many of these physicians thought that my advice was far too conservative. They were willing to risk a great deal of their life savings for the possibility of some short-term advantage.

I strongly believe that the farther you get from a plain-vanilla investment strategy, the better chance you have of losing your money. Boring is good. Also, when you reach a certain age, your major investment goal should be wealth preservation not fast growth.

Here is the bottom line advice whether you are an investor or a financial adviser to investors: don't get greedy.

Be satisfied with what you have or you may lose it. You want proof? Think back a few years when all you saw on television were people complaining about how they had lost most or all of their life savings by investing in high-risk dotcom companies that had no sales or earnings.

That bird in your hand is still worth two in the bush.

About the Author

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