

Elephants and Investing

I read a story about elephants recently that got me thinking. Thinking about how it relates to behavior of investors.

The elephant is the largest land based mammal. A mature elephant can lift 2 tons with its trunk and they are used as beasts of burden in Indonesian and India.

However, if you go to the circus you will see elephants tethered to a post with a small chain and the elephant never tries to wander. Why?

When elephants are young, one of their legs is chained to a large iron post driven deep into the earth. As strong as the elephant is, they cannot break loose, try as they may. After weeks of this “training” the elephant learns that a chain around one leg means they cannot escape.

Perhaps this story is the basis for the theory that Elephants never forget.

That is the elephant story. My story is different but it is something I will not forget.

I started out as a financial planner. I received my certification as a financial planner in 1992. I had an undergraduate degree in mathematics and a masters in business administration with a concentration in finance. I had worked for H&R Block for three tax seasons and had worked for Fortune 500 companies for two decades. I offered a service everyone needed as I started my new career after years of working for someone else. I had a logical approach to planning a persons’ financial future.

But herds did not beat a path to my door. My clients and I survived the market down turn of 2000, what is incorrectly called the start of the lost decade of the first 10 years of this century. In September of 2008 the market took a serious fall and so did I. I pitched off an embankment, breaking my left elbow, cracking four ribs and two vertebrae. I had a lot of time to think. The question I wanted answered was “Could I have done something different to help my clients?” In case you do not remember 2008, the S&P 500 lost almost 40%. My question was not how could I have made money for my clients but rather, how could I have limited their loses?

I found the answers to those questions and the answer in each case was “Yes”. Yes, I could have done something different for my clients. Yes I could have limited their losses. Yes, I could have done a much better job educating them.

As result of the answers I found, today, I am no longer a financial planner. I am an investor coach. What is the difference between a financial planner and an investor coach? Think of what a planner does and what a coach does. A planner develops a plan and a plan is impersonal. A coach works with you, one on one. I do not mean to suggest that a plan is not necessary. Plans

are necessary. However, plans tend to gather dust on the shelf. Coaches are present to help you implement the plan and sometimes tell you things you would rather not hear.

Did I make the move from planner to coach because my plans were not good? No. Did I move from planner to coach because I enjoy telling investors things they do not want to hear? No. Did I move from planner to coach because I learned something from my fall in 2008 and the fall of the market? Yes!

What did I learn? I learned that the Investor's worst enemy is the person he or she sees in the mirror each morning. Their behavior causes them to lose money in the market. I have learned as a coach to remind clients the things we agreed upon when we started on the journey to financial freedom. To remind clients that many of the things that they learned long ago were wrong. I remind them of the goals we agreed upon are still in play.

Like that circus elephant tethered to a bracelet like chain, clients are really tied to an unrealistic memory on how to invest. A coach can guide them toward piece of mind investing.

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