



## Advisor Views

A feature from **Eide Bailly Financial Services**. *Advisor Views* offers timely investment news and market updates designed to keep you informed, while enhancing your overall investment experience.

### Diet and Exercise

*I went on a 2 week diet and all I lost was 14 days! – anonymous*

You can't avoid hearing them on the TV, the radio, and seeing them in your magazines... Weight Loss Solutions! We are bombarded by pictures and testimonials on how weight loss programs helped someone lose 10, 20, even 50 lbs or more, in only a few short weeks without lifting a finger, or only eating ice cream and cookies.

Americans, it seems, have become fat and happy, and have grown into a nation that demands instant gratification. We tend to indulge and act on a whim to satisfy our urges. So when it comes to losing weight, we want to lose it now! Savvy entrepreneurs and marketers are keenly aware of this urge and have grown the "instant" weight loss market into a \$40 billion plus industry<sup>1</sup>. New products and solutions flood the market promising immediate results. But have you ever tried one of these programs? What kind of results did you achieve? I'm sure for some of you who have tried you received some favorable results, losing maybe 10 or 20 pounds, or maybe even more. But, did it last? Some data suggests that over half of all Americans have pursued a diet in search of the perfect weight, but less than 5% ever experience a magical result. The ones that do lose weight sadly put it right back on because there is no "diet" that one can stay on forever. As soon as they return to their old eating habits, the weight goes right back on.<sup>2</sup>

For those who are truly trying to lose weight and get healthy, most speak with their medical doctors who do not prescribe the latest fad diet, but rather a steady and consistent dose of a healthy diet and exercise. Your doctor may even suggest you work with a nutritionist, a registered dietitian or personal trainer to create your own personal diet and exercise routine. Results of this program may not be immediate but long term results come from long-term changes. The Centers for Disease Control and Prevention seem to agree. According to the agency, the key to achieving and maintaining a healthy lifestyle isn't about making short-term dietary changes. Rather, it is about adopting a lifestyle that includes healthy eating and regular physical activity.<sup>3</sup>

## THE POWER OF PASSIVE FOR YOU

The same can be said of your financial well-being. To be financially “well,” we need to identify those strategies that can help us to achieve our long-term goals with a suitable level of risk, but we also need the discipline to stay invested when the markets become unsettled. Unfortunately for many, it’s very difficult to stay the course and weather the storm in turbulent times. Why? The main answer lies within our basic human DNA. As animals, we are hard-wired to fight or flight. In today’s modern times that instinct tends to show itself as Fear and Greed. In investing, when the markets go down, we get fearful and our basic instinct is to stop the pain and flee. This pushes us to act by selling out of the market. Conversely when markets are doing well, we get confident, our risk appetite grows, and we become greedy. This pushes one to buy into the market. As a result we tend to let our emotions get the better of us and we end up selling low and buying high. This is an investment recipe that might provide short term satisfaction, but it is also a recipe that may be headed for long term disappointment. As many of us have learned from Finance 101, a basic tenet of investing is the opposite, we should be buying low and selling high.

To compound the fear and greed, our desire for instant gratification takes over. When it is time to make a change in investments (every 3 years on average, according to Dalbar, Inc.<sup>4</sup>), most people look at recent returns and want to buy the winners. The problem here is that investing in the best returning stock or mutual fund is equivalent to buying high. Savvy marketers and Wall St. firms are well aware of this fact. They spend millions of dollars playing on your emotions – just like the diet industry. They sell you what you want to hear so you will buy their products. Try flipping through a financial magazine and see if you can find a mutual fund company promoting one of their funds that is not a “Top Performer” over the last 1, 3, 5 or 10 years.

Just like medical science sides with a healthy dose of diet and exercise, financial science sides with a long term, disciplined investment strategy. If you are truly serious about getting your financial health in order, talk to me about creating a disciplined, personal diet and exercise routine for your finances. Once that is in place, I will also help you stay on track and protect you from your emotions through on-going communications and continuous education. Stop chasing the fads and stick to your program through good markets and bad. If you do, you may be rewarded with a stronger, healthier investment in the future.

<sup>1</sup>[www.latestweightloss.com/weightloss/the-diet-industry-and-losing-weight-fast/](http://www.latestweightloss.com/weightloss/the-diet-industry-and-losing-weight-fast/)

<sup>2</sup>[www.naturaldoctor.org/fad-diets](http://www.naturaldoctor.org/fad-diets)

<sup>3</sup>[www.aaafp.org/online/en/home/publications/news/news-now/obesity/20100517fad-diets.html](http://www.aaafp.org/online/en/home/publications/news/news-now/obesity/20100517fad-diets.html)

<sup>4</sup>“Quantitative Analysis of Investor Behavior, 2011,” DALBAR, Inc. [www.dalbar.com](http://www.dalbar.com)

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