



Are You Asking the Right Questions?

By Ric Cochran

I just returned from a few days of meeting with fellow advisors in Scottsdale, Arizona. It was one of the two annual rainy periods which means there were mosquitoes even inside buildings – clever little suckers. And to be clear, it was no picnic, party, or vacation. It involved serious self-examination of our roles with clients. There appears to us to be a fondness in the financial industry for commissioned products with shiny packaging and slick presentations that are easy for representatives to sell and yet, we believe, direct attention away from what may be of utmost importance to consumers. After all, as long as the industry extracts commissions and fees, their needs are arguably met, even if yours are not. Some may call it a good business model as far as the profitability of financial institutions. But I find it disturbing.

Many of you may know we chose a different path from many others in the financial industry, choosing to help clients manage their portfolios based on sound academic planning principles instead of what we see as cleverly packaged gimmicks. But you may wonder why. It's because we care about outcomes manifested in the quality of our client's lives. We see too many people with portfolios carrying too much risk, often earning too little in return for even reasonable risk, or using poor strategies to avoid risk, while asking the wrong questions instead of the right ones. We also see little evidence their advisors asked the right questions when we analyze their portfolios. If you aren't asking the right questions, it should be no surprise when you achieve subpar results.

I recall a client telling me about her daughter and son-in-law buying their first home. My client who had bought and built homes asked a lot of questions. How old is the roof, the heater and air conditioner? Are there any structural problems from shifting soil? What about the elevation? Is

it in a low spot, a flood zone? Have you been out there on a rainy day or at least looked to see where runoff from heavy rain goes? She said the kids were more excited about the superficial and getting approved for financing which diverted their attention from the less obvious critical issues. In the end, there were lots of problems because the kids weren't asking the right questions.

We believe many investors suffer excess losses and unnecessarily low returns because they fail to ask the right questions. Many advisors also apparently fail to ask the right questions which looks to us like the blind leading the blind. Here's a quick test with only a few simple rules. Mark a YES or NO beside each question to see how you stack up. Only mark a YES if you're completely and absolutely sure. Otherwise, if you aren't completely and absolutely sure, or, if you don't understand the question, mark a NO.

1. Do you know your true purpose for money—which is more important than the money itself?
2. Do you fully understand how markets work?
3. Do you fully understand the impact of inflation on your financial viability?
4. Do you fully understand how changing interest rates can affect your portfolio?
5. Have you identified your personal risk tolerance and can you express it in a specific number?
6. Do you know how much your portfolio could lose in a down market, or forego in rising market?
7. Do you know how to mathematically measure the amount of diversification in your portfolio?
8. Have you measured the total cost and impact of commissions and fees in your portfolio?
9. Do you know the Three Warning Signs that you (or your advisor) are speculating and gambling with your money instead of prudently investing it?

continued on back

In this Issue:

- Are You Asking the Right Questions

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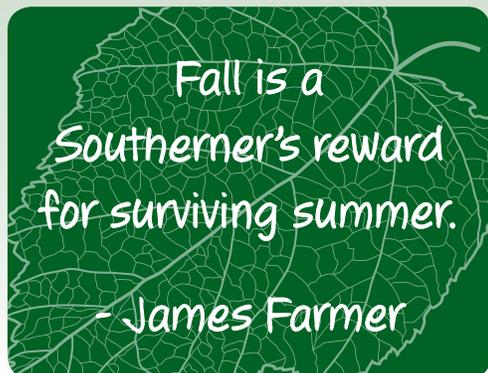
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...the Right Questions *continued*

____ 10. Do you want to be informed enough to avoid being victimized by financial industry gimmicks, or misled by your own emotions during periods of change, without having to keep up with marketing fluctuation?

How many YES answers did you get? _____

The meeting in Scottsdale, I mentioned, was to help clients answer YES, without hesitation, to questions which best indicate to us they're well positioned to face the financial road ahead wherever it leads. It was one of many that Steve, Blake, and I attend on our own dime as we seek to help our clients find the right answers by first asking the right questions. If asking the right questions makes sense to you, give us a call and tell us how many YES answers you marked and what you wish to accomplish with the resources you have while you're here.

On-going Education

Ric was in Scottsdale for a few days in September with fellow advisors and coaches attending meetings led by Mark Matson. The theme was *Mastering the Art of Coaching*. Ric described it as a very intense three days to help advisors and coaches define their focus for the next three years. Steve and Blake will attend similar meetings at a later date. These are not industry paid incentive trips. They're meetings attended by advisors and coaches at their own expense for the sake of learning to be more effective at coaching clients to reach their financial goals, based largely on the work of Nobel Prize winning economists.

In Honor of Election Season

A politician is a fellow who will lay down your life for his country.
- Tex Guinan

If we got one tenth of what was promised to us
in these State of the Union speeches,
there wouldn't be any inducement to go to heaven.
- Will Rogers