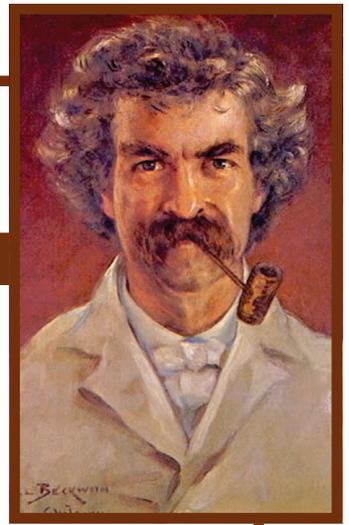


The INVESTMENT LETTER

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Investment Lessons from Samuel Langhorne Clemens

Samuel Langhorne Clemens, better known by his pen name, Mark Twain had an unparalleled way with words. He also had lifelong experiences both earning and losing large sums of money. These guidelines and the lessons he teaches us with his wisdom and wit are applicable even today, and can set you on the right path to becoming a better, more successful investor.

#1 – Invest!

Participate. It's easy to second-guess from the sidelines and offer advice and critiques without any skin in the game. Many of those that bemoan their 'bad luck' in investing or complain that the 'system' is rigged are not actually, themselves, market participants. The first step is to take part, because one cannot become a good investor in theory, only in practice.

"A man who carries a cat by the tail learns something he can learn in no other way."

#2 – Start Early

Compound interest is a powerful tool. Its importance and impact cannot be overstated. Basically, it's the concept of earning interest on money that has already been earned as a return. Think of the effect of a snowball rolling downhill and gaining mass – the longer the hill, the greater the mass.

The best time to have started investing was many, many years ago. However, failing that, there is no better time than the present.

"The secret to getting ahead is getting started."

#3 – Take Advantage of What's Available

Not all employers offer a 401(k) plan. If yours does, take advantage of it. If your employer

matches your contributions, all the better! Otherwise, consider Traditional or Roth IRA's, which also offer certain tax advantages. Try to maximize your contributions wherever possible. If you find you're maxed out in tax advantaged accounts you can then move into taxable accounts.

"Make it a point to do something every day that you don't want to do. This is the golden rule for acquiring the habit of doing your duty without pain."

#4 – Don't Allow Emotion to Dictate Actions

With investing, emotion is the enemy of rational thought. It leads us to make hasty decisions, oftentimes after the worst has already happened. Before making any major financial choices ask yourself what is driving your actions; is it fear and/or greed or well reasoned thought? If you have a difficult time with impulse and emotional control, particularly with regard to money matters, consider working with an advisor who can take the emotion out of it.

"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."

#5 – Learn from Mistakes

It's best to learn from the mistakes of others, but if you absolutely must at least learn from your own mistakes. Countless websites and blogs exist that chronicle mistakes made by investors both large and small. Try to use these to avoid falling into the same traps so many have before.

"I have never let my schooling interfere with my education."

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#6 – Don't Try to Outsmart or Time the Market

Buy and hold investing of quality companies over the long term is the only strategy that has been proven consistently effective over time. Timing the market is impossible to do consistently. Algorithms and computer models are only as good as the data that is input. Often they assume certain patterns, which rarely perpetuate.

Buy and hold does not mean one should not review holdings and allocations regularly. Buying and holding without review can lead one to owning a buggy maker at a time when cars are replacing horse drawn carriages. Technology and innovation need to be kept in mind.

"October: This is one of the particularly dangerous months to invest in stocks. Other dangerous months are July, January, September, April, November, May, March, June, December, August and February."

#7 – Limit Your Exposure to Financial 'News'

Financial news is often just a name for investing-based entertainment shows. These programs are there to inform to be sure, but that goal is a distant second to their true purpose, entertainment. Advice can rarely be gleaned from these programs and contradictory opinions run rampant. Take anything you hear with a grain of salt and consider the source and what (if any) research was put into the recommendation.

"If you don't read the newspaper, you're uninformed. If you read the newspaper, you're mis-informed."

#8 – Know your Limitations

Only invest in securities you understand. If you're a novice investor it may be wise to stick to bread & butter investments for a while. Don't get caught up in foreign exchange markets or options just yet. Basic stocks, bonds and mutual funds or exchange traded funds (ETFs) are a good starting point. You can always explore more complicated investments once you have a firm grasp on the basics. Trying too much too soon can leave a novice investor open to speculative issues and even fraud.

"There are two times in a man's life when he should not speculate: when he can't afford it, and when he can."

#9 – Seek Out Help if Needed

Don't be afraid to ask for help. Whether it's a plumbing project out of control or a portfolio in desperate need of review; sometimes we can get ourselves into deeper trouble than our skill level can handle. Don't be afraid to seek out the help of a trusted professional to help right a portfolio that may be all wrong for you.

In addition to these helpful hints the usual rules of investing still apply. Always diversify; match your allocation to your risk level and keep in mind your goals.

Lastly, while the words of Mark Twain continue to hold true even today, it is best to do as he said, not as he did. While he earned a great amount of money through his literary works he lost quite a bit on speculation in new inventions and unproven technologies. Perhaps it is fitting to also close with a quote from him.

"The lack of money is the root of all evil."

INVESTMENT COUNSEL NEWS

Inside the Office



Did you know that electing to receive your brokerage statements electronically could make you eligible for discounted trading commissions? Contact us for details or to sign up.

Outside the Office



Our former intern, Matt Chema, graduates from Hope College this month. Best of luck in your career, Matt!