

THE

Fraser *Financial* Report

From The Behavior Gap: The Only Investing Secret That Matters

Summarized by Colleen Barker, CFP

I recently had the opportunity to sign up for Carl Richard's weekly newsletter and was entertained by his July 11th, 2013 e-Newsletter. As a financial advisor, we often experience questions from clients regarding our predictions for the future; they seem to believe that we know the 'secret' for picking the next best mutual fund or other investment vehicle.

As Carl mentions in his newsletter, investors believe that "Traders have secret algorithms. Firms have secret strategies. Famous managers have secret investing opportunities."

Carl goes on to discuss how investors' attention can be captured by something classified as a secret and they can even begin to believe that this information carries more weight than public knowledge. To prove this point he quotes a soon to be published study:

"... people apply what we call a 'secrecy heuristic' -- a rule of thumb, in other words -- when evaluating the quality of information related to national security. People rate otherwise identical pieces of information as more accurate, reliable and of higher quality when they are labeled secret rather than public. And people tend to think that national security decisions are wiser and better-reasoned when based on the same information labeled secret rather than public."



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The article explores the idea that despite that fact that we, as investors, know otherwise we still tend to believe that “you need something super-complex and super-secret to succeed as an investor.”

To summarize Carl's final comments, we are aware that a low-cost, diversified portfolio makes sense and we understand that past performance is not an indicator of future performance, and we know it's highly unlikely that we will ever have the financial savvy of Warren Buffett. However, we continue to believe that someone has a secret that they're not sharing with us and we are constantly on a quest to learn this secret.

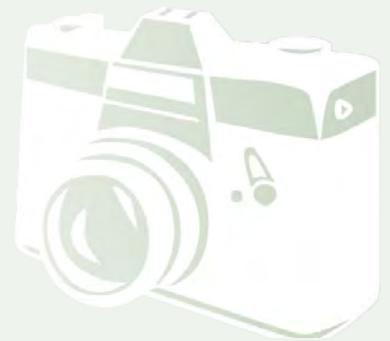
So as Carl says the only secret that you'll ever need to know is: “Investment success is not about skill. It's about BEHAVIOR! Your behavior!”

What will you do with that secret?

I Carl Richards is the Author of “The Behaviour Gap: Simple Ways to Stop Doing Dumb Things with Money” and “World's Best Financial Illustrator with a Sharpie”.

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All entries must be received by Friday, August 30, 2013.

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