



Sigma Summaries

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Resolutions

ˈhab·it

Pronunciation: ˈha-b&t

Function: *noun*

Etymology: Middle English, from Old French, from Latin *habitus* condition, character, from *habEre* to have, hold

7 a : a behavior pattern acquired by frequent repetition or physiologic exposure that shows itself in regularity or increased facility of performance **b** : an acquired mode of behavior that has become nearly or completely involuntary

Source: Merriam Webster Online Dictionary

Did you ever wonder why you were doing what you were doing? Could it be habit? All of us do things without thinking, and, in fact, it has been documented that good habits actually tend to make an individual quite productive. That is, unless the activity manifested by the habit is not a useful activity. Okay, so where am I going with this?

Well, it occurs to me that in our role as investment counselors at Sigma, we may be pursuing client-directed objectives that may or may not be appropriate. If they are appropriate, they may not be necessary. Let me explain a little bit further.

Generally speaking, when clients hire us to manage their assets the general expectation is that we will structure their portfolio in such a way that their investments will produce an income at some point in the future (or maybe even immediately) that will enable them to continue the lifestyle they came to enjoy while gainfully

employed. This is probably the right approach – but what if the client is not enjoying his or her lifestyle, or is not fulfilled?

Think about this generic, simple case study for a moment. A couple comes in and reveals to us the specific details of their financial circumstances (and when they hope to retire). We then advise them that, in order to maintain their lifestyle, they will need to save \$50,000 per year for ten years and they will have to accept a portfolio that is comprised entirely of common stocks. Quite possibly, those two recommendations may be unpalatable to the couple. In fact, they may find that their **overall** well-being is better with having less of an exposure to common stocks and by not having to scrimp and save to make the \$50,000 contribution.

Of more importance, they may find too that their lifestyle is just not that fulfilling. It is not typically our position to tell clients that their

investment objectives are matched perfectly to a lifestyle that is perfectly mismatched to a fulfilling life. But, someone has to do it!

I gave a wealth management presentation in late November 2004 to a group of affluent individuals in concert with a CPA firm and representatives of a “do-it-yourself” stock brokerage firm. My segment of the presentation focused on sensitizing this audience to the notion that they first needed to reconcile their state of mind with their level of satisfaction with their life and life choices, before they determined the necessary cost of maintaining that lifestyle.

I was frustrated by what I perceived to be a message that lacked resonance (blank stares back at me from the audience). Afterwards, I inquired of the other professionals in attendance as to whether my comments lacked substance or clarity, and it was fairly universal that what I had spoken was a proficient message. I ultimately

concluded that the “disconnect” may have been that this particular message was considered “out of place” for this type of presentation. I did not give it much further thought until New Years weekend when I noticed an interesting article that appeared in that Sundays’ (January 2, 2005) Detroit News business section (aptly titled “Money&Life”).

The author was Don Taylor of bankrate.com. He wrote: “To get a picture of the forest, you have got to draw some trees. Take some time at the beginning of 2005 to reflect on what and how you’re doing financially, and how it’s going to help you get what you want out of life. **Think about your life goals.** The trend in financial planning in the new century is to work with people to help them determine what they want out of life, and then establish financial objectives that, if met, will facilitate the clients’ ability to achieve those life goals. Meet with a financial advisor with your life goals in hand and they’ll thank you for giving them a framework to work with to formulate financial objectives that help you reach those goals.”

Well said. So see, I am not alone. Indeed, in the two weeks in which I began assembling “content support” for this letter, I have been nearly shocked by the volume of “sign posts” that I have encountered. For example, in the January 9, 2005 Sunday Detroit News, The Way We Live feature, there was an article that focused on a young

married couple with very modest savings that decided to sell their home and quit their jobs and take a “sabbatical” – an unstructured, time unconstrained driving trip to wherever they wanted to go and for however long they wanted to go – until their finances were exhausted. These were no bohemians. They both had college degrees - he was a self-employed consulting engineer and she was a mid-level manager for Ford Motor Company. The telling quote? “Before the trip, they had a combined six-figure income. They’re making half what they were before, but they say they enjoy their lives more. They drive used cars, a 1997 Mercury Villager and a 2001 Ford F150. They live in a smaller house, a 1900 square foot Cape Cod-style home, in a smaller city, Grand Rapids. And they don’t bother keeping up with the latest fashion trends.”

More content? In this past weeks’ New York Times Book Review section, I noted with some amusement, and you may too, the recurring theme of the “Advice, How-To and Miscellaneous” hardcover best seller list: #1 Your Best Life Now, #2 The Purpose Driven Life, #3 He’s Just Not That Into You, #4 Guinness World Records 2005, and #5 Family First. As an aside, I have read both the number 1 and number 2 on this list and would recommend number 2. The themes of all but the number 4 are focused on fulfillment, either through one’s actions or in relationships with significant others. This does all tie

together, and it ties together in a meaningful way in our chosen profession as investment counselors.

I have experienced this first hand. As a Christian, husband, father, son, brother, business owner and employer, I have struggled with the myriad demands placed on my time over the years. I have been forced to prioritize, which meant that I had to evaluate all of my roles and make sure that I was doing the things that brought the most good to those who were in my circle of life. Put differently, I was forced to give attention to those things that enabled me to achieve some sense of fulfillment. Trust me, I have not yet arrived, but I am much further ahead than where I was just a few years ago.

Assuming that you need no further convincing, the next steps are pretty obvious: arrest the **habit**, reflect, contemplate, and self-assess. Evaluate choices. Make decisions.

The professionals at Sigma Investment Counselors, Inc. can assist in many facets of this exercise. Indeed, we are well trained at constructing investment policies that are designed to accomplish one’s investment objectives and then executing these policies. But, we cannot ensure that achieving these objectives will necessarily lead to a fulfilled life. That part is up to you.

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Great People, Doing Great Things, For Great People: What an uplifting sight to see pictures and videos of U.S. service men and women ferrying relief supplies to the victims of the December 26, 2004 tsunami victims.

Your financial situation and investment objectives should be reviewed periodically to ensure applicability to your current situation. Please remember to contact Sigma Investment Counselors if there are any changes.

