

summaries



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FROM “THE MARATHON OF MOOLAH” TO MEMORABLE MUSINGS!

Our hats are off to our 2023 summer intern, Ella Gardner, who wrote last month’s Sigma Summaries, “The Marathon of Moolah.” In it, she documented her learning experiences at Sigma as well as her personal quest to run a marathon. She is a gifted student athlete, was a delight to have around and proved one of our better interns (we currently have on staff, four former interns!). Good luck, Ella, in your upcoming semester!

The fall “back to school” ritual prompted me to contemplate the lessons I have learned – and will share here - over the first four decades of my career. In order of importance:

1. Don’t Lose Sight of the Big Picture

Rudyard Kipling, the poet, once wrote:
*If you can keep your head when all about you
Are losing theirs and blaming it on you;
If you can trust yourself when all men doubt you,
But make allowance for their doubting too;*

And so on, but these lines capture the essence of what is required to excel in our profession of providing counsel on wealth accumulation. The surge and siege of emotion when unusual circumstances present, can be debilitating. Good judgment can be impaired in those extreme

moments. Thus, we are constitutionally consigned to arrest our own emotions as we conduct our daily tone. Clearly, this is easier said than done.

There is another meme in our profession, embraced by many, that admonishes that One is often better situated to be wrong in good company than to be correct in isolation. Looking back, I can confidently report that during plentiful phases of tumult (the stock market “crash” of 1987, the 1997-98 Thai bhat currency crisis, the “dot.com” bubble collapse of 1999, the Great Financial Recession of 2008, the Covid Pandemic and the Russian war on Ukraine) we at Sigma maintained faithfulness to our obligations and never once “lost our head” and reacted with the mass sales of securities. We are proud of our history of professional execution. It lends fealty to our brand of “Thoughtful Investing” - our byline.

2. Know What You Know and What you Don’t Know

Several years ago, during one of those typical Michigan heat waves, one of our air conditioners failed. As the son of an inveterate “Do it yourselfer” I thought I would first take a stab at fixing the problem, particularly if it proved to be something simple such as a blown fuse on the

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outdoor AC panel. I threw the “Mains” on both of the electrical panels in the basement and then went out to test the fuse with a voltage detector. To my dismay and surprise, I got a shock. Recognizing that I was working with potentially fatal 220 amps, I decided to sideline my effort and call the professionals. When Willie showed up at my door, I advised him of the shock I received even though I had switched the Main Power switch to off on both circuit boxes, he paused and then delicately advised that I had THREE mains, not two! I could have been killed. I did not know what I did not know. This is a metaphor for structuring an investment portfolio with products that may not be well understood. The industry is rife with history of investments that failed due to design flaws that both the creators, and users, never anticipated.

3. Don't Crash the Plane

We often tell our prospective clients that, in many respects, we are the captains of their “financial” airplanes. We endeavor to provide a journey that includes an efficient takeoff, a smooth ride and a successful landing. It is truly a “cradle to grave” endeavor. For each client, we have to have a clear understanding of the safety features of their plane, the destination, the duration of the journey, proper fuel, speed limits, altitude limits and tolerable turbulence levels. We are constantly monitoring the “dash board” and gauges, consulting

sensors mounted to the plane, and trusting our eyes when surveilling the horizon. When all goes right, the desired outcome is achieved. Errors and unforeseen disturbances can crash the plane! We do all in our power to identify risks, execute the flight plan with precision and dutifully execute on the mission with an eye to safe passage of the vessel and its occupants. Thus, a successful retirement, as the most common mission.

4. Financial Parenting

While it may come across as condescending, I recently had a meeting with a middle-aged new client wherein, after an hour or so of dialogue, he said “Bob, we need financial parenting.” It was quite an eye-opener but it reminded me that wealth planning is not just about getting only a few things right. It is about acquiring an education with attendant skills that provide the means for a desired lifestyle. It is about establishing goals and objectives, constantly refining them, budgeting to achieve them, and investing to facilitate the required outcome. The nuances of myriad tax laws, the plethora of investment vehicles – some of which are outright harmful to financial health such as indexed annuities - can be maddening, if not outright frightening. It helps to have someone along who has been there to guide along.

Robert M. Bilkie, Jr., CFA.

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