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No Unimportant Steps

The great American mountaineer David Breashears said that near the top of Mount Everest there are no unimportant steps. A single wrong step at 29,000 feet can and has sent climbers plunging several miles straight down. While not as dramatic, a single misstep in managing your personal finances and investments can be quite damaging. Many Americans mistake activity for results and complexity for thought. Studies, including those by financial consulting firm Dalbar, consistently show that investors routinely give up half or more of their potential returns because of too much activity. The recent attention given to hyperactive, split second trading only magnifies the problem. Active trading and haphazard accumulation of positions with little attention to overall goals badly damages many portfolios. Instead investors should give great care to each step to minimize the chances of a mishap. The route to success is lined with thought and care, not manic effort and trial and error. With the beginnings of a market selloff last week, many people are tempted to join the panic. Setting a good strategy and keeping to it rather than reacting to each new bit of news works better for most people. Holding tight can be difficult, but often it's the best strategy.

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About Larry Luxenberg

Larry is a Chartered Financial Analyst with 28 years experience as an institutional investor and financial consultant. Larry specializes in retirement planning for Baby Boomers and strategies for maximizing benefits for Social Security. He has been widely quoted in newspapers and magazines and has appeared on CNBC and other television and radio programs.