

The Secret of Successful Investing

Getting what you ask for

A retired Montana clothier named Johnny tells this story about a rancher who always demanded the very best. One day the rancher came into Johnny's store and insisted on buying a \$100 pair of boots—which was rather extravagant in those days. So Johnny showed him three of his best pairs, but the most expensive was only \$89.95. The rancher rejected all three, insisting that he wanted nothing less than a \$100 pair of boots. Now a bit exasperated, Johnny went back into the stockroom, only to find one more pair marked \$89.95. After thinking twice before returning, he replaced the \$89.95 tag with one marked \$100. Low and behold, the rancher loved this pair. He peeled off a \$100 bill for Johnny and left the store as happy as can be.

The moral of this story is that if you insist on buying the ridiculous, someone will no doubt sell it to you. This is particularly true regarding investments. Most people would like to buy investments that go up in value constantly, double in value quickly, and require no fees, expenses, or taxes. Such investments are often touted using such labels as “can't miss,” “extraordinary,” “unbelievable,” or “a secret of the wealthy.”

Fortunately, or perhaps unfortunately, there are always some gurus of investment who are just so goodhearted that they are willing to stop raking in their easy profits just long enough to tell us about their secret. And they do have a secret. The secret is that their big profits come from telling and selling gullible people like you and me their so-called secrets.

Somebody profits but not you

Think about it. If it were so easy to amass wealth through some can't-miss, extraordinary, unbelievable secret, why would any investment guru stop long enough to tell us about it? Well, because until we know about it, the guru would have nothing to sell.

Sometimes gurus profit from selling their so-called secrets and sometimes they profit from selling the investment itself. They profit from selling their secrets through their books, talks, tapes, and videos. They profit from sell-



ing the investment itself through their sales or broker fees. They also frequently profit from selling their own personal inventory of the investment. Of course, the sale price they receive has been greatly inflated by their own extensive marketing efforts.

Better than guru advice

Despite the dangers of false gurus, now is a period in our history when all of us need to invest more, not less. Whether we like it or not, investing has become a major component of modern economic life. Income from wages and salaries can take us only so far. We need investing to help supplement our incomes, establish home ownership, build financial security, and provide for our retirement years.

Like tenant farmers, we can never own the land we work unless we invest in it. So too, we can never own and profit from the stuff of our economy unless we invest it. This means we need to invest in the ownership of things that grow with the economy. The stock market is the locus of buying and selling such things—including stocks in particular which represent ownership in the stuff of this nation and much of the world.

Ownership is the key

Gurus aside, there are few undisclosed secrets about investing. The economy is a roller coaster. It goes up and down, but always and inevitably forward. Successful investing means going along for the ride, while investing broadly and long-term in the equity underpinning the economy.

Many experts believe that stock index funds do this best for average investors. By saving regularly and investing regularly in these and other investments, you too will be able to claim your rightful share in the ownership, growth, and rewards of the economy. In addition to working hard and saving regularly, the biggest secret of getting ahead is investing in ownership. This is the secret we all need to know, and in fact it's the one many of our parents practiced and preached.

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