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## Saturdays with Jim: Financial Wisdom for the Asking?

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### Saturdays with Jim

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Think of someone you regard as wise. What are that person's characteristics? More than likely, the qualities of this wise person add up to putting reason, experience, principles and knowledge in the service of a worthy cause. Let's suggest that financial wisdom is acquired by the patient application of experience, knowledge, reflection and boundless curiosity while preventing the emotions from premature action. Just how do you go about being financially wise?

#### **Option 1: Experience Unrefined by Study**

If you make enough mistakes, lose enough money, you will eventually become financially wise or a financial cripple. Jumping into the fray with a brand new trading account at the broker of your choice, while promising yourself to read the copious training material the site offers, is your most direct road to financial ruin.

Equally nihilistic, but for different reasons, is the "head in the sand" strategy of putting everything in the bank, of "investing" in nothing but ultra-safe guaranteed (by whom?) investments. Why is being "ultra safe" nihilistic? It may not lead to ruin in the pure sense, but returns are so low in guaranteed accounts as to make them capable of meeting the financial needs of the very rich alone. Most people need their money to work harder for them than bank accounts will.

#### **Option 2: Recognize That You Are Preoccupied With Other Matters**

Recognize that you are preoccupied with other matters than financial wisdom. Hire a financial professional to work for you; we won't complain. Option 2 sounds reasonable, but for success it requires pure luck at finding the right person for you or, alternatively, being able to differentiate among the mass of confusing titles, qualifications, remuneration streams and abilities. Fortunately, there is abundant material on the Internet and in magazines to help match you with a competent financial professional to serve you well. Where is a good place to start? The FINRA and Certified Financial Planner web sites.

#### **Option 3: If You Must Do It Yourself**

You can subscribe to a newsletter. But wait a minute. How will you know the newsletter is helping or hindering you? Does it publish a verifiable track record? You can find the track records of many popular newsletters in the Hulbert Financial Digest. Be warned; Mark Hulbert notes that most newsletters do not

exceed the performance of the S&P 500 Index. This in itself is not a severe ding. Maybe the letters in question have less volatility than does the vaunted S&P 500 Index. But be forewarned! Newsletters are masters at self-promotion. They know how to entice your "get rich quick" emotions.

#### **Option 4: Truly Do It Yourself?**

How long does it take to be "wise"? Seriously, will it take you years to truly understand investing and yourself, to keep your emotions at bay long enough to learn how to invest? It probably will... if you don't give up in the process.

#### **Tried and True**

Working hand in hand with a solid investment professional who shares her/his general methodology with clients is probably the best way to become financially wise. Did you get your college degree without proper tutelage? Of course not. Proper tutelage in the case of investing and financial acumen need not come from a professor or an advisor, but those are good places to start. Just remember that the field is NOT a science. Investing is more of an art, as the same action repeated twice may have different results. (This is the definition of insanity, right?). It's true. Investing is extremely time dependent. The same action (buying xyz stock at \$35) repeated twice at different times will have different outcomes, in all likelihood.

How do you find your "right" advisor? There is no substitute for curiosity to help you find the best advisor for you. Ask, ask, ask, and pose questions until you are exhausted of them. Your goal? To find someone who tunes in to your particular risk tolerance and who works with clients of your age and financial wherewithal. It's almost that simple.

And what about financial wisdom? Remember, "If you build it, they will come." Start building your financial house one question at a time. You'll find that the answers will come.

Thank you for investing with us.

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