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Saturdays with Jim: Not a Highway, But a Hologram

Saturdays with Jim

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It's in the DNA of financial planners to use client goals as the basic building block of their work. The goal represents the destination, planner recommendations the means to get there, or the highway. Does the goal setting and recommendation process work in practice? Is goal setting a real life, useful exercise for most people? The bottom line: Are the inputs to recommendations so full of unverifiable assumptions (such as projections about future interest rates, economic conditions, market prices, client health...ad infinitum) so as to be nothing more than behavior modifiers and motivators? Maybe there is a better way.

Let's take as a given that goals, even such simple ones as "have X dollars in income at retirement in Y year" are not the way most people approach life. Let's further believe that in a gazillion years from now we cannot know conditions and thus can't begin to project today onto tomorrow. What's the alternative to a process that planners love and clients struggle with?

Maybe Steven Covey and others who have looked at more mundane day to day behavior that form habits have a more compelling contribution to what we can call retirement planning. Let's accept that much of our behavior is both learned and habitual. A habit, really, is nothing more than repetitive behavior. To get to behavior we need to start at attitudes. We'll skip the progenitor of values, because supposedly values are firmly entrenched in our psyches and are not as malleable as are attitudes and behavior.

Let's look at an attitude - "My decisions can make a huge difference in the kind of life I can have." Once you really internalize such an attitude, you can focus on the decisions you need to make to realize some desired state. Sure, the desired state could be a goal, but more important are the decisions needed to start you moving in the direction you need to go and the behavior needed to sustain your move. Rather than just talk about behavior in the abstract, let's use habits as our basic way to achieve what we want.

If you want to be strong and have a muscled body, doesn't it follow that you would decide to do strength training? Doesn't it also follow that you need to build the habits necessary to make your strength training a success - a gym routine, plenty of sleep and a healthy diet? Wouldn't you also study strength training methods to arrive at the best method for you? So why don't we apply the forming of healthy money habits in the same way we apply the search for strength via strength training? We can.

There are some incredibly simple habits you can adopt, if you already haven't, to build a healthy and strong money life. Once you incorporate these into your life, then something in you will change to actually WANT to understand your end game better, your goal.

- Spend less than you make
- Invest at least 10% of what you make
- Identify major risks to your financial health and cover them with avoidance, cash or insurance
- Pay yourself first - don't wait until all of the bills are paid
- Buy what you need, not what you want
- Use "want indulgence" as a special treat
- Always keep some money around for emergencies
- If you must use a credit card, ALWAYS know your balance
- Treat credit card charges just as you would cash out of your pocket
- Prepare a statement of what you own and what you owe once a year
- Measure progress
- Be happy with starting small if that is the only way you can
- Oaks grow from acorns given time
- Invest wisely, with someone you trust and respect
- Always push the envelope of your dreams - the result will spill onto the rest of your life
- Match dreams with reality-bringing action

Surely you can add more to this list. Success in anything is a function of native ability, training and just hard work and commitment.

Will we ask you for goals? No, but we will ask you to build healthy financial habits. Once those are in place, the goals will just fit like the last piece of a puzzle. And the highway becomes a hologram.

Thank you for investing with us.

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