

## Live Fully

2008 was a great year. A great year for character building, for perspective, for prioritization and for wisdom. 2008 helped us to remember what is really important in our lives.

Thomas Jefferson wrote that the “the pursuit of happiness” has to do with an internal journey to know ourselves and an external journey of selfless service to others. It is a journey through which we discover what we are truly called to do and be. In the end, what we really care about is much deeper than financial wealth. The desire for meaning and genuine connection will always transcend wealth.

Finding meaning in the financial crisis is much easier said than done. However, our most introspective times come when we are facing adversity or formidable challenges. It is during these challenging times when our desire for meaning, that is, our authentic commitment to meaningful values and goals, comes into sharp focus and we are prompted to make key choices about what really matters to us in our lives. For most of us, what really matters is family, friends, faith, and using our time and talents to make a difference in the lives of others and our community.

From this perspective, wealth is only significant to the extent it allows you to enjoy what is important to you. And not worrying about your finances is critical to having a life that excites you, nurtures those you love, and fulfills your highest aspirations. At this point you are probably thinking – that sounds great but how do you live fully and not worry about your finances during a financial crisis? It all comes back to Confidence.

Confidence is based on your attitude and beliefs. When you truly believe in something you have confidence in it. By identifying what you have faith in, you obtain the ability to overcome fear and stay in motion. Confidence is the ability to transform these fears into focused thinking and action.

When it comes to investing, in order to have confidence you must have faith in the future. Subconsciously, there is a constant battle between faith in the future and fear of the future. Someone who is fundamentally afraid of the future will never make a good investor. When there is a market decline, this will confirm their primal pessimistic biases and they will panic and get out at the worst possible time.

Faith in the future is the belief in human progress and worldwide growth. This is not blind faith but a belief based on the long term history and facts. Stop for a minute and really reflect on the medical/scientific, technological and economic/financial progress that has happened just during your lifetime. Imagine the possibilities.

Combining your faith in the future with an optimistic attitude can be a true form of empowerment. While we may not be totally free from the various conditions or situations that confront us, we always can choose how we respond to them. This means more than having the audacity of hope – for hope, by itself, is not a strategy. Importantly, it requires that we assume personal responsibility for exercising this ultimate freedom by taking action, through a positive vision of the future focused on the power of intention or purpose, rather than resorting to a “poor me” attitude and a “victim” mentality.

As Scott Peck said in his book *The Road Less Traveled* – “Life is difficult. This is a great truth, one of the greatest truths. It is a great truth because once we truly see this truth, we transcend it. Once we know that life is difficult – then life is no longer difficult. Because once it is accepted, the fact that life is difficult no longer matters. Once we align our expectations and accept the reality that life, by nature, is both unpredictable and challenging, we remove much of the frustration we live with day to day. In fact we can then find satisfaction – even joy – in facing the unknown and overcoming challenges”.

Just as life is difficult, equities can be volatile in the short run. Once you accept that and align your expectations accordingly you can learn to embrace volatility. The reason stocks pay more than bonds and cash is because they are more volatile. This is what is called the equity risk premium. The reason behind this premium stems from the risk-return tradeoff, in which a higher rate of return is required to entice investors to take on riskier investments. The risk-free rate in the market is often quoted as the rate on longer-term government bonds, which are considered risk free because of the low chance that the government will default on its loans. This equity risk premium is the efficient market's way of demanding an appropriate return for the extreme unpredictability of equity returns from one period to the next. Why else would anyone bother investing any of their money in equities? Think of the volatility as ambiguity and you get rewarded for your ability to tolerate this ambiguity.

It's relatively easy to prescribe an investment plan that is likely to work well if it is followed diligently. The hard part is keeping yourself from derailing your own plans. There's no way to get around one very basic truth about investing: the way to make money is to buy low and sell high. But our emotions, by trying to bring us comfort, work against us, and try to persuade us to do the opposite. Throughout your life as an investor, you will be goaded by the media, which will do its best to keep stimulating you with entertainment that's carefully disguised to look like insight and advice. The primary goal of the investment industry is to get you to change whatever you are doing. That is how Wall Street makes money. You need to be a good defensive investor and must watch out for three things: your own emotions, the manipulations of Wall Street, and the misleading media.

Of course we are disappointed with the current state of affairs but we are not discouraged. Many investors, especially inexperienced ones, spend far too much time and energy trying to forecast what essentially cannot be forecasted: short term performance. Bear markets are normal. They happen about once every five years. The world does not end; it only appears to be from time to time. Look at all of the past crises we have survived. This time is never different. We may bend but we never break and when we recover we are more resilient and entrepreneurial than ever before. We can extrapolate the current crisis to the direst of consequences but what we need to do is focus on what is probable not what might be possible. Progress is not linear, but exponential. The advance is permanent; the declines are temporary.

If we think too anxiously about the future, we can forget to enjoy the present. To the extent possible we ask you to stop worrying about the market and economy – there is nothing you can do about it. Focus on what you can control. It is easy during stressful times to forget about what really matters in our lives. Now would be a good time to stop and smell the roses. Do you remember the old saying “Treasure every moment that you have. Yesterday is history. Tomorrow is a mystery. Today is a gift. That's why it's called the present.” As we grow older, it is not the things we did that we often regret, but the things we didn't do. Live confidently. Live Fully. Live Purposefully.