

WHAT I HAVE LEARNED FROM HORSES TO BE A BETTER

INVESTOR
&
THE WESTERN CULTURE OF INVESTING

A new approach to understanding the investing process

Breaking/starting a horse
or simply becoming a better
rider

Investing for success

Ground work, lunge, Ferrier, vet work, grooming, leading, trailer loading, halter, catching the horse (3 – 4 years before you get to ride.)	Set a realistic goal of five years and start small, with a monthly investment plan that fits your budget. A mutual fund can be started with \$25.00 a month.
Get the colt used to a blanket/pad, light saddle, then a heavy saddle-touching, rubbing all the parts of the horse to build trust.	Choose a large cap, dividend paying, blue chip mutual fund with securities in the portfolio that you are familiar with. Tim Horton's, banks, oil companies... you will literally see your money at work.
Bridle, start/stop routines, turning, step back drills.	Find a financial advisor that will take the time to work with you, mentoring you through the process. They should commit to a minimum of five years to work with you.
Run soft ropes all over the horse to simulate the pressure of the cinch. This is one of the steps in becoming one with the horse.	Take courses at the local community colleges, read books, subscribe to the Globe & Mail. Develop strong links in developing your investment chain of knowledge. Invest in yourself and this will pay big dividends in the future.

<p>Keep adding links to the colt’s chain of knowledge. Learning an important skill cannot be rushed. From the field to the arena of life, takes time and patience.</p>	<p>Develop a circle of friends that are successful investors; read about the greatest investors in the world like Warren Buffet.</p>
<p>All these steps fitting together in the proper order before.....</p>	<p>Be realistic about investing. Your portfolio will shrink from time to time. This is normal. Don’t panic, buy more and stay focused on your long term goal. Your long term success will be measured more by the obstacles that you overcome than the money you make.</p>
<p>.....putting the saddle on and riding the horse.</p>	<p>Once you have mastered the basics, you will now be ready to start doing some serious investing and ‘ride’ off in the financial sunset of life with confidence.</p>
<p>If the training is done in the proper order, all the horse has to focus on now is this 100 kg rider climbing onto his/her back. It is now much easier to focus on just one new link in the learning chain. Don’t become a victim of TMI (Too Much Information.)</p>	<p>When your investment portfolio starts having some serious \$000,000 in play, you will benefit by your early training when you lose only a few \$000. It’s called experience and we all must pay our dues.</p>
<p>When a horse reaches the end of their chain of knowledge, they get frustrated. They will either ‘fight’ or ‘flight’. Neither option is productive. Be aware when they “stop learning.”</p>	<p>When humans reach the end of their chain of knowledge, they too get frustrated, angry, force a ‘solution’, abandon or become resigned to the situation. Instead, we can step back, learn more and restart the process. Don’t become a victim of TMI (Too Much Information.)</p>
<p>Emotional support – life is not always a bowl of cherries, sometimes it’s the pits. Horses are a great support system and are therapeutic. Some of my most rewarding experiences are to walk out into the herd at sunset, be with the horses, walk, talk and just be with them, ever mindful that I am with a herd that can bolt at any time for any reason but we are one together for that moment.</p>	<p>You will have your down days, literally with the markets and emotionally. Develop a positive support system that will get you through the tough days of investing.</p>

<p>Adding a new horse to the herd – quarantine the newbie to minimize the spread of disease. Introduce the new horse into the herd slowly and selectively. Allow the new horse to work their way through the pecking order.</p>	<p>Adding a new investment into your portfolio – does it fit? If the risk is much higher, observe and monitor the new investment to see how it performs. Give the investment time to work itself through the pecking order of your portfolio.</p>
<p>Be with your horse, not just on your horse. The horse is always ‘riding’, are you?</p>	<p>Be aware of your total financial situation: debt, income, taxes, investments etc. They are all interconnected. World events are always unfolding and will directly and indirectly affect your financial well being. Are you with the markets or just letting the markets move you?</p>
<p>Lack of knowledge about riding or lack of commitment – you can always use a coach to learn more but commitment must come from you.</p>	<p>Same with investing – working with a competent advisor will add \$ to your portfolio. However, you still need to be committed. So don’t be surprised if the markets do not deliver as you expect, if you lack the knowledge or commitment to play this game.</p>
<p>It takes 10,000 hours to perfect a skill. If you do not have the hours in the saddle now to be proficient, hang around riders that do.</p>	<p>The same goes for investing. I have a minimum of 65,600 hours learning the art of financial/retirement planning and I still do not have it perfected. Don’t sweat it; learning is a lifelong never ending journey.</p>
<p>Going with the flow. Often, mostly out of habit, a horse will raise his head, and back off when you are putting on the bridle. Try this, go with the horse following his head and stepping forward instead of stepping back or getting out of his way. The same if the horse steps forward into you, go with the horse’s movement, place the bridle using a circular motion each time the horse avoids you. This technique is less stressful for the horse and the rider.</p>	<p>The same goes with the markets. Be in sync with the markets. When the market dips, buy... and back off when the market peaks. A more disciplined approach is to automate your purchases using the Dollar Cost Averaging strategy. When you combine the two strategies, wait and see plus DCA, you then have a winning combination. This investing style offers more excitement and pleasure and less stress.</p>

<p>Riding your horse – What is good for the horse and rider is to start with the walk, trot, canter and then gallop.</p>	<p>‘Riding’ the market – A rookie investor would be wise to start small, gain some experience and knowledge then move into the big league of investing. “Betting the farm” when you are just starting may not be the best strategy.</p>
<p>What kind of horse trainer do you have? The trainer should be skilled to deal with the rider and the horse. What credentials do they have? Have you checked their references?</p>	<p>A financial coach should understand and respect your investment values. If the coach has a high risk, buy/sell, buy/sell style and you are medium risk with more of a buy & hold style, this relationship may not work.</p>
<p>I am told that a horse is the most dangerous domesticated animal associated with mankind. Why? Because they are unpredictable and they spook easy. This is very good to know.</p>	<p>After being of service to my clients for over 41 years, I know that there are some very dangerous people and products in the market place. This is also a good thing to know. So the next time you hear about an investment or product that is just “too good to be true” maybe it is.</p>
<p><u>Trust, with you and your horse!</u> Do I like you? Do I trust you or are you trustworthy in my eyes? Do I think you are competent to handle me? Do I think you are looking out for my best interests?</p>	<p>I rest my case, the relationship between the client and the advisor can be no different.</p>
<p>Horses have been a part of our lives for over 5,000 years where we joined together on the steppes of the Ukraine. They have been willing and unwilling partners in making our civilizations what they are today. You might say that horses were to first players to substantially improve on the speed of communications over 1,000 years ago with ‘Pony Express’ style of communications between generals in the battlefield.</p>	<p>Investing as we know it today, largely because of the power of the computer has been a part of our lives for less than 50 years. 75% of the USA market trades are done by “Flash Trading”. The power brokers on Wall Street trade stocks in micro seconds. This is one of the reasons why there is a growing amount of volatility in the market.</p>

<p>Flight & fright – horses are prey animals not predators. When they are frightened, they will bolt and run, but not far. They will then stop, and face the threat, think about it and may even start walking back to the threat. Like, “what was that all about?”</p>	<p>The stock market crash of 2008/08. A very scary time. Some people bolted and ran very far away, too far away. Some did not re-enter the market until 2011 and some have still not come back. Too bad, because the market as of April 2011 is up over 50% from the lows of March 2009. It’s good to be scared but don’t run too far.</p>
<p>Can you have an unlucky day with your horse? Yes, because there are too many variables out of your control; weather, a barking dog, a moose on the trail, the horses mood that day. Proper planning goes a long way to reduce the chance of injury in a wreck.</p>	<p>I try not to rely on good or bad luck in the stock market. Information and or a seasoned advisor is your friend. Be aware of the macro/micro issues affecting your investment and keep your good/bad luck investments to a minimum. Better to plan for success than hope for it.</p>
<p>Is your horse carrying too much weight? The British cavalry states that a horse can carry 20% of its body weight comfortably for long distances at a fair rate of speed. This includes the rider, saddle etc. Using this formula, a 1000 lb. horse can carry 200 lbs.</p>	<p>Is your investment carrying too much ‘weight’? By weight I mean fees. For every \$ you spend on fees, it takes away \$ in returns. Make sure you are aware of the ‘all in costs’ of investing with any type of investment. Your profit is what is left after taxes and fees.</p>
<p>No animal or human learns well under stress. The only difference between horses and humans is the reaction we get when the teaching method breaks down. Horses can’t yell at us when stressed so they resort to a physical response. It’s called a wreck or injury.</p>	<p>Investing under stressful conditions is equally dangerous. It can cause investors to bolt for the door, sell low after buying high. Missed opportunities. Educate yourself about the reality of the market conditions. Make the dips your friend and profit from them. Get out of the “stress zone.”</p>
<p>Create a positive learning environment for the horse and rider. The journey from rookie rider/horse to seasoned rider and mount should be a pleasant experience with the occasional bump on the road.</p>	<p>Imagine the excitement of being familiar with the VIX volatility index and using it to “buy the dips” in the market. Keeping cash on hand to capitalize on market downturns. Being the victor instead of the victim and investing outside of the “stress zone.”</p>

<p>Horses are learning all the time. If an inexperienced rider teaches improper skills, the horse will learn the wrong way. The horse has no concept of right or wrong. It is essential for you the rider and the horse to work with an experienced trainer that will start you off on the right hoof.</p>	<p>Humans are also learning all the time. There is no shortage of information about investing; internet, books, seminars, CD's etc. It is up to you to either find a trusted advisor or find the right way of investing that meets your needs and not the "flavour of the day" investment.</p>
<p>All horse speak the same language regardless of what country they come from. This is comforting to know that your horse just speaks "horse". So how do we speak horse? Use fewer words and more body language. Ensure that the body language you are using is getting the results you want. Understand that you are always "speaking" to your horse and the horse knows this better than you do.</p>	<p>Oh my gosh! If the investor only had to learn another language to be a good investor, that would be easy. The investment world has its own language. I believe they are intentionally vague and complex in using their language to "communicate" with us. I own six different dictionaries on investment terms and even then, I am challenged to find the meaning of a word that the financial engineers of wall/bay street use from time to time. So what do you do? When they use a complex term to explain something to you, stop them dead in their tracks and ask them to explain that term in simple language.</p>
<p>Are your skills in line with your goals? If not, work with a trainer, concentrate on the small things and keep going back to the basics of horsemanship. If you do not, how are you going to move to the next stage of learning?</p>	<p>Mutual Funds are an effective way for the average investor to invest. There are over 12,000 funds available in Canada. Each fund has a team of analysts'. Using PalTrak – Morningstar.ca, you can find the one fund out of 12,000 that meets your investment criteria in less than one minute. I have been using this software program very effectively since 1988. Make sure your investment is in line with your goals.</p>

<p>Theory vs. practice – “The best way to ride a horse is to get up there and get thrown a couple of times, that’s the difference between theory & practice.” Dean Wilkinson (I believe that Dean meant figuratively not literally)</p>	<p>Investing is no different. If you have never suffered a loss then you’ve only bought GIC’s and in today’s market, you are losing with growth, taxes and inflation. Losing is part of learning, but do keep the number of losses under control.</p>
<p>How best do you learn? Clinics, seminars, reading, training CD’s/DVD’s, one on one with a trainer, experiential, workshops, and observation. Whatever the method, it is essential that if you want to be a better rider, learning with your horse is part of the process. Owning a horse for 20 years without furthering your education will not make you a better rider.</p>	<p>Learning how to become a more confident investor can be as simple as subscribing to the Globe & Mail, an investment newsletter, attending workshops offered in your community, reading about how Warren Buffet made his Billions. Commit to one hour a month about how to invest more effectively and the return on investment will be substantial. Surround yourself with successful people and you will become one of them.</p>
<p>80%/20% - emotion vs. logic. 80% of decision making by humans is done emotionally and 20% is done by logic. I do not know how a horse responds. All I know is that I better be in my logical mind when dealing with my horse or we are going to have a wreck.</p>	<p>Investing is definitely an emotional experience. We are driven, lead, motivated by greed, coerced, manipulated, and inspired to chase the all mighty \$ for higher profits. However, we need to keep focused on the 20% of the logical decision making process so that our long term goals do not also become a wreck.</p>
<p>The 70-30 principle according to Vicki Halsey – The horse should do 70% of the learning and be centre stage. Therefore, horses should spend 70% of their time practicing, and 30% of their time being taught.</p>	<p>In a client/advisor relationship, the client should be centre stage. The client should spend 70% of their time practicing the art and science of investing and 30% of their time being taught. (being ‘taught’ can come in many forms)</p>

<p>This is a true story from Smoky Lake AB - A farmer in our region buys his first car in the early 1920's. He takes his family out for their first ride in this "new fangled vehicle." Driving down the road he approaches an 'intersection'. He yells out Whoa! Whoa! Of course the car does not stop and he ends up in his neighbour's field. The moral of the story is "it takes more than just embracing change in life to be successful."</p>	<p>Based on the financial engineering of the Wall Street & Bay Street wizards of the world during the 2008/09 crash, one has to be very careful of where one invests in today's world. The financial power brokers of the world on a regular basis 'manufacture' new financial products for us to buy. Be very careful if you choose to buy into this program. The moral of this story is embracing change and investing in new products is OK, but make sure you understand what you are really buying. You cannot tell the market to "Whoa" when starts to crash.</p>
<p>Train & retrain, back to basics – Good riders and new riders can learn bad habits. When left unchecked, bad habits become entrenched. Once you have taught your horse five to ten new skills, go back to the basics to reinforce them. Train & retrain.</p>	<p>At Taylor Financial Group, we follow a very disciplined Six Step Critical Path Process to ensure that you will be on time, on target and on budget with your financial planning needs. We have a Quality Assurance Program in place to ensure that you are kept on track. All that is required is for you to show up for the meetings to keep the process flowing.</p>
<p>Are you getting results with your horse but don't know why or how you are getting them? As a novice rider, I often wonder why I do get some results with my actions but in other times, I do not get any results.....Why? I need to learn/listen more from my horse/trainer. Do you keep a training log? What has your horse learned today and what did you learn?</p>	<p>In a good stock market rise, almost anyone can make money. It is in the down market that your metal is truly tested. Do you know how you made the easy money? And do you know how you lost the hard money? A trusted & seasoned financial advisor can help you through this process. At Taylor Financial Group, we develop an entry & exit strategy. It is all about having a plan.</p>

One of the reasons a horse bucks when they are being started/broken, is that they are overwhelmed by the number of things they must learn. (TMI). The first three or four years of their lives, they are allowed to play in the field with the other horses and now they are being asked to go to work. They are overwhelmed with unfamiliar knowledge. The challenge is to allow the horse to feel comfortable, allowing some of their decision-making to be passed on to the rider. This takes confidence and trust of both parties.

Investors face the same challenge. With poor training, buying when the market is high and then panic selling when the market crashes, is no way to make money. Investors that have this experience are like the horse that bucks all the time because they are presented with far too many options, must make decisions and do not have the confidence to stay in the game. Remember, TMI.

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