Getting There

Wenzel Analytics Inc

Most of us are preoccupied with many daily tasks and concerns. Thinking about our financial situation thirty years into the future is something we might worry about occasionally, but is not something we have a lot of time or motivation to research and plan. The assumption is that if we take care of each day as it happens, the future will work out. Of course that is true if we are planning, which is present activity, and then getting on board. Planning is in contrast to worry, which is merely the mind spinning in neutral, not leading to any activity.

Most wealth does not come from working for a living. Not that working for a living is not important, or even important for financial solvency. But the fact is that most wealth comes from wealth. Your financial status ten or thirty years in the future will probably have more to do with how you have invested your assets (and managed your lifestyle) than with your annual income.

The less certain we are about our financial future, the more worried we become about any drop in the value of current assets. Yet, it is the nature of markets to go up and down. A steady fixed income return is likely to be overtaken by inflation and taxes. Many people at age sixty, needing to plan income for more than thirty years, do not have enough assets to survive in comfort on fixed income returns. Those who do have enough assets to invest heavily in fixed income securities, and let inflation and taxes surpass their returns, usually have more than enough assets to support their customary lifestyle. The fish in Lake Superior is not going to be without water no matter how choppy it is on top of the lake. Many people have assets in excess of what their lifestyle will ever require, regardless of choppiness in the market. Out of a sense of stewardship to causes and heirs important to them, with that portion of their assets I think they need to be invested with high probabilities of strong returns.

Financial security, which is a feeling as much as a reality, comes from knowing the present status and knowing that one is on a vehicle that will take one where one wants to go. Insecurity is often characterized by not really knowing the present status, or not having faith in a system or plan that will serve as a reliable vehicle into the future.

To reach a destination you have to know where you are starting from, at least in general where you want to go, and how you plan to get there. Rarely is a straight line the best way to get there. To go straight “as the crow flies” from your house to my house would have you crawling over houses on the way – not the easiest or most reliable way to get here. Mapping the best roads rarely produces a straight line. Similarly, the path of returns on our investments takes us on a jagged line varying with the market as the most reliable way of achieving strong and consistent results. A high probability of end returns is far more important than the total lack of volatility along the way.

Trusting that we are on a vehicle that will get us there requires a clear logical voice to quiet the emotional anxiety. I recall when our children were small and taking swimming lessons, their teachers kept telling me that if I stood stiff on the high diving board with my hands above my head and fell backwards, I would enter the water smoothly and head first every time. I watched others do it many times before gaining the courage to do it. I would get anxious even after having done it several times. That is the investment experience.

Similarly, the ups and downs of a roller coaster ride would be even more frightening, and indeed poor judgment, if one did not have data about the outcome. I have had a couple clients who got off the market’s roller coaster at the bottom – understandable, but poor judgment. I have had one get off at a top, not believing that it could continue to be this good. Boarding any vehicle, such as an airplane or

Lee Wenzel
(952) 944-2699
Lee@WenzelAnalytics.com
www.WenzelAnalytics.com

Wenzel Analytics, Inc.
Registered Investment Advisor
8666 Westwind Circle
Eden Prairie, MN 55344

a car that hurls down the highway at seventy miles per hour, could be a frightening experience unless one trusts the data regarding outcomes.

Wenzel Analytics has a history of over four years managing investments for others, and a longer investment history prior to that. Over the last four years more than 8,000 equity purchases and sales for more than thirty families have resulted in returns in excess of 17% annually, compared to about 4% for the market. This involved more than a dozen different strategies, with many stocks or positions in each strategy. Will Wenzel Analytics continue to do better than the market? While the future is always uncertain, we have reason to think returns will continue to exceed market returns and fixed income returns. We are not dependent on any one screen or strategy, but upon a method for continuing to come up with a variety of screens and strategies that have worked and are working. We are not placing our trust in any particular stock or criteria for picking stocks, or any particular market circumstance, but rather the method for developing criteria and strategies that work over time.

This approach of trusting a system is typical of the best investors. Having a system that works and then letting the system work through thick and thin produces the best results. Mark Hulbert writes a newsletter that has tracked hundreds of investment newsletter results for more than twenty five years. His advice is that lots of systems work, some work better than others, but nothing works like sticking with a system or systems. Joel Greenblatt has written a popular little book called The Little Book That Beats the Market. In it he offers a screen or strategy that beats the market, not every year, but significantly over time. He writes that the purpose of the book is not to provide the screen or formula, which is available free on his web site with the stocks it selects each day. The purpose of the book is to help the investor believe in the formula enough to stick with it through ups and downs, knowing that the probabilities are with you.

Two actions are required now in order to have financial security ten or thirty years in the future. First, find a system that works. Second, let the system work.