

## **Our Rule of Thumb**

Why most of us are financially challenged?

Rumour has it that Joseph Kennedy Sr. – a prominent businessman and political figure, and the father of U.S. President John F. Kennedy – made his millions from the sale of his stock holdings before the great market crash of the great depression

One day he was having his shoes polished. The shoe polisher was boasting about how easy it was to make money in the stock market. After the encounter, Kennedy decided to sell all of his stock holdings; the market crashed shortly after. What was his reason for selling? He reasoned that if a shoe maker who obviously had no knowledge of stock market is professing his investment expertise, then every Tom, Dick and Harry is probably feeling just as savvy. He concluded that the market must be too hot and too high, so it was time to sell.

After the market crashed, with the cash he garnered from the stocks he sold, he bought a lot of quality stocks at rock-bottom prices; these later accounted for his great fortune.

This story befits the rule of thumb.

Most of us tend to take financial advice from peers, neighbours, co-workers, and family members. But most of these sources (95%) are actually financially challenged. Your friends and loved ones might mean well, but generally they are financially uneducated. If they have not achieved financial success themselves, then you can't subject your financial security to their advice.

Irrationality seems to be part of our instinct. When we are sick, we seek medical advice from a physician rather than a hospital orderly, but when it comes to financial matters; our immediate instinct is to talk to those who are equally financially challenged, and often worse off financially than ourselves. We lose our rationale and let emotion dictate our course of action.

The advice we give to our clients is to follow this rule of thumb: Only seek advice from the top 5% of financially secured people and/or from a qualified Financial Planner.