## THE DISTELFINK – Keeping Competitive Spirit Where It Belongs

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After a recent weekend of watching Roger Federer finally achieve his career grand slam in tennis, and Tiger Woods rack up tournament win number 67 at The Memorial, I have to confess I have always been a sports junkie – not always as an athlete myself, but as a student of the game. I love witnessing records broken, watching the underdog prevail, and seeing hard work and determination rewarded. At age five I was completely captivated by Peggy Fleming skating to her gold medal in Grenoble, France. By my teens I had seen Hank Aaron's 715th homerun, been a spectator at more than a dozen events at the Montreal Summer Olympics, and cheered the Philadelphia Flyers to back-to-back Stanley Cup championships. As you can see, I got hooked early and I got hooked hard. And it really didn't matter what the sport. I was interested in them all. Somewhere along the way, I also developed a passion for the statistics around sports – scoring a baseball game, seeing how an athlete's time or distance compared to past performances, sizing up the achievements of one team versus another. Have you ever noticed how similar the tables are on the sports page to the markets at a glance in the financial section of a newspaper? Scary, huh?

I know a lot of portfolio managers and traders who share these same interests, and have seemingly transitioned their love to compete, or watching competitive events, into how they practice their profession. And I'm not sure that is always a good thing for their clients. Does the desire to win at all costs and pushing oneself to the limit belong in the investment arena? Should an index benchmark be turned into a finish line, or tactical asset allocation into a time to beat? No. I believe a family's money should be managed to achieve *their needs* over time. If too much competitive fervor enters into the investment management equation, then too often it may be the manager's ego taking precedence over the goals of the client. And if a manager trains a client to get too caught up in evaluating how each asset class has performed against an index, rather than focusing on, "am I still on track to pay for my daughter's college education?" or "can I still retire at 62, or do I need to wait until 67?" then I am worried. Let one's desire to compete, remain in the realms of games and sport, not in one's investment portfolio. If we have learned anything in the past two years, you can't spend comparative returns – absolute returns are the only ones that really matter.

So where does that leave us? I think it means putting the process of investing back into a real life context and talking about risk tolerance in terms of dollars and cents, not the more scholarly concepts of standard deviation and down market capture. It means taking more accountability for short term needs and maintaining cash for the unexpected. It means investing in what you know, which may not include structured products, leveraged strategies, or illiquid partnerships whose investments do not start generating returns for five years or longer. These may be suitable and successful investments for some, but for most families I have advised, these approaches too often result in negative surprises, eventually.  Therefore, it means finding the right resources to help one make sound, lasting decisions.

And remember, as exhilarating as it is to experience a great victory in sport, there is also the possibility of the agony of defeat.  Realistically, both should be avoided in stewarding a family's assets, because they both result from taking a high degree of risk.  Instead, I believe the proven training regimens of great athletes should be applied in managing a family's wealth – discipline, focus, consistency, and perhaps most of all, commitment to endurance.