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## An investment adviser pinpoints the 2 questions every investor must answer

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Are you ready for today's pop quiz? Grab a piece of paper and a pencil and write down these two questions:

1. Why am I investing?
2. What will I invest in?

The only person in the world who can answer the first question is you, and the second one is a trick question. Don't worry. This isn't really a test, and there's more than one right answer to both.



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On the other hand, there is one very wrong reason for investing: to get rich quick. That only happens in Hollywood movies, so try keeping your why answers grounded in financial reality and your personal values.

Maybe you want to pay for your six-month old daughter to go to Harvard when she's eighteen, celebrate your 30th wedding anniversary by sailing around the world, buy your parents a condo in Hawaii, leave a million dollars to your alma mater, or retire when you're 65 with an income stream that outlives you. Perhaps all of the above?

Coming up with the reasons you want to invest is the easy part. Balancing those longer-term goals with the immediate need for food, clothing, shelter, and fun can be a lot harder. In my very biased opinion, the best way to accomplish this difficult feat is by putting the time and effort into developing a comprehensive financial plan.

Would you rather retire comfortably in five years, or take a \$5,000 vacation every summer? Live high on the hog and burn through all your cash by the time they put you in a pine box, or maintain a more modest lifestyle so that your kids inherit the lion's share of your wealth? What trade-offs are you willing to make today for your vision of tomorrow?

Financial planning affords you the opportunity to weigh and measure all of your whys, calculate the average investment return you'll need to fund your future, and determine how much risk (stock versus bond exposure) you'll have to accept in your portfolio. What will you invest in to help you realize these goals? Like I told you, this one's a trick question, although there are plenty of investment managers who insist they have all the answers. They get paid tons of money to convince you to invest in this terrific company or that cutting edge technology. This whole sector and that industry. This one developing country or that entire continent.

But the more specific the investment focus, the greater the individual decision risk the manager will encounter, and the more research and attention to detail he or she will have to endeavor. And, there is no guarantee that anyone's outcomes will be at all improved by all that homework. In fact, if there's any truth to recent findings that most managers underperform their relevant indexes, I think it's probable that just about all investment recommendations based on research and decisions will underperform.



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## Don't ask "What will I invest in?" Ask, "Who will I invest in?"

That's why I'm convinced that "What will I invest in?" is the wrong question. Instead, you should be asking "Who will I invest in?"

My simple answer: Invest in the people of the world, all of whom want better lives for themselves and their families, all of whom have expanding needs and wants, more and more of whom are gaining access to an economic system that rewards hard work and innovation, and most of whom will spend those rewards in a growing global economy.

Instead of trying to create a portfolio based on someone else's investment thesis that may never come to pass, consider building a complete, globally diversified stock and bond portfolio that meets your individual risk tolerance. It's easy to find investment managers, mutual funds, and ETFs that mirror an all-country world index of stocks for the equity portion of your portfolio, and track a broadly diversified global index of bonds for the fixed income allocation.

Why not invest in the 7.2 billion people who share our planet? That is an idea with (two) legs!

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