YOURSURVIVAL GUY.COM
PREPARING YOUR INVESTMENTS & FAMILY FOR WHEN DISASTER STRIKES

Your Survival Guy's Top 10 Investing Mistakes to Avoid
(and one bonus mistake many investors are making right now)

Dear Survivor,

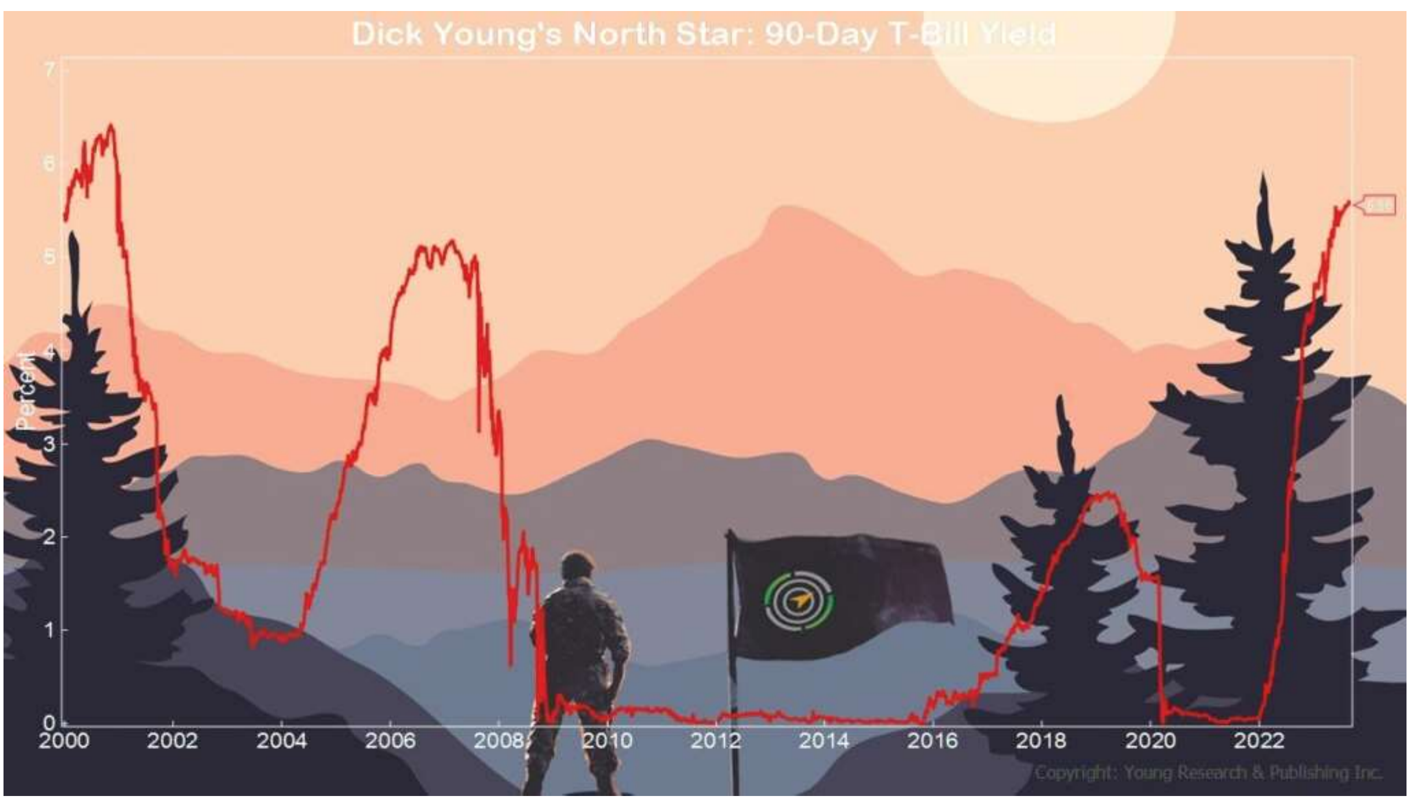
#10 Picked Off at First

Your Survival Guy has compiled a list of investing mistakes to avoid. It's a list for highly successful, fairly wealthy investors. The first is what I refer to as "Picked off first." Do not get picked off first base.

When you have some money, or in my example, get a hit, you need to protect yourself. You can't afford to be picked off and sent to the dugout. But it happens with far too much frequency because investors are caught sleeping.

Here's what I'm talking about. One of the first things you learn about investing in bonds is the risk-free rate of return. You can see it below. That's gravity or Dick Young's North Star. It's your lay of the land.

Time and time again, investors risk their precious principal to get that extra percentage point. It makes no sense to Your Survival Guy, whose focus is to keep what you make. They'll put $100,000 in something that pays a measly extra point to get $1,000 bucks and risk the principal.



This is the habit of the investor with a spending problem. He daydreams about his needs. Then disaster strikes. Do not be a needy investor. Start by saving 'til it hurts. Don't get picked off first.

I'll be in your ear to help keep you focused.

#9 Hobbyist or Hobbit?

"We are plain quiet folk and have no use for adventures. Nasty disturbing uncomfortable things! Make you late for dinner!" said Bilbo Baggins to Gandalf in The Hobbit.

Which leads me to investing mistakes to avoid: #9 Hobbyist or Hobbit? This is a story about a recently retired investor. The hobbyist investor. The most dangerous one of all.

You see, it's the recently retired investor who, with a fresh outlook on life, thinks he doesn't need "experts" to guide him. Who yearns for one more bite of the apple. Who imagines himself scoring with artificial intelligence or high-yield debt.

Now remember, our hobbyist has never managed someone else's money. He's not a fiduciary by law. He's never dealt with live fire. But he will read, and read, and read, and study, study, study until his eyes drop out, hoping for that precious ring. His precious. "My precious!"

Then, while touring Versailles, his so very carefully placed trades, as it turns out, were not. The portfolio takes a massive hit. And the hobbyist fears, with the fear one has for Smaug, the conversation he must now have with his beloved spouse.

Don't be a hobbyist investor. Rely on someone you trust. Even if you have all the time in the world. Spend it reading The Hobbit to a grandchild. One chapter per day or night or for however long it takes you to fall asleep. That should cover you for a while.

#8 "Get Back"

Last year (2022) was brutal for the major averages (not including dividends): Nasdaq -33.1%, Russell 2000 -21.6%, S&P 500 -19.4%, and the Dow Jones Industrial Average -8.8%. But not all investors hung around to see things through. And you know this song: Markets are back up this year.

Let's rewind.

When the going gets tough, the capitulation begins. And in my observation, a breaking point is reached when a portfolio goes below a certain number. It has nothing to do with the major averages per se. It has everything to do with dollar signs. Will we have enough to live on? And the selling continues.

Then when stocks start creeping higher, what this investor never forgets, dear reader, is the peak value of his account. A number he needs to "get back" to. A number that means nothing to the major averages or the investing populace at large, but which means the world to him.

Having sold when markets were down, and now seeing stocks are back up, he feels it's time to "get back" in—to get back to where he started from. For this poor soul, he's always chasing. He's unsettled. He's beating himself up. He's missing another boat. This is no way to live.

Don't be a "get back" investor.

#7 DEI DOA

Your Survival Guy puts in a solid effort to recycle his trash weekly. Rolling out the blue bin to the curb makes me feel good and a bit anxious, wondering if they can track me down for misallocated debris. But, when it comes to my money, I don't want ESG (environmental, social, and governance) or DEI (diversity, equity, and inclusion) separated from the fiduciary responsibilities.

Sure, ESG and DEI might feel good and provide good copy during PowerPoint presentations. But it's more sizzle than steak. And what about their job as fiduciaries? It's why I look at all this ESG and DEI as dead on arrival (DOA). It's an easy way to charge higher fees and virtue signal. Not in my portfolio, thanks.

But Your Survival Guy's a positive guy. I look to help you through the tangled swamp to see a brighter day. My DEI, dear reader, is one I can live with: Diversification, Equities, and Income. My three most important words in today's markets.

Because with diversification, your money is out there seeing the world (Consider Rome or Paris for your next adventure). You own pieces of businesses—an eclectic mix of companies. You're not a one-stock meme speculator in Mom's basement surviving on frozen pizza and chips. No, you're enrolled in chaos theory, where lots of tiny butterflies help fund your riverboat cruise through the Amazon.

And how about your stocks or equities? You're an owner. You have a seat at the boardroom table. You put up with the social governance director's boring presentation. Then, while the room is still giddy, your hands calmly resting on the table, you raise a finger, clear your throat, and ask: "How much will my dividend increase be this year?"

And, of course, I want you to be an income investor. I want you to be inclusive with bonds. Because it's the bonds, their income stream, that stirs the drink. But here's the kicker. As a bondholder, you sit high up in the capital structure, above equity holders, which can be a nice bin to be in when the you-know-what hits the fan.

Get some DEI you can live with.

#6 3X QQQ

If you live in New England, you know how unpredictable the weather has been this summer. Recently, we were cruising back from lunch in Edgartown, MA, through Vineyard Sound and, before reaching Woods Hole, were engulfed in a fog bank. Your Survival Guy has radar, but even with that, I worry about the speed and actions of other boaters I can't control. I throttled back, making our marks slowly, and in less than 20 minutes, we were in clear air moving through the Hole. It happens that fast.

Which leads me to my next investing mistake to avoid: Don't be in a rush to make money. Time is your friend. It's when investors are in a rush, meaning using leverage, that they eliminate their most valued partner in investment success, the ability to be a long-term investor. Because when leverage is involved, you might be right about the direction of markets but get hung up on the rocks because the timing was wrong. Markets don't care about your lunch schedule.

In my title for mistakes to avoid #6, 3X QQQ, I'm using a simple example to illustrate the use of leverage to amplify returns (or losses). Two of the more active volume ETFs are Pro Shares UltraPro QQQ and ProShares UltraPro Short QQQ. They seek investment results that correspond to three times the daily performance of the Nadaq-100 index (the inverse for the Short QQQ) using derivatives.

With three times the return of the Nasdaq-100, an investor can be wiped out completely in Pro Shares UtraPro QQQ with a daily loss of more than 33%. But here's the other math to worry about. The funds mirror returns for a single day. In other words, here's how returns would look if Nasdaq-100 was up 10% one day and down 10% the next over ten trading sessions:

Time	Nasdaq-100 performance	$100 invested in Nasdaq-100	$100 invested in Pro Shares UltraPro QQQ	$100 invested in Pro Shares UltraPro Short QQQ
Starting Value		$ 100.00	$ 100.00	$ 100.00
Day 1	10%	$ 110.00	$ 130.00	$ 70.00
Day 2	-10%	$ 99.00	$ 91.00	$ 91.00
Day 3	10%	$ 108.90	$ 118.30	$ 63.70
Day 4	-10%	$ 98.01	$ 82.81	$ 82.81
Day 5	10%	$ 107.80	$ 107.65	$ 57.97
Day 6	-10%	$ 97.03	$ 75.36	$ 75.36
Day 7	10%	$ 106.73	$ 97.96	$ 52.75
Day 8	-10%	$ 96.06	$ 68.57	$ 68.57
Day 9	10%	$ 105.66	$ 89.15	$ 48.00
Day 10	**-10%**	**$ 95.09**	**$ 62.40**	**$ 62.40**

You can see how easily money can be washed away.

Markets don't necessarily work in lockstep like the above sequence, but what this helps illustrate are two things: 1) the arithmetic of losses, and 2) the potential devastation of leverage. You may run out of money before the markets or the fog lifts. For me, slow and steady wins the race.

I treat each dollar like it's the last one I'll ever make. I don't use leverage. Ever.

#5 History

When Becky and I were married 25 years ago, we were 26 years old. If you add up our ages, we had 52 years of life experience. Then, we had our first child, and all that experience was kicked to the curb. And then, just when we thought we had everything pretty much under control, we decided it would be a good idea to have another one. Going from one to two isn't linear. Two kids are many multiples more difficult. Which brings me to my next investing mistake to avoid: Kids. Kidding. They read this.

No, the investing mistake to avoid: #5 is History. Don't think just because you know a few things about life, you've "got it figured out." Ask your parents. We're still learning. Avoid the mistake of thinking your "history" makes you an expert. We have enough of them running the world, don't we?

Your Survival Guy smiles when he hears excited, giddy, young couples ready to take on the world say in unison, "We're expecting our first in six months!" Because I've felt the same way, only to learn I never realized what 24-hours a day felt like in minutes. If you want to make time stand still, have a baby. Then have another. Think this is funny? It's all fun and games until your kids have kids and all of a sudden, you're changing diapers. You never thought you could love a book club or pickleball so much. "Sorry, I gotta go," you say, with quick glance to your spouse that says, "Hurry up start the car!"

When I scan the investment advisory competition. (I do. Regularly.) It's comical to me how these young bucks, smiling headshots and all, come up, and the firm adds up their ages to say that's how many years of experience the firm has. Please. Years of experience are linear. They're lived one day at a time. My father-in-law Richard C. Young has been doing this since the 1960s. That's experience. History.

If you want history in the investment advisory business, if you want to see time stand still, work through a few market crashes with hundreds of clients. That's how you get history, experience, and understanding of what it means to manage other people's money. It's not taught in a book.

Like children, each market advance/decline is different. No one said making money or keeping money, would be easy. That's fine. Life is linear. It's a gift. It goes by fast.

#4 Mr. Happy Yappy

Like in school, investors should get rapped on the knuckles for not keeping their eyes on their own portfolios. But investors are sensitive to the "other" guy. Investors hate missing the boat. Nothing irks them more. They're fine hearing that someone else is doing worse. But when someone else is smiling carefree and yappin' away about their good fortune, that makes investors' blood boil. Nothing makes the phone ring more than a down quarter. In my conversations with you, we spend time talking about how you, not anyone else, got to where you are. We talk about why you're looking for an advisor who's a fiduciary because you tell me horror stories about what this guy or that guy did. Not cool. But sometimes, that's what it takes to make a change that's right for you.

You and I know that a seasoned, calm, methodical investor isn't prone to reviewing his portfolio at cocktail parties. But believe me, it's hard to listen to, isn't it? I don't wish misfortune upon Mr. Happy Yappy, but sometimes he doesn't know what he doesn't know. He hasn't felt a serious loss—yet. He doesn't know what it feels like when markets stay down longer than he can stay solvent.

When wealth is created over a lifetime, when you take care of your portfolio like you would a member of your family, with the care and thoughtfulness it deserves, you begin to understand. You don't kick this position or that one out the door in a fit of rage.
You don't trade like a madman. You don't talk about your money like it's a recap of last night's game.

This is your life we're talking about.

It's been my experience that the sound of silence is a true indicator of wealth. Mr. Happy Yappy makes me cringe.

#3 Back 40 Back

Your Survival Guy and Gal saw Luke Combs recently at Gillette Stadium in Foxborough, Massachusetts. The song I couldn't get out of my head was "Back 40 Back." Combs didn't play it (it's not the song to keep a stadium on its feet), but it's a reminder of the way life used to be—when there was a back 40 of land or open space that has too often now been replaced by a concrete jungle.

I've been thinking about when I was a kid, going to Fenway Park to see Jim Rice, Dwight Evans, Carl Yastrzemski, and Fred Lynn. The old Boston Garden, where you could hear and smell the game. Memories of seeing the Bruins with my dad—always on my team. Both Fenway Park and the New Garden are different experiences today thanks (or not) to progress.

I'll never forget the sound in my dad's voice when I told him I got a much sought-after internship at a startup company the summer of my junior year at Babson. He was so proud. That summer, I learned how to show up at 6:20 am, make coffee and pick up lunch. But it was the equivalent of a real-life Netflix documentary of how a startup works—raising money, bringing the business plan to life—understanding what it means to be a productive person, a businessman, a prudent man.

Ah, the prudent man, an 1830 Massachusetts court formulation in Harvard College v. Amory. Written by Massachusetts Justice Samuel Putnam (1768-1853), it directs trustees "to observe how men of prudence, direction and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested." (Your Survival Guy's emphasis).

In my conversations with you, you tell me about the first dollar you ever made. The five bucks you made as a caddy on your first loop. The babysitting jobs. Working to get through school. Not going to school but learning how to raise your family. "Do we have enough to put milk in the Cheerios?" you wondered.

And here you are today with more money than you ever imagined you would have. And there are thousands upon thousands of investment products to choose from. But have they made investors "smarter," more "efficient," more "successful," or more "prudent"?

Imagine you're in your car in downtown Boston, stopped at a busy intersection. Across the street, you see him, the father of the prudent man, Mr. Putnam. He looks like Abe Lincoln, standing there observing a world he's no longer familiar with. Then you see it. The moment it hits him, and he realizes where he is. "Hmmm," he thinks to himself as he turns and walks the other way. Calm. Not changing a bit, just wondering where the back 40 went. Because progress never changes The Prudent Man.

#2 Tomorrowland

When I was a kid, some of my favorite memories were vacations to Walt Disney World and going on Space Mountain—repeatedly. Then after every ride, I'd stand on the conveyor belt and look at Tomorrowland and think about how cool it would be to someday live in space.

That's a long time ago now, and here I am writing to you from Earth, still wondering if that will ever happen. Maybe. But a lot of investing days and years have passed since then, and if we could time travel from the 70s, investing in stocks would have been a good move if—and that's a big if—you had time.

Just like back then, there are plenty of promising ideas that grab the attention—and the money—from investors: television, penny stocks, inflation, market timing, sector bets, crypto, ESG, AI, etc. Sometimes the fastest way to make a million bucks is to start with two. There will always be forces working against the zero-sum game of the trader, the speculator. Speculation, like gravity, can separate you from your money faster than counting down "three, two, one."

But it would be a mistake to believe stocks are never going to be higher. You need courage to beat inertia, to withstand the turbulence, and remain focused on your flight plan. It's easy when others are doing worse. It's harder when they're telling you about their wins. Investing in the promise of Tomorrowland may not turn out as planned, but having a mission can help you get to where you need to be.

#1 Y-O-U

Having dinner recently, my father-in-law Dick Young asked, "Survival Guy, what's investing mistake #1?"
"I don't know yet," I said.

"Let me tell you about living off your portfolio. It's hard," he said. "I've been writing about this my entire adult life. I didn't expect how tough it would be to generate income. It's expensive staying at Le Bristol, so you'd better figure out a way to make it work. I'm just getting comfortable. How's your dinner?"

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Part of my inspiration for this series came from reading past issues of *Richard C. Young's Intelligence Report*. Each issue was packed with information, often way ahead of its time and always sensible. This issue was from 1996. Here are a few subheads: "Fidelity Harnesses Artificial Intelligence," "Fuzzy Logic," "10-Year Zeros," "Preferreds," "All Weather Industries," and my favorite, "Ten Mistakes to Avoid."

"Last month," Dick wrote, "I promised you my list of 10 scary and costly blunders many investors make. My son, Matt, who works in the business with me, and I came up with this list of whoppers. Here are 10 especially egregious blunders and how you can avoid each."

A lot of you avoided them. Nice.

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In my conversations with you, I ask how you made your money. And you tell me what you did for work. But I know it's what you did without that made it happen. You invested in yourself. You, my highly successful, fairly wealthy reader, did it. And, on reflection, you have no idea how you did it. You just did, and you don't want to have to do it again.

The skills you harnessed to make money have nothing to do with the skills necessary for keeping it and growing it. It takes a different skill set. And when you're emotionally attached to your money, you get tight. You feel pressure to do stuff. It's hard just standing there and doing nothing. Because it is you who remembers making that $100 bucks years ago that's worth many multiples more today.

Which leads me to my investing mistakes to avoid #1: Y-O-U. You can lose sight of what got you here. You can get caught up in the markets, or a couple of stocks, and begin thinking it's easy. Then, out of nowhere, the black swan swoops in. Then "You" need to have a difficult talk about that trip, or the boat, or that new car.

"How's our account doing?" your spouse asks. "Will we have enough for the trip to Europe?"

I believe in you. I want you to succeed. I want you to invest with the peace of mind and comfort you deserve. It isn't easy. It's hard being patient, compounding money. Investing isn't supposed to be fun. It's boring. Boring until you have plenty of money, and then it's quite fun.

Survive and Thrive this month.

Warm regards,

Your Survival Guy

"Your Survival Guy"

P.S. One Bonus Mistake to Avoid: FOG

If you live in an area prone to wildfires, there are preparations more specific to you that you should consider.

Your Survival Guy knows a thing or two about getting stuck in the fog. When I was a kid sailing with my family, we were heading home after a weeklong trip, and about halfway through Buzzards Bay, we were engulfed in fog.

We held our course and, before long, entered a mooring field holding no boats that we recognized. Realizing land wasn't far, and that we were in the wrong harbor, we decided not to press our luck. We tossed out the hook and spent a comfortable night right there. The next morning, after the fog cleared, we learned we were a few harbors west of our own.

Not long after, a buddy and I were fishing outside the harbor chasing bluefish in my 14' Dell Quay with a 35 Evinrude, when we realized we couldn't see land anymore. It happens that fast, especially when you're concentrating on something else. We used the compass to guess our way back, but using a fixed course in moving water is never a great idea. We sat there for what felt like days, but I'm here to write about it. Just don't tell my parents.

Which brings me to my bonus investing mistake, FOG. This market is foggy. But that doesn't mean you stay on the mooring forever. Investing is a lot about not knowing what's ahead. It's been my experience that investors don't know their risk tolerance until they hit tough times. That's too late.

As a fiduciary to hundreds of investors, a carefully crafted investment plan makes hard times easier. Don't get stuck in the fog and realize you don't like being on the water. When you're ready to talk, let's.

E.J. Smith – Your Survival Guy

E.J. Smith is Founder of YourSurvivalGuy.com, Managing Director at Richard C. Young & Co., Ltd., a Managing Editor of Richardcyoung.com, and Editor-in-Chief of Youngresearch.com. His focus at all times is on preparing clients and readers for "Times Like These." E.J. graduated from Babson College in Wellesley, Massachusetts, with a B.S. in finance and investments. In 1995, E.J. began his investment career at Fidelity Investments in Boston before joining Richard C. Young & Co., Ltd. in 1998.

E.J. has trained at Sig Sauer Academy in Epping, NH, where he completed course-work in Practical and Defensive Handgun, Conceal Carry Pistol, Shotguns, Precision Scope Rifle and Kidnapping Prevention.

E.J. plays a Yamaha Recording Custom drum set with Zilldjian cymbals. His first drum set was a 5-piece Slingerland with Zilldjians. He grew-up worshiping Neil Peart (RIP) of the band Rush, and loves the song Tom Sawyer—the name of his family's boat, a Grady-White Canyon 306. He grew up in Mattapoisett, MA, an idyllic small town on the water near Cape Cod. He spends time in Newport, RI and Bartlett, NH—both as far away from Wall Street as one could mentally get. The Newport office is on a quiet, tree lined street not far from the harbor and the log cabin in Bartlett, NH, the "Live Free or Die" state, sits on the edge of the White Mountain National Forest. He enjoys spending time in Key West (RIP JB) and Paris.