



## THE 20 MUST-ANSWER QUESTIONS FOR CREATING LASTING PEACE OF MIND

1. **Have you discovered your True Purpose for Money, that which is more important than money itself?**

Yes       No

This is the very heart of your most sacred values. What is it that you value more than money itself? Most investors get caught up in investing their money for money's sake: The more the better... and the end game is to have the most. **Your True Purpose for Money is the compass and foundation** from which all spending and investing decisions are formed. Every investor has one, but often it takes some focus and development to clarify it into a laser-focused tool for personal and portfolio growth. This is the first step in developing true peace of mind.

2. **Are you invested in the Market?**

Yes       No

Do you own stocks, or more specifically, stock-based mutual funds? Most investors can answer "yes" to this question.

3. **Do you know how markets work?**

Yes       No

While most investors answer that they do have money in the market, very few can honestly say they truly understand the dynamics of how free markets price securities. They are, in effect, ignorant of the forces that ultimately determine their investing results. You can easily see how having wealth in something that you do not understand would be extremely disturbing, especially when markets take large losses. **Never put your money in anything you do not truly understand - that includes the stock market!** It is your coach's job to help you focus on the right things so that you do not have to focus on everything.

#### 4. Have you defined your Investment Philosophy?

Yes       No

Everyone knows it is important to have basic philosophies of life to simplify making complex decisions. For example, it is critical to have basic underlying philosophies of religion, business, education, and even the nature of good and evil. **Most people do not even know it is also possible to have a philosophy when it comes to the field of investing.** It is possible and critical to success.

Most people choose an investment strategy without an underlying philosophy. To be successful, a philosophy must be developed and instituted first. **There are or two basic market philosophies: the belief that markets work and the belief markets fail.** It is your job to understand what each means and choose the one that is appropriate for you. Don't forget to use your coach.

#### 5. Have you identified your personal risk tolerance?

Yes       No

This is an academic and scientific number that helps you compare various investment scenarios. It is essential that risk is not simply dispatched in generic terms and left without being quantified. **Remember, you cannot successfully control something you cannot measure.** Risk must be measured to be used properly. Here it is important to have your existing portfolio analyzed by an independent coach to properly identify the types and extremes of risk in your current assets.

#### 6. Do you know how to measure diversification in your portfolio?

Yes       No

Everyone knows it is prudent to diversify, but how do you measure it? Academic and economic scientists use a very specific measuring tool called correlation to determine if your portfolio has been properly built. If you do not know specifically chances are you are not truly diversified. In poorly diversified portfolio, assets tend to move in a step rate fashion so that when one crashes, they all crash. To diversify properly, you must measure it first.

7. **Do you consistently and predictably achieve market returns?**

Yes       No

Most people don't even know what market returns are. After reading our "Investor Awareness Guide", you should have a good idea. **Your next step is to analyze your current holdings to see if they have consistently held up to the returns of the asset categories you are in during the periods you have held them.** The odds are against you, and you have probably lost to the market. It is easy to find managers who had top performance in the past; it is all but impossible to pick them in advance with any consistency.

8. **Have you measured the total amount of commission and costs in your portfolio?**

Yes       No

Even if you own a supposedly "no load" mutual fund, the internal commissions could be more than you could ever imagine. Without an independent analysis, you will never know or understand what these hidden cost are doing to you and your portfolio. What you can't see... can hurt you. Burying your head in the sand and staying in the dark is not the solution. Your coach will give you an independent analysis and show you how commissions and trading costs can kill off your returns.

9. **When it comes to building your investment portfolio, do you know exactly what you are doing and why?**

Yes       No

Investing can be very confusing... even for professionals. Rare indeed is the investor who knows his True Purpose for Money and rarer still is the investor who knows what all the hidden costs all are, what the true risk profile is, and how diversification works in his portfolio. **Much of the average investors results are left to chance, or even worse yet, the commission driven financial plans of an advisor or broker.** Most investors simply throw up their hands in disgust and frustration from trying to grasp it all. It doesn't have to be that way.

10. **Do you know where you fall on the Markowitz Efficient Frontier?**

Yes       No

Most people don't even know that Harry Markowitz, the economist who developed this Nobel winning investment tool, even exists. Yet, the most sophisticated investors have been using this tool to build better portfolios for over a decade now. This economic study allows a coach to help you see exactly how much volatility and expected return your existing portfolio has and allows you to compare other asset class mixes.

**11. Are you working with a financial coach versus a financial planner?**

Yes       No

A good investment coach will help you, first, by answering all of these questions. If you cannot answer “yes” to most of them, chances or you are not working with a coach. As an investment manager, if I didn't first know the answers to these questions before I invested my wealth, I wouldn't sleep at night. I would feel totally out of control and in the dark.

**12. Do you have a customized lifelong game plan to guide all of your investing and spending decision?**

Yes       No

This strategy integrates your life goals, visions, dreams, values, and investment risk and return preferences into a total plan for success. Money serves no purpose at all, unless it helps you to live a more powerful and dynamic life. By creating this life-long game plan, your money and life will take on more purpose and direction.

**13. Do you have an Investment Policy Statement?**

Yes       No

The great football coach Vince Lombardi left nothing to chance and created masterful game plans for his team that took into account every possible eventuality of the game - in advance. **In other words, good or bad, he always had a plan to guide him to victory.** He never panicked. That is exactly what an investment policy statement can do for you. It lays out the game plan for any and all market outcomes. No matter what happens to the market, you are prepared in advance. It also spells out how much risk and return you are targeting, and your time horizon. If you do not currently have one, that is a serious flaw in your current investing process.

**14. Have you devised a clear-cut method for measuring the success or failure of your portfolio?**

Yes       No

How do you know that your portfolio is doing what it is supposed to do? If you make 15% is that good? If you lose 10% is that bad? What benchmarks do you compare it to? How do you know if it is working?

**15. Do you fully understand the implications and applications of diversification in your portfolio?**

Yes       No

How do you know if you are diversified? How do you measure it? What is your portfolio likely to do during various market cycles? **What is your historic, worst-case scenario for your portfolio and what is the best?** Historically, what is your worst and best five-year performance? These are all questions you should be able to address if you have properly built-in diversification in your portfolio and you understand how it really works.

**16. Do you have a system to measure portfolio volatility?**

Yes       No

Scientists measure the variability of outcomes with the statistical measure of Standard Deviation. **How do you measure it?** It is actually possible to use statistics to examine volatility, the key measure of risk, with the same analysis that won the Nobel Prize for Harry Markowitz in 1990. Without this measurement, you are flying blind. It is the foundation of prudent and sound investing. If your planner or broker did not educate you about standard deviation, this should be a big red flag that tells you something is missing. Your coach can help you fix this problem.

**17. Are you aware of the incentives brokerage firms and the financial community have, when selling commission-based products?**

Yes       No

The large financial institutions create the illusion that, by using their research, it is possible to consistently and predictably earn superior returns. Are you aware of how they use the media and advertising to create the illusion that they can do something that is, in reality, smoke and mirrors? By understanding all of the techniques they use to persuading investors, you can avoid many of the deadly investor traps.

**18. Do you know the three warning signs that you are gambling and speculating with your money versus prudently investing it?**

Yes       No

They are stock picking, market timing, and track record investing - otherwise known as chasing performance. With the help of a coach, you can discern if you have accidentally fallen into these destructive investor behaviors and traps.

**19. Can you identify the cultural messages and personal mindset about money that destroy your peace of mind?**

Yes       No

Money can be a great blessing or a corrosive and divisive burden. Many of the mindsets and beliefs that you may have about money can destroy your ability to use it as an empowering tool in your life. By understanding these biases, you can effectively choose more powerful beliefs to alter your relationship with money and how you use it in your life.

**20. Are you ready to shift your personal experience of money and investing from a scarcity mode to an abundance mode?**

Yes       No

Scarcity means "not enough." When you experience money in this mode the outcome is doubt, regret, and often fear. Money is often felt to be a negative and frustrating thing to deal with. **In this mode, no matter how much money you have, it is never quite enough. Money is experienced as a painful event.** This is often felt after large unexpected portfolio losses. By shifting your experience of money to an abundance mode, you are now able to experience your wealth as "more than enough". This is the only question you must be able to answer "yes" to now, so that you may work with a coach to transform your investing experience from scarcity to abundance.

**When you have achieved the ability to answer  
"yes" to all of these questions, you  
will have mastered and obtained a high level of  
peace of mind**

# SCORING

Give yourself 5 points for every “Yes” answer.

**85-100: Amazing Investor**

Congratulations! You are among the most educated, diligent and confident investors. You have experience in the investment markets and understand what it takes to be successful. Now is the time to support your current knowledge with discipline and educational reinforcement.

**65-80: Better Investor**

As a Better Investor, you have been around the block a time or two and maybe had some less than successful investing experiences. Now is the time to expand your knowledge about investing and begin to make some solid choices about your financial future. To achieve this, seek answers to the questions you missed.

**45-60: Common Investor**

You are not alone. Like many investors, you may frequently find yourself uncertain and confused about how to make the right investment choices. If you don't already have an Investor Coach that you trust completely, now is the time to build a relationship to last a lifetime.

**25-40: Discouraged Investor:**

It's easy to feel discouraged when you have been doing what you thought were the right things with your money without success. You may have followed all of the advice that you've read in financial magazines and newspapers, yet you are not getting the exponential results you had expected.

**0-20: Frustrated Investor:**

Flustered and confused, you may wonder where to begin – how is it even possible to wade through all the information that you are being bombarded with on a daily basis? Hire a coach to help you sort through the chaos and find a path that is right for you?



**Contact Us:**

Free Market Financial, LLC  
11777 Katy Freeway, Suite 340 S, Houston, TX 77079  
(713) 574-1500 or (800) 960-3499