Are You a Near-Sighted or a Far-Sighted Investor?

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Are you a Near-Sighted or a Far-Sighted investor? If you’re a **near-sighted investor**, you probably check your investment balances frequently (even several times a day) and you feel good when your investments are up. Your focus is short-term, even though you may live another 30-50 years. Conversely, you worry or feel regret when your investments are lower. If you’re a **far-sighted investor,** you’re knowledgeable about your investments but you check them less frequently, you’re less worried when they decline and you may suffer less financial angst. Your focus is medium to long-term.

Like vision glasses, it’s important to see what’s right under your nose (be near-sighted) but it’s even better to clearly put everything around you into perspective (be far-sighted). Even if you’re a worry-wort by nature, it’s good to strive to become a far-sighted investor for two reasons: 1) your investment returns end up being higher and 2) you’ll experience less worry. Numerous studies show that near-sighted investors buy and sell during states of euphoria and panic (buy high, sell low). This significantly undercuts their investment returns when compared with investors who ride out downturns and dollar-cost average contributions to their investments.

Here are some ways to become a far-sighted investor:

1. You’ll worry less if you <u>know</u> you have the right investments and appropriate savings or withdrawal rates. (Note: a financial planner can help determine the right investment mix and the best way to fund your lifestyle).
2. It helps to tune out the mountain of “investment noise”

(investment programs, articles, market expert opinions, etc.)

3. If you're employed, it helps to maintain a decent savings rate (ideally up to 20% of your income) and to add regularly to your investments.
4. It helps to know when you can afford to retire, *before* you retire.
5. It's good to avoid chasing individual stocks or single concepts (e.g. "buy gold.")
6. If you're still employed, it helps to live below your means.
7. It helps to be prepared in terms of the high cost of health insurance for current and future retirees. The 3rd Annual "Retirement Health Care Data Report" says total life-time medical costs for a 65-year old retiring couple this year will exceed $400,000. This includes Medicare and Medigap premiums and co-pays, out of pocket hearing/vision/dental, etc. It does not include assisted living or long-term care insurance premiums or out of pocket payments by those who don't have long-term care insurance.

It would be naïve of me to suggest that a financial planner can solve all of your financial worries. However, I'm a big believer in the concept of "it's better to know than not." If you really don't know much about your present financial situation, you may be fueling a lot of excessive and unnecessary anxiety. Gaining clarity about your situation is the first step toward becoming a more "far-sighted" investor.