



# “Safe Money Report”

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## ***10 Technology Investing Traps***

1. **Don't focus solely on the technology.** Technologies may triumph while the companies associated with their development fail. There's a saying: Pioneers take the arrows; settlers take the land. broad assessments could be absolutely correct (the triumph of the all-optical network, say) while the investment "recommendation" (pioneering company X) could be completely wrong.
2. **Just because you understand the technology, doesn't mean you understand the stock.** There's more to a company than its technology. It's possible for a company with superior technology to fail in the marketplace. What about the other functions of running a company like execution, strategy, raising capital, manufacturing, human resources, consumer demand, taxes, competition, and government regulation. It takes a lot to make a company successful.
3. **Don't forget the demand side of the equation.** You need to know what customers want, who's buying, and how much. Some suggest you just take a "build-it-and-they-will-come" approach. Sometimes, no matter how clever you are, no one's buying what you're selling.
4. **Companies compete.** People become so enthusiastic about entrepreneurship, so worshipful of business innovators that they forget what makes the market system work. The "fittest" survive only if businesses fail—and most do.

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5. **The best technology doesn't always win.** Many think superior technology always prevails. Regrettably, this isn't true. Companies succeed and fail for many reasons.
6. **The clock is ticking.** You may be right about the technology, right about the company but wrong about the timing. Investors make choices in the real world in real time to solve real needs. If your bet doesn't pay off before you retire or kids go to college, your insight won't do you much good.
7. **Don't match momentum-type plays with buy-and-hold-type insights.** In a sane world technological insight could work well for long-term investing. Unfortunately, most ideas we get are more like hot tips. Don't confuse the two.
8. **When reading books or articles, don't let passion for an idea substitute for sound argument supporting it.** Some writing can be an effective mix of obscure technical details and impassioned hyperbole. Readers who fail to understand the technicalities can be convinced by the author's emotionality, which was far easier to grasp. This, however, is a dreadful danger. The truth of an idea cannot be found in the sincerity of those propounding it. Fools and madmen are convinced that what they say is so. And liars try to make their listeners believe they do. *It just more important to understand what you own .*
9. **Calling something a law doesn't make it one.** Moore's Law: that computer chip speed doubles every 18 months was not a law, strictly speaking, but a conjecture—an educated guess—which turned out to be correct. That it did so greatly surprised and gratified Gordon Moore who proposed it. Until a law has been verified by experience, it is just an hypothesis. There is no reason to believe that any self-described law is true just because it's been declared so.

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10. **Look before you jump to conclusions.** It's perfectly possible for a bad idea—one that's incorrect, inaccurate, or contradictory—to work, temporarily anyway. The marketplace of ideas doesn't ask, "Is it true?" It just tallies the number of people who buy. If enough people accept an idea—true or not—it triumphs, again, for a time. But contrary to what many others may believe, that's not the only way ideas can or should be evaluated. Before and alongside the test of the market there's the tribunal of reason. We must ask, "What's the argument? Where's the evidence? Does it fit the facts? Can it make sense of things as yet unexplained?" If you want to beat the market, you can't rely on the market to test your ideas. By then, it may be too late.

*Steve*

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