



Are You Swimming Naked?

Now that I have your attention, here is the whole [quote from Warren Buffett](#): “You only find out who is swimming naked when the tide goes out.”

It is also said! “A rising tide lifts all boats” and “In bull markets every investor looks like a genius”. From March 2009 through April 2010, the Dow rose 70% and almost everyone holding stocks made money.

Just as individual investors look smart in healthy bull markets, so will many investment advisors therefore, never confuse a good market with a good advisor. Advisors too could be swimming naked... with your money!

An advisor’s job is to understand your financial goals and develop an investment plan that balances risk, rewards you when markets rise and protects you when markets fall as they inevitably do. A good advisor is also someone you can lean on for trusted advice during uncertain economic times.

I recently had a very nice couple come into my office. They had made some money on their investments last year, and wanted my advice. When I looked at their investments, I realized that the only reason they didn’t get into real trouble was because last year’s across-the-board bull market “papered-over” a lot of their investing mistakes. For example, while the average stock dividend payout is in the range of 2%, this couple had invested in a company that paid a 14% dividend. What kind of company pays 14%? The kind that has severe financial problems! I know that sounds counter-intuitive, but take my word for it.

Yet, I commend this couple for seeking professional assistance with their investments. They are being honest with themselves, and have not let past investing successes and ego go to their heads. They are doing what-it-takes to safeguard their financial future.

Unfortunately, I also get way too many calls from folks who come to me too late, after much of the damage has been done. They complain of not earning enough income, investments turned sour, depressed home values and sky-high credit card bills. Unfortunately for such people, there are very few options left.

Of late, the markets have been tricky. In just two months since its April 2010 high, the Dow has lost 1,400 points, down a sharp 12.5 percent. Market experts are divided on future outcome – some predict far steeper declines, others believe markets will now stabilize. At this juncture, investors must honestly evaluate their portfolios. Are you confident about your investments? Will your holdings survive a steep decline in the market?

The tide is changing and may now be going out. So, what are **you** wearing? Are you swimming naked? Perhaps it's time you found out and did something about it.