

[Step 1 - Develop your personal investment and financial planning skills](#)

Category : Financial Planning -- 10 Personal Steps in the Right Direction

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Develop your own personal financial planning skills Step 1 of 10 Financial Planning Steps in the Right Direction [CLICK HERE TO READ THE SKILLED INVESTOR'S OTHER ARTICLES ABOUT THESE "10 FINANCIAL PLANNING STEPS IN THE RIGHT DIRECTION."](#) You are completely responsible for your personal financial planning and investment management success or failure. Delegating investment decisions to industry advisers largely on naive faith and hope without adequate personal knowledge, attention, and control can be very risky to your personal and family welfare. The only practical solution is for you to increase your personal investment knowledge and skills. Individuals must decide for themselves whether a particular financial or investment concept is fact or fiction, personally useful or not. Individual investors face formidable challenges to their ultimate success. Many investors have very inadequate financial planning and investing knowledge and skills, which makes self-direction problematic. Unfortunately, much information from the industry is shallow and inappropriate. This information may seem plausible, because the financial services industry writes it to sound reasonable to individuals. Some of it is reasonable and some is not. The actions that people take based upon such information may not lead to the best financial decisions and results. Instead, the information provided is designed to further the interests of the industry, which sells financial products and services to individuals. For example, when many hundreds of highly diversified mutual funds and ETFs are available at extremely low costs, there is no good reason for individuals to do so much buying and selling of individual securities. Yet, millions frantically buy and sell equity securities in hopeful efforts to beat the market. They are egged on by the financial media and the brokerage industry, and most waste huge amounts of valuable personal time in these pursuits. Most will fail miserably in their efforts and suffer substantially increased risks, costs, and taxes in the process. Yet the vast majority will never bother to check their net performance against passive benchmarks and will never really know how badly they have done. (See: [What is the cost to individual investors of sub-optimal portfolio diversification?](#)) Individuals can do a better job of distinguishing financial planning and investing fact from fiction. They can choose to base decisions on financial strategies and tactics that have been validated scientifically. Individuals must become better informed. Otherwise, naively, they must rely upon the supposed goodwill of others. In the very costly environment of personal finance and investing, depending upon the goodwill of others can be a very risky strategy. Significant danger exists in not understanding certain fundamental truths about the financial services industry itself. The structure of the financial services industry creates conflicts between the financial interests of individual investors versus the profit motives of the industry and the self-interest of its employees and sales agents. These motives can be a much greater threat to investor welfare than the potential for outright fraud that rightly concerns so many investors. For example, the financial industry offers investment products for individuals to buy at prices that -- one way or another -- will be increased to add substantial costs and profits associated with their sale. There is not free investment money for individual investors to find lying around. Interactions with the financial markets are a "zero-sum game" before costs and taxes, and they are a "negative sum game" after them. In the short-term the size of the securities market pie is fixed, and when one party gets more, another gets less. In and of themselves the markets do not create value, but the industry can siphon away a significant portion of investors' potential returns through visible fees and hidden costs. (See: [Excessive investment costs are a huge problem for individual](#)

[investors](#)) Of course, the capital markets provide an extremely valuable economic contribution to our world through the efficient allocation of capital. However, this role does not necessarily mean that investment profits will be shared equitably between individual investors and the industry. Investors and the industry are in competition with each other over how to split this pie. Investors who understand this conflict can better ensure that they get a more reasonable deal. The good news is that modern financial markets are competitive and relatively efficient asset price setting mechanisms. This means individual investors cannot consistently "beat the market" on a risk-adjusted basis. While this might disappoint some investors who believe they are smarter than others, in reality this is very good news. On the opposite side, the good news is that competitive and efficient markets mean that individuals need not be beaten badly by the market either. Investor returns can track a market return quite closely at very low cost. When beating the market is not an option, skilled investors can make optimal, efficient, and lower cost choices, when choosing investment strategies. Such market return strategies do not provide an entirely free ride, because there is always a minimum cost. However, optimal investment practices do amount to a highly discounted ticket, which can get individuals to their financial goals quicker and/or richer. Without optimal strategies, the risk-adjusted returns of the average investor will lag the market return by a much wider margin. This lag will be due to the inferior gross returns of their sub-optimal investment strategies, which are primarily attributable to their unnecessarily high investment costs and taxes. Therefore, at the outset, the crux of the matter is to learn what does and does not work in personal financial planning and investing. Accepting what you hear or read about personal financial strategies without demanding proof, is an almost certain road to a lighter wallet.

These articles about financial planners and investment advisors may also be useful to you:[Selecting a Financial Advisor](#): ->[Preparing to interview a financial planner or investment advisor](#) ->[Questions to ask, when hiring an advisor – Part 1, Background and training](#) ->[Questions to ask, when hiring an advisor – Part 2, Fees and contracts](#) ->[Questions to ask, when hiring an advisor – Part 3, Services and references](#) [Payment of Financial Advisors](#): ->[Does it matter how financial planners and investment advisors are paid?](#) ->[Financial planner and investment advisor compensation paid by third parties](#) ->[Financial planner and investment advisor compensation paid by clients](#) ->[Fee-only compensation aligns the interests of clients and their financial advisors](#) ->[Fee-only financial planner and investment advisory groups](#) ->[The securities industry calls marketing and selling "advising"](#): ->[Many investors are not fooled by an ethically challenged securities industry](#) [Regulation of Financial Advisors](#): ->[Regulation of financial planners and investment advisors -- Introduction](#) ->[Checking the backgrounds of individual securities brokers and advisors who sell investments](#) ->[On-line information explaining the licenses of financial planners, investment advisors, and insurance representatives](#) ->[Online information about registered securities broker-dealers and investment advisory firms](#) ->[Finding state regulators of securities brokers, investment advisors, insurance agents, and insurance brokers](#) ->[Private certifications of financial planners and investment advisors](#) ->[Widely recognized private financial and investment advisor certifications](#) ->[Governmental and self-regulation of the securities industry](#) [Advisor Fraud](#): ->[Avoiding financial planning and investment advisor frauds and scams – Overview](#) ->[Avoiding advisor frauds and scams – The "Never-do" list, Part 1](#) ->[Avoiding advisor frauds and scams – The "Never-do" list, Part 2](#) ->[Avoiding advisor frauds and scams – The "Never-do" list, Part 3](#)
