



5 Wall Street Myths That Hurt Investors

Navigating Wall Street can be confusing for the average investor. It can be scary, confusing and is shrouded in myths. Often times, what you think is in your best interests is nothing more than a product or service designed to service an investment firm or its shareholders as opposed to the client's needs FIRST. The following is a list of myths and hurdles to avoid when shopping around for the right financial advisor and investment products.

Myth #1— You Get What You Pay For

Most investors outsource their portfolio to professional money managers who supposedly perform better because, well, they're "PROFESSIONALS"! But the money management business is just like any other competitive business. Not everyone can be great at it. And research shows that over 80% of professional mutual fund and hedge fund managers underperform a correlating index. The reality on Wall Street is that most professional money managers cannot outperform an index and add very little value over buying a simple index fund. Those extra fees you're paying are often times a sunk cost!

Myth #2— Money managers and advisors have their interests aligned with yours.


Many investors assume that their financial advisor or money manager has their interests aligned with those of the investor. But the reality is that most Wall Street firms are designed around

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“Risk comes from not knowing what you’re doing.” - Warren Buffett



the best interests of their shareholders and the firm. Most advisors and managers get paid regardless of their performance and have adopted an asset accumulation approach that maximizes recurring fees. Performance is often an added benefit for managers and advisors who have embedded this EXTRA fee into their business structure.

Myth #3— Buy and Hold is the Best Approach

Many investors think they can just put a portfolio on auto-pilot and never have to pay attention to it again. But the devil is in the details. Proper investing and risk management means proper diversification based on your customized needs. And this requires proper weighting of non-correlated assets aligned with specific investor goals and needs. This requires maintenance, rebalancing, risk adjusted dollar cost averaging and proper monitoring of the portfolio over the long-term. You don't have to be a trader or rely on Wall Street "professionals" for daily portfolio monitoring, but your portfolio won't carry itself to the top of the investment mountain either.

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Myth #4— You Need to Invest with a Household Name

We all know the big household investment firms. You've seen the commercials and the pitches. And we're inclined to believe that by having your money invested with a big Wall Street firm that your money is not only safer, but managed more appropriately. The reality, as we learned in 2008, is that large "secure" investment firms like Bear Stearns or Lehman Brothers can be incredibly unstable. Not only that, but these firms often place their shareholder's interests ahead of your own. When considering an advisor or money manager don't be fooled into thinking that a household name is safer or has your best interests in mind.

Myth #5— You Will Get Rich by Investing

Many investors believe the stock market returns 10-12% per year and that they can outperform even this lofty figure. The reality is that the stock market returns just about 6% per year and that's an index of the very best companies in the world (for instance the S&P 500 is arguably the 500 greatest companies in the world out of MILLIONS). But more importantly, this mentality of becoming the next Warren Buffett puts the cart before the horse. An investment portfolio is what economists call a stock which flows from your income. Your primary source of output (your day job) is how you get "rich". Your portfolio is simply a repository where you protect your wealth from the risk of permanent loss and loss of purchasing power.

For more information on avoiding the pitfalls of Wall Street and securing a more objective and prudent view on investing please contact Orcam Financial Group, LLC at (858) 220-5383 or by email at info@orcamgroup.com

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