TEDERS & QUACKENBUSH
WEALTH MANAGEMENT GROUP
WELLS FARGO ADVISORS FINANCIAL NETWORK

From the Desk of Chad Teders **Investment Blind Spots**

When the blind-spot sensor system in your car malfunctions it can be a pretty harrowing trip to the dealer to get it repaired. That made me think about investing blind spots which are much more common. They occur when people are unaware of their own tendencies or behaviors associated with financial decisions. People often hold their decision-making skills in high regard. And it's good to be confident in your ability and judgment. Until you become overconfident. That's when trouble may ensue.

Investors may believe they have all the knowledge they need, and that they've done all the research required to support their actions relating to: buying or selling a security; borrowing or paying cash for an asset; insuring or self-insuring against non-portfolio risks; or preparing for estate planning contingencies. The only problem is their personal biases may preclude them from considering other relevant information, insights, and experiences that could lead to better outcomes.

While people may seek advice or a second opinion in such situations, often times they'll seek advice from people they know who will tell them what they want to hear, not necessarily what they need to hear. We call that confirmation bias.

Even professionals may not recognize their own blind spots. We've all heard the expressions: "A physician who treats himself has a fool for a patient", or "A lawyer who represents himself has a fool for a client." That's because their personal feelings, pride, and ego may cloud their medical or legal judgment.

Like automobiles equipped with blind spot monitoring and detection systems, investors can utilize investment planning software to help them understand potential threats and incursions to their financial well-being. But just as drivers should not rely totally on the warning systems and should follow best practices and check their blind spots before changing lanes or making a turn; investors should incorporate best practices before changing or adjusting their investment plans. It also means working with investment professionals you trust, respect, and listen to, and who can help you recognize and react to your specific financial blind spots in a responsible manner.

Planning software can help investors gain a clear understanding of their current financial position including their assets and liabilities and expected income and expenses. Like a GPS system, it also sets near- mid-, and long-term financial destinations, or goals, which investors hope to achieve. The software calculates the probability of reaching those goals, based on the investor's current situation and suggests areas for possible adjustments that may increase the likelihood of success, all while factoring in the investor's risk tolerance and time horizon. This enables investors to choose an investment plan-of-action that fits their investment needs and temperament.

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The most valuable attribute of planning software is the ability to interactively model different scenarios and plans. In essence you want to be able to take the plan on multiple "test drives" to understand how it may fare under various conditions, and then investors can select the route they're most comfortable with.

There are a lot of Do-It-Yourself planning programs and financial calculators that people can utilize, but that's where my concerns about our "blind spots" come in. Taking a Do-It-Yourself approach may not bring into proper focus the issues that really need to be addressed. And even if they do – planning is one thing; discipline and perseverance to execute the plan is quite another.

I believe utilizing state-of-the-art planning software in an interactive manner with our clients will help us develop and implement plans customized to each client's unique situation and objectives.

Thank you for your consideration.

Sincerely yours,

-Chad

Chad Teders, CFP®

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