This is one of 14 articles I ghostwrote for a client.

Most Investors Have Unrealistic Expectations

Most investors today never saw crash of 1929 and the subsequent depression. Instead, their benchmark memory is the dotcom bubble of 1990, which saw some stocks increase 200 and 300 percent over a span of days. Unfortunately, time has faded the pain a lot of people felt when that bubble popped and they just remember the heady rush of that glorious ride.

With that kind of memory, many of today's investors are hanging out in false hope for the next magic ride. I call this "wishful investing." We wish the market would have another rush that we could ride and that would give us high double-digit returns and solve all our financial woes.

Wishful investing is especially dangerous for the aging population staring retirement in the face and I see a disturbing pattern among these older investors. People come up to me and say they are ten years away from retirement and have little saved. They feel compelled to build up a retirement account swiftly. They tell me about risky investments and get-rich schemes. They've been trained to expect instant gratification and want fast solutions. They want big solutions.

Realistically, we can't expect a fast recovery. Historically, market bubbles are followed by years of correction. That is what we can expect again. When the Bear Market Rally of May 2009 corrects, the real recovery will be long and slow.

The good news is that the slower recovery gives wise investors time to look at their goals and create realistic investment plans to reach those goals.

The bad new is that many people fall prey to fear and desperation before they reach a point when they can think rationally enough to make a good plan

The Double Danger of Fear and Ignorance

As anxiety and fear increase many investors become desperate, angry and emotional and take higher risks than normal. Others become paralyzed with fear and do nothing. Neither strategy is particularly productive.

<u>The anxiety and fear is understandable</u>. Youth is a time for risks and maturity is the time for caution. The young take big risks because they don't know any better. Time stretches ahead and they believe they have forever to make money for retirement. Unfortunately, many people in their 50's have been living in that blissful state of optimism. Now they fear their mortality and they fear poverty. That is a lot of fear and it drives people to act in unpredictable ways.

<u>The second danger is financial ignorance</u>. I'm not talking about stupidity, but a lack of training and information. North Americans go through the educational system and never learn how to balance a checkbook, how compound interest works or how to invest over time. The average person lacks even the most basic business skills. Instead they are fed a steady diet of media that promotes instant gratification via the use of easy credit, which feeds an incredibly destructive cycle of fiscal irresponsibility.

<u>This combination of fear and ignorance leaves too many people susceptible to false promises.</u> Many of today's investors don't realize those raging dotcom stocks were an anomaly. They think that is how stocks behave. So when financial snake oil salesmen and get-rich-quick gurus promise

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a repeat ride, they toss out common caution. They bet the farm and their daughter's college fund for the promise of a 43 percent rate of return.

Friends, we are all seeing tremendous change in our lives, in the markets and in the world. Remember that our parents and grandparents survived the Great Depression and we will too if we are prudent and use common sense. And keep your perspective. Be grateful for what you have. No matter how bad it gets, you are still a thousand times better off than most of the world.

Your Action Steps:

1. Keep your mind focused on what you want to create for yourself rather than allowing yourself to become fearful.
2. Do a reality check about what you need, rather than want.
3. Keep your perspective and set realistic goals. Some of you will become the Rockefellers and Donald Trumps of the next decade; most of you won't.
4. Accept that it will take thought, discipline and time to repair your financial situation. Learning the basics of investing at least and improve your investing habits.
5. Learn to recognize the difference between an investment and a gamble.
6. Learn to trust yourself. You don't have to be brilliant to be financially successful, but you do need common sense.

Friends, I believe in the midst of these massive changes, many of you will step into your strength, learn to trust yourself and take the necessary action to rebuild your fortunes. If you do everything you can to improve your finances today, you will be able to look back knowing you did the best you could do with what you knew and became better off financially as a result.

My next article on Setting Realistic Goals will get you started on one of the easiest things to fix.

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