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How does your frame of reference affect your financial decisions?

- If you grew up in the Depression Era, where do you place more confidence: in banks or in the stock market?
- If you “grew up” financially in the stock market boom of the 1990s, what is your expectation for stock market returns?
- If you had never experienced 3 down years in a row in the US stock market like we did 2000-2002 (something that hadn’t happened in 60 years in the US stock market), how did you feel/act while going through that period?

It goes without saying that our frame of reference can have significant impact on our financial decisions. Much like our emotions, if we let it “rule the roost” we are apt to find ourselves making decisions we may well later regret.

Let us suggest two ways to help guard against these potentially unwise decisions and the decision-making patterns that can result.

- 1) Careful observation of others’ decisions and the results of those decisions (both positive and negative).
- 2) Using trusted advisors who can provide sound, ongoing, long-term advice, who listen to your circumstances and concerns, who then offer their advice based upon that listening and their expertise (including broad-based frames of reference).

John Adams, our second president, practiced #1. After returning from a period of time in Paris (when Parisians were living “the good life”, he said this to his wife Abigail: *Let us have ambition enough to keep our simplicity, our frugality and our integrity, and transmit these virtues as the fairest of inheritance to our children.*

Thoughts worth pondering....

Hope to see you soon.



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