HOW TO BECOME A MASTER INVESTOR

by Erik Conley

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ABOUT THE AUTHOR

> There is beauty in simplicity.
>
> \- *Erik Conley*

Hello, my name is Erik Conley. For the last 24 years, I have customized investment portfolios and worked with one of the top global wealth management firms in the U.S. Although I built a solid track record for designing consistently successful portfolios, I wanted to create a way for people from all walks of life to build a better financial future.

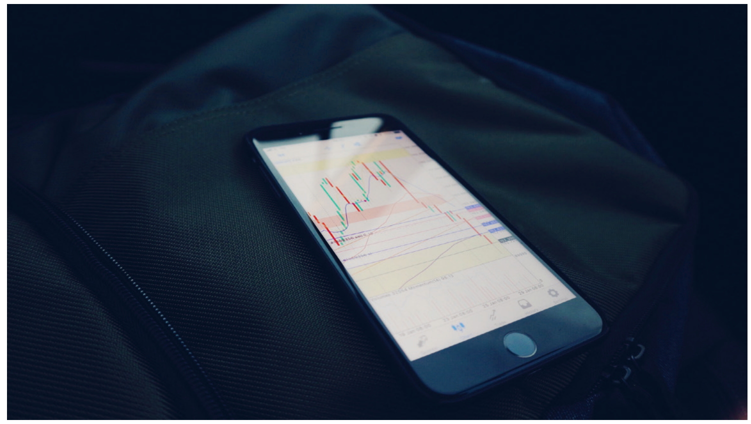
So I took the biggest risk of my career and walked away from $95 billion in client assets to start my own business. I took all of my knowledge and experience on Wall Street and began offering it to those who were just beginning to build their nest egg. Now, I have compiled a list of investing best practices to help you become a master investor.

Clarity

Mindfulness

Balance

Chapter 1



Determining your investing goals starts with coming to terms with how successful or unsuccessful your investments have performed in the past. When I take on a new client, one of the first things I do is ask them about their investment results over the last 3 years. Because they're on the phone with me they can't check their statements to give me the exact numbers. They must make an educated guess, which is just what I'm looking for. I keep records of this exercise and find that more than 80% of new clients overestimate their performance by a wide margin. Why is this? Because we all want to feel competent, and so we conveniently forget our big losers and exaggerate our winners. We do this out of ego preservation.

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Surveys show that 75% of respondents say they are above-average drivers. We don't like admitting to ourselves that we are below-average. It takes self-awareness, and that's a skill that can be learned. In my latest online course, I discuss the importance of being a self-aware investor. A self-aware investor is willing to check his ego at the door when he enters the arena of the stock market.

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Ego and politics aside, a skilled investor dives deep into the numbers of their past investment performance and analyzes what worked and what didn't.

Here are my top three recommendations when it comes to analyzing past portfolio performance:

MAKE AN EDUCATED GUESS

Make an educated guess about your investment portfolio performance over the last three years. Which were big winners? Which were big losers? Then check your statements and find out. The results may surprise you.

CHECK YOUR ACCURACY

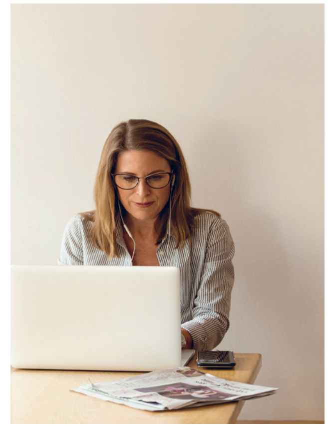
Now, take a moment and consider how accurate your estimations were. Were your "winners" performing as well as you thought? What about your "losers," did they perform above or below what you expected? Be honest and reflect on why you overestimated or underestimated on your portfolio performance.

EVALUATE YOUR DECISIONS

Consider the decisions you've made in the past about your investments. What decisions did you make that helped your investments grow? What decisions did you make that limited or hurt your investments? Moving forward, recall these choices and make every effort to learn from them.

Chapter 2



Every killer portfolio has allocations to several asset classes. The way you choose to allocate your money across these classes is by far the most important decision you will make as a DIY investor. Even more important than security selection, or market timing, or fees & expenses. According to a study conducted by Brinson, Singer, and Beebower, the most important decision investors will make when designing their portfolios is the way they spread their funds across various asset classes. Other decisions like security selection and market timing are also important, but less so than asset allocation in the portfolio design process.

Studies have shown that the most important decision investors will make when designing their portfolios is the way they spread their funds across various asset classes.

There are roughly 50 distinct asset classes available to investors, but I'll list out about 12 asset classes because that is all I believe is necessary to design an efficient and easy to manage portfolio. For more information on asset classes, head over to zeninvestor.org.

- U.S. equities
- U.S. Government Bonds
- U.S. Real Estate
- Non-U.S. Real Estate
- Broad Commodities
- Precious Metals
- Volatility
- Hedging Vehicles
- Corporate Bonds- High Yield or Junk*
- Corporate Bonds- Investment Grade
- Emerging Market Equities
- Developed Market Equities

*These bonds are considered below investment grade.


When a consumer of any product or service is presented with too many choices, the natural tendency is to not make any choice at all.

There is an overwhelming number of choices that are available to investors. Studies show that when a consumer of any product or service is presented with too many choices, the natural tendency is to not make any choice at all. This phenomenon is called The Paradox of Choice. According to the research firm Thomson Reuters, there are 108,790 listed companies around the world. There are three times as many bonds. There are more than 9,000 mutual funds, 2,200 ETFs, and a myriad of "alternative investments" for you to choose from in the marketplace. It's no wonder investors can get overwhelmed by them all.

Designing your portfolio is only complicated if you make it complicated.

The reason there are so many choices is because the investment industry makes it seem like it's too complicated for you to handle on your own, and therefore it would be much better to hand your account over to them so they can do all the hard work for you. But this is a myth. Designing your portfolio is only complicated if you make it complicated.

BUILD A SOLID FOUNDATION

Over the next few paragraphs, I'm going to dive deep into some of the best practices and biggest pitfalls of creating your own DIY portfolio. For a portfolio to be effective it must be built on a solid foundation. What's a solid foundation? It's a combination of your needs and risk preferences. Define what you are trying to accomplish. If you get this part right, you can eliminate the vast majority of investment products on offer in the marketplace and focus on a short, manageable list of choices.

"Risk comes from not knowing what you're doing."

- Warren Buffet

AVOID THE "ONE SIZE FITS ALL" APPROACH

You'll want to avoid financial salespeople that offer cookie-cutter portfolio designs that they claim will be just right for someone like you. Don't fall for it. The only portfolio that could be just right for you is one that is tailored just for you, and not some plain vanilla off-the-rack model just about everyone who walks in the door.

DISCOVER YOUR TRUE RISK TOLERANCE

Risk assessment and management is one of the most important parts of portfolio design, and yet it's usually just given lip service. Every investment you make must be evaluated against your risk tolerance, yet very few financial salespeople understand how to do it.

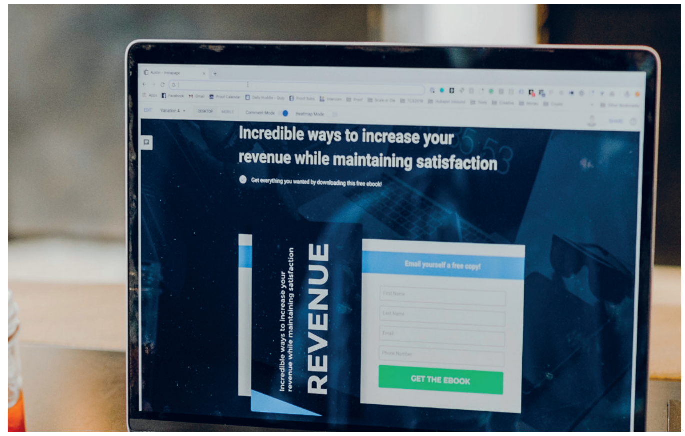
BEWARE OF HIDDEN AGENDAS

Who can you really trust to give you honest, unbiased, and clear information about designing your portfolio? The answer is you, and only you. This is because the investment business is built on one idea – gathering and controlling as much money as possible from clients and prospects. It's how the industry gets paid. Naturally this raises a conflict of interest. Is what you're being told in your best interest, or in the best interest of the salesperson? (See Fiduciary Standard)

DEMAND ACCOUNTABILITY

Ever notice that when everything is groovy and the market is going up and up and up, it's very easy to get your salesperson on the phone. That's because they probably have nothing but good news for you. But when the worm turns and the market takes a header, and your account is bleeding money by the day, suddenly your salesperson isn't so available. Nobody likes to be yelled at, and in a down market, customers complain. The dirty little secret is that your salesperson is not accountable for how well your portfolio actually performs. He or she was very careful during the sales process not to promise anything. When the market is rising, everybody is a genius, including your salesperson. When it's falling, don't blame the salesperson. There is no accountability.

Chapter 3



If you are working with an adviser, you are probably paying an annual fee of about 1%, give or take. That might seem insignificant but it's not. However, when you consider that the long-term average **real** return (after taking inflation into account) from investing in the stock market is about 7%, paying a fee of 1% means that you are giving up 14% of your profits each and every year. That's unnecessary, and I'll show you how to avoid it.

Even worse, when you have a down year, you are still on the hook for the full fee your adviser charges because it's based on the size of your account, rather than the performance of your account. That's just adding insult to injury.

"The compounding effect of investment expenses could rob an investor of 50% (or more) of their account value over the long term."

If you're a DIY investor, you've eliminated the fee problem but not the expense problem. Are you sure that your fund expenses and trading costs are as low as they could be? Vanguard's John Bogle, the man who invented low-cost index fund investing, correctly pointed out that the compounding effect of investment expenses could rob an investor of 50% (or more) of their account value over the long term.

If you're a DIY investor, you've eliminated the fee problem, but not the expense problem.

The Simple Math of Investing

To keep your funds and expenses as low as possible, you need to create a way to cut out the middleman. The best way to create a low cost custom tailored investment portfolio is for you to customize your own investments. Maintaining an investment portfolio with an advisor can be costly and can lack the accountability you need to ensure that your financial goals are a top priority. The good news is that there is a simple and cost effective way to make your investment portfolio work for you.

EXAMPLE PORTFOLIO

I'm going to breakdown an example, just to show you how much these small fees and expenses can add up. Let's assume you have a $100,000 portfolio. Here is what it could cost you.

- Annual management fee of 1% or $1,000.
- Mutual fund and ETF expenses of .5% or $500.
- Annual account maintenance fees of $600.
- 12-B-1 fees for marketing to other clients the funds you buy - $300.
- Possible up-front fees of 5% for buying a "load" fund. $5,000 worst case.
- For a hedge fund, 2% of your account balance, or $2,000. Plus 20% of any profits.

An annual management fee of $1,000 adds up to $10,000 every 10 years.

For a typical investor that means handing over 30% of your money to middlemen.

"The two greatest enemies of the equity fund investor are expenses and emotions."

- John Bogle

For a hedge fund, 2% of a $500,000 portfolio balance is equivalent to $10,000.

That's roughly, $100,000 every 10 years plus 20% of any profits!

"Price is what you pay, value is what you get."

- Warren Buffet

Chapter 4

As you can see from the last chapter, expenses and costs can add up quickly when it comes to your investment portfolio. In my experience, I've seen many smart and accomplished people approach their investment portfolios with a lack of clarity and bias that ultimately leads to poor decision making resulting in stunted growth or loss of capital. I've managed hundreds, if not thousands of portfolios for the very wealthy, and it became one of my life's calling to help others from all walks of life achieve financial freedom for themselves and their families.

In 2001, I walked away from $95 billion in client assets to start my own firm. What I knew then was that I was helping wealthy people protect what they already had, yet the "rules" prevented me from helping the people who needed it most: the ones who were just starting to build their wealth. So in 2008, I created the Zen Investor, an online and membership site, to help people learn how to make the most out of their investments. Although this choice was the biggest gamble of my life, I knew it was the right one.

The key to wise investing decisions is understanding who you are as an investor, and which strategy will work best for you.

I believed, and still do, that the key to wise investing decisions is understanding who you are as an investor, and which strategy will work best for you. I want you to re-examine your portfolio to build something that has low expenses, high diversification, and is right for your goals. Lastly, I want you to know how to take defensive steps before a disastrous economic event strikes. That last part is the MOST important part of your investing strategy. Being diversified with low fees will certainly help, but getting wiped out like everyone else during a crash makes that all irrelevant.

If you're like most people, you want to make the most out of your investments, because who doesn't like making money? That's probably the main reason you're reading this book. But the reality of finding a good quality advisor can be difficult at best, and impossible at worst. And the truth of the matter is that you'd like to take the matters into your own hands. That's why over the last few years, I've created multiple online educational resources, courses, and articles highlighting the best practices and pitfalls for both new and advanced investors.

THE PITFALLS OF BUSYNESS

Like many of my clients, you're probably knee deep in paperwork at work, balancing your career and family, and trying to figure out how to get to the gym every once in a while. And much like myself, you're in the pursuit of knowledge but you don't want to overcommit yourself to anything that won't be worth your time. But, let me ask you, what was the best investment you ever made in yourself?

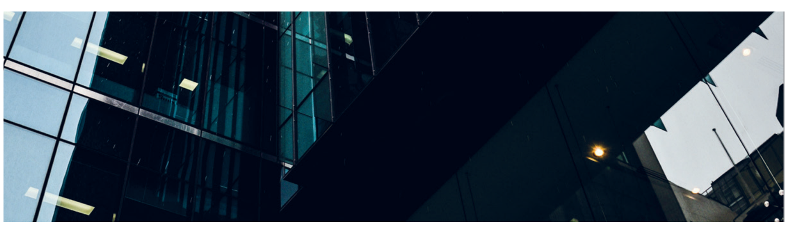
In life, as in investing, the most precious resource we have is time.

THE PAYOFF OF INVESTED TIME

For me, the best investment in myself was charting my own path and leaving my last firm. And for you it might be spending extra time on pursuing more credentials, certifications, or going after a big promotion. Either way, the payoff is that you'll gain a higher salary and maybe more independence at the office. In life, as in investing, the most precious resource we have is time. For most of us, we spend a majority of our days in an office, working towards an eventual goal of reaching retirement. And yet, what we might not realize is how much time would be saved reaching that goal by taking an unbiased look at our investments. The reality is that a well-designed and efficient portfolio will get you to your objectives in far less time than you otherwise would.

"I was impressed by your ability to put us at ease and walk us through the tricky process of setting up our portfolios."
- Colleen Lindberg (student)

"It has been a great experience learning investing with you!"
- Wesley Sheperd (student)



"The most important investment you can make is in yourself."
- *Warren Buffet*

If you'd like to learn more about investing basics and advanced portfolio design, head on over to zeninvestor.org.

The Best Investment

Warren Buffet once said, "The most important investment you can make is in yourself." And I couldn't agree more. I've spent the last 24 years helping people learn how to invest in themselves through leveraging the stock market.

And now, I've created a simple and effective approach to helping people design a killer portfolio that works for them.

With the trade-off of a little time and money, you'll be able to easily create, manage, and analyze your investments over a lifetime.

This course will pay for itself many times over - often in the first 12 months. - *Erik*

5
Modules

3-8
Lessons per module

Quick quizzes for mastery

Master of Portfolio Design Certificate

If you feel like you can't invest in a course, consider this...

1 It's not an expenditure of money that you'll never get back. It's an investment in your financial future that will pay big dividends, year after year, for as long as you're investing.

2 After taking this course, it will only takes about 30 minutes per year to maintain your portfolio. This course really can save you time and money.

If you feel like you don't have any time, consider this....

3 In the long run, this course will save you hundreds of hours over a lifetime of investing.

4 The real strength of the portfolio you'll create is its simplicity. You will design a portfolio that fits you like a glove.

What are you waiting for?

Join the hundreds of people who are taking charge of their investments and getting real results. Head on over now to zeninvestor.org to learn more about the DIY Killer Portfolio course.