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# ***Better Decisions***

A bulletin devoted to helping you make better and better financial decisions

## **Be Like the Sky**

by

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**T**he unexpected. Unlikely outcomes. Rare events. How should we think about these sorts of things? Especially as they may effect our personal financial well-being.

Unusual occurrences are normal. Sure, they happen infrequently, but they *do happen*. We confuse low probability with no probability. We behave as if these once in a lifetimes never happen or won't happen to us. But, they will.

Look at this. If there is a 95% chance your investment strategy will keep you afloat to age 100, you would probably say something like, "Hmmm, that sounds pretty good." But what about that 5% territory? What about that?

Ask yourself, "What if I fall within that 5% group that doesn't make it? What if I turn 98 and am out of cash? Then what? How do I pay for lunch?"

Our tendency is to focus on what will usually happen to the neglect of the unusual. Since this approach does, in fact, work well most of the time we acquire a false sense of security. However, when our approach doesn't work *it really doesn't work!*

So what do you do about the unlikely occurring in your life?

Here's an idea. Take inflation. Experts agree it won't happen anytime soon. If consensus says not to worry and we do get an out-of-the-blue spike in inflation, people may over react, which would make matters worse. I suggest buying a tad of protection.

Cayenne pepper strength protection is available via various hedge funds (I own one). More pedestrian offerings are out there, too, like Treasury Inflation-Protected Securities (TIPS), which can be purchased in \$1,000 increments with 5, 10, or 20 year durations directly from the government (I own none). Or you can buy mutual funds comprised of TIPS (I own none). With any of these, if inflation remains tame you lose a little. If inflation takes off, you offset some of your losses.

Inflation is just one thunderbolt. What might be another closer to home? What, in your personal financial life, might be a startling, bolt of lightning? And more importantly, how would you handle it? Would you be ready for it? Of course you would, because you would be like the sky --- "The sky is never surprised when all of a sudden a thunderbolt breaks through." (Shunryu Suzuki (*Zen Mind, Beginner's Mind* [New York: Weatherhill, 1983] 84).

That's how you want to be, unfazed by thunder or lightning!