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Better Decisions

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

Forget Stability

by

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Sometimes, but not always, corporate reports give insight into what is going on. Sure, reading them can be a bit tedious, but sifting through all that chaff to find a single kernel of wheat can be worth it. Every now and then, you come across a little pearl of wisdom.

Take, for example, this one from Chico's 2001 annual report. [Note: Chico's is a retailer of women's apparel.] In his opening letter to shareholders, founder, CEO and Chairman, Marvin Gralnick explained how he constantly monitored and adjusted the company's position financially to maintain sustainability. That, to me, is a little pearl of wisdom. Why? Because he used the word “sustainability,” not the word “stability.” Big difference.

Maybe what he said was nuanced by the events of 9/11...*stability can be fleeting, sustainability is enduring.* Stability is about holding your ground. Sustainability is about doing what is needed to be around for a long, long time in all kinds of weather.

Forget the clichés like stand pat, stay the course, steady as she goes, look neither left nor right, what's good for GM is good for America. Rather, try: Jack be nimble, Jack be quick, or, as stated so aptly by Marvin Gralnick: *monitor and adjust!*

Do you think he's right? Do you think even when you have a good thing going you're better off monitoring and adjusting? I think so. Granted, Mr. Gralnick was talking corporate, not household. But, why not talk “household?”

What would *you* do differently to constantly monitor and adjust your position financially to maintain your sustainability?

In the May 2006 issue of the *Journal of Financial Planning*, Dennis Stearns looks at a nifty method called “scenario learning,” a decision tool that forces you to contemplate extreme futures, and then assess how each might be handled should it actually occur. In simple terms, different futures get labeled as either normal or wildcard. You look at both kinds.

Example: You plan to retire in two years. Everything's all set. In one scenario you retire as planned. In another, a year from now you suffer a stroke. Did you envision that? Or, unexpectedly, your great-aunt dies and leaves you \$300,000; but leaves your three brothers one beat-up old desk, one metal frame bed, and one sagging sofa respectively. Did you envision that? What do you do?

In sum, consider following this recipe:
Monitor. Adjust. Anticipate different futures.