ALASKA HIGHWAY NEWS

Smart Money: Learn to love the bear

Brad Brain
Jul 19, 2022 8:34 AM

Brad Brain: "It comes down to this. If you are going to buy something – whether it is business suits or mutual funds – you should much prefer low prices to higher prices. It's only if you are a selling something that you want to see high prices." | Getty Images

I have some travel coming up, and it brought to mind that time I flew to Victoria for work. About an hour into the flight, I realized that my nice suit, freshly laundered and ready for action, remained hanging on the hook at home.

Normally it's rare that I even put on a tie, never mind wear a suit to work, but business attire was expected for that particular trip. Which brings me to the point of this analogy. I already know that when we land in Victoria I am going to the men's wear store, and the credit card is going to take some damage. I don't have much choice.

Resigned to my fate, I go to the men's wear store only to find – joy of joys – painted on the window in big red letters that magic four-letter word that makes my heart sing – SALE!

It's pretty simple. I had to buy some clothes. Clothes were on sale. I am happy. People can understand this.

More often than not, though, people have a harder time understanding the joy that comes from buying investments on sale. Given that, I will see if I can free some minds today.

It comes down to this. If you are going to buy something – whether it is business suits or mutual funds – you should much prefer low prices to higher prices. It's only if you are a selling something that you want to see high prices.

It's as simple as that. And while this is not an intuitive thing, people need to understand this fundamental truth. If you are going to buy something, paying a lower price is preferable.

Despite this, people take pleasure in seeing gains on their investment statement, and they abhor an investment statement that reflects lower prices. That reaction can very well be backwards. Think it through.

The truth – and this is indisputable – is that if investment decisions were made based on purely rational criteria, it is only the people who are selling their investments that want to see high prices. Everybody that is buying should want to pay as little as possible. End of story.

So, sure, if you will soon be selling your investments, for retirement income perhaps, these challenging investment markets may be causing considerable angst. Of that there is no doubt. But that is another topic.

But this column is not designed for the 64-year-old that thought he was going to retire next year, and now has to make some recalculations. Rather, this column is geared for the 40-year-old who still has a couple of decades to accumulate quality investment assets, and somehow thinks that paying higher prices to acquire these assets is a good thing.

That 40-year-old – the person that is going to be buying investments for years to come– that person needs to learn to love the bear.

When I went to the men's wear store and I saw the SALE sign, I was happy. Sometimes investments go on sale too. We call them bear markets. If you are going to

buy investments, and it happens to be during a bear market, be happy. You just bought your investments when they were on sale.

Whether you are buying business suits or whether you are buying investments, it's all the same. If you are going to be a net buyer over the next five years or more, you should want to see low prices. It's only the people who are selling that need to see the higher prices.

So when I left that men's wear store I found myself with a few extra parcels under my arm. Parcels that were not immediately required for that particular business trip. But the sale was on, so I bought more. That makes sense. Feel free to do the same with your investments. Learn to love the bear.

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