# Evolution of an Investor

Posted on: May 12, 2015

Sometimes during social events or other gatherings a person will approach someone in the financial services business with an opening question: “I hear you do investments. What kind of returns can I expect?” .

The type of questions asked by individuals are usually a good indication of their investing experience. Newer (younger) investors are often more focused on the returns advertized by various investment companies, while more seasoned investors tend to think first about capital preservation and then returns second. In general, seasoned investors tend to focus more of their efforts on understanding the "process" for producing long term investment returns, which usually involve strategies such as dollar-cost-averaging and careful asset allocation.

Former Fed Chairman, Alan Greenspan, in his 2014 book The Map and the Territory, wrote: "We all directly experience threats to our self and our values (fear) and the sense of well-being or elation (euphoria) triggered in the course of our pursuit of our economic interests…That emotion (fear) is decidedly inbred - no one is immune to it. But people respond to fear in different ways, and the differences are part of what defines the individuality of people".

The primary challenge for a new investor is to build their assets so that they become a larger (seasoned) investor who can be somewhat protected against the slings and arrows of misfortunes (market corrections). During times of market corrections, a lot of equity investments pass from the hands of less-experienced individuals (smaller investors) to more experienced (seasoned) investors who are able to identity opportunities presented by market volatility. That is why published reports indicate equity investment ownership[1] in the U.S., for example, is increasingly concentrated in the hands of the top 5% of the population while equity investment ownership amongst middle-class investors has been decreasing since the 2008 credit crisis.

In order to grow into seasoned investors, all new investors need to properly educate themselves about the inevitable ups and downs of equity investments. This knowledge can help new investors guard themselves against making unwise investment decisions based on short-term economic events rather than a long-term investment strategy. As the cartoon character Pogo famously stated: "We have met the enemy and he is us".

Call us today for a review of your investment strategy and to learn more about how to grow your wealth through investing.

[1] U.S Federal Reserve 2014

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Do you have questions about your investment strategies?

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