

FINANCIAL FRIDAYS

Issue 1

WHY DO I NEED A “FINANCIAL FRIDAY” TIP?

Bill Giannone, founder of Restoration CEO

Welcome to the end of the week, SCRT friends and fellow members. And welcome to SCRT’s newest column, “Financial Friday.” Each week, I will present you with a topic, thought or explanation from the world of business and finance that will (hopefully) help you navigate the murky waters of running a business, planning for retirement, or just getting through to the next paycheck.

Prior to coming into the restoration world about a decade ago, I spent my previous business life of over 25 years on Wall Street. If you think that we are hated by carriers and other contractors, just think what my life was like around 2008 LOL. Most of my days were spent analyzing risk and helping my clients fulfill their goals and dreams. My decisions were made over time periods that ranged from days or weeks to mere seconds, depending on the client and the decision. Today, I work with contractors all over the country, assessing their business risk and coming up with plans to help them fulfill their goals and dreams. The only difference is that my time frame is far greater and my clients are far more patient.

That doesn’t mean that everyday events “in the markets” don’t spook them or leave them confused and afraid. I thought it would be a good idea to start this series with a simple lesson about the “markets.”

When we hear about what the “market” did today, in reality that report only deals with a handful of stocks- for instance, the “Dow Jones” index is a weighted average of just 30 stocks! Even the “S&P” index only gives us a reading on 500 stocks. The truth is that there are over 8,000 total stocks, and that stocks only make up a very small percentage of our nation’s overall investment portfolio!

The reason that these numbers matter is that their movements create a feeling within us. If they go down for several days straight, the reporters start talking about an impending correction, recession or collapse! Record highs day after day give everyone a feeling of euphoria and security. The numbers themselves prove nothing of the kind, but the way they get presented to us on a daily basis is purposeful and something that we all must understand.

In short, the people putting these numbers out are doing so to move us to action. They WANT us to react, hopefully by either buying or selling our stocks in hopes of making more- or losing less. Sadly, the truth is that they don’t care about giving us good, long-term guidance. They need us to trade. Most times, if you hold your stocks for a long time, you are not paying any fees to keep them. Mutual funds may charge you a small fee, but that is a management fee that they receive for taking care of your money. The more you trade, the more commissions they collect. So, it is not in their best interests to calm you during a period of uncertainty; rather, it is for them to exaggerate the time so that you will be moved to action.

Next week I will address a long-term strategy that has always worked- and one that you will never hear from your broker!

Continued success!