Aesop's Financial Fables

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Table of Contents

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Introduction

Aesop was a slave in Ancient Greece around 550BC but his name has become synonymous with fables. So what exactly is a fable? A fable is a fictional story told in verse that features animals, legendary creatures, plants, forces of nature, or inanimate objects. They are given the ability to speak and each story illustrates or leads to a particular moral or lesson, which usually ends with a particular maxim or saying. This report is a little spin on Aesop's Fables, called Aesop on Finances as many of Aesop's lessons can be applied to finances.

Moral 1: Precautions are useless after a crisis

As a financial advisor, I get a lot of questions. Some people ask me if it's a good time to invest in the markets, or if they should be sticking their money under a mattress. Others ask me about the economy. A few ask me about specific investments. But the most common question I get is probably the best.

"What," they say, "is the number one tip you can give me?"

So here's my answer:

Precautions are useless <u>after</u> a crisis!

You're probably wondering what I mean. It's simple. When's the *worst* time to buy a home-security system? After a break-in. When's the worst time to check your tire pressure? After you've already had a blowout. When's the worst time to put your seat belt on?

You get the idea.

It's a fundamental fact of life, and it extends to your finances, too. Money can take hits just like everything else. People lose their jobs. Investments can plummet. There might be a death in the family. We have to contend with natural disasters, theft, fraud, and just plain bad luck. One of the ways to fight it: by having a plan. But a plan is nearly useless after the fact.

We've known this lesson since we were kids. Aesop, that ancient master of common sense, says it better than I can in his story,*"The Caged Bird and the Bat"* [1]

> A singing bird was confined in a cage which hung outside a window, and had a way of singing at night when all other birds were asleep.
>
> One night, a bat came and clung to the bars of the cage. The bat asked the bird why she was silent by day and sang only at night.
>
> "I have a very good reason for doing so," said the bird. "It was once when I was singing in the daytime that a fowler was attracted by my voice. He set his nets for me and caught me. Since then, I have never sung except by night."
>
> The bat replied, "It is no use your doing that now when you are a prisoner. If only you had done so before you were caught, you might still have been free."

So what's my number one tip as a financial advisor? Do *now* what you'll *wish* you had done later. If you take suitable precautions for your money, you'll find that it's always there to support you, even in your direst need. Those who don't are like the bird in the fable: trapped by the hardships of life.

Because……precautions are useless after a crisis.

Moral 2: Look Before You Leap

Ever notice how much human beings act on impulse? Advertising companies sure do. So do car dealerships, banks, and your local gym. Every time you go to the checkout counter at a grocery store, the strategically-placed candy bars and tabloid magazines are practically crying out: “Buy me! Buy me!”… even though five minutes before, you neither needed nor wanted them.

Pay attention next time you watch TV, or go to a store, or open your mail. Entire industries are built on capturing the human impulse. Most of the time these impulses are harmless enough, but the worst of them can have serious consequences. In fact, one of the greatest dangers to our financial health is the fact that we don’t always think before we act. We don’t look before we leap. And we give up the things we want most for the things we only want right now.

Not surprisingly, our best defense against these dangerous impulses is simple common sense. Whenever I need to renew my stock of common sense, I turn to the ancients. The legendary fabler Aesop explained it best in his story, *The Fox and the Goat*[2]

> One day a fox fell into a deep well and could find no means of escape. A goat came to the same well, and seeing the fox, inquired if the water was good.
>
> Concealing his plight under a merry guise, the fox praised the water, saying it was excellent beyond measure. He encouraged the goat to descend. The goat, thinking only of his thirst, jumped down thoughtlessly. But just as he began to drink, the fox informed him of the difficulty they were both in and suggested a scheme for their common escape.
>
> “If,” said he, “you will place your hooves upon the wall and bend your head, I will run up your back and escape, and will help you out afterwards.” The goat readily assented and the fox leaped upon his back. Steadying himself with the goat’s horns, he safely reached the mouth of the well and made off as fast as he could.

> When the goat cursed him for breaking his promise, he turned around and said, "You foolish old fellow! If you had as many brains in your head as you have hair on your chin, you would never have gone down before you had inspected the way up, nor have exposed yourself to dangers from which you had no means of escape."

Had the goat looked before he leaped, or thought before he acted, he would have never given up his freedom for a single drink. The same rule applies to us. Always be on the lookout against decisions that would mortgage your future for the present. Credit card companies might try to entice you with cards you don't need, using the promises of rewards and other goodies. But a credit card is still a form of debt. Some banks offer all kinds of incentives for opening accounts with them—but you won't find out about the restrictions or penalties until afterwards. And there are certainly may be financial advisors out there who might channel you towards investments that aren't suited for you, all with the promise that it'll guarantee your money will grow, or that you can retire early. But do these products give you more freedom, or less? Can you read the fine print, or is it at the bottom of a well?

Keep in mind, it's not that credit cards or all investment products are bad. They just may not be *right for you at this time*. Remember, I promised to send you helpful material, and the most helpful advice I can give you is: *LOOK BEFORE YOU LEAP.*

If you're ever tempted by the carrot at the end of a stick, or have a decision to make that might affect your finances, *don't* act on impulse. Do your research. Stop and think. Take your time. Seek out professional, qualified advice. And remember: Don't give up the things you want the most for the things you only want right now!

Call us at 1-800-277-0025 to take advantage of our Risk Assessment Software in our Wealth toolkit to be sure your risk is properly involved with any investment you are considering leaping into.

Moral 3: It is Best to Prepare for the Days of Necessity

When I ask people what their number one financial goal is, many of them say things like this:

> "Pay off my house."
>
> "Buy a better car."
>
> "Go on vacation."
>
> "Pay off my credit card debt."

Those are all really good goals to have. But there's one I think that's just as important as all the rest: *preparing for retirement.* Now, just about everyone would agree that preparing for retirement is important. But thinking something and actually doing it are two completely different things. It can be hard to prepare for retirement, because when you retire, you're not actually buying something with a price tag on it, like a car. And you're not getting monthly bills to pay, like you do with a mortgage or a credit card. Because retirement is often far off, and because it's a state of being more than just a single event, preparing for it sometimes takes a back seat to other financial concerns.

But it shouldn't. Retirement plays as big a part of our lives as anything else, and it costs as much, too. The biggest thing to remember is that our expenses don't go down after we retire. In fact, sometimes they go up. Our income, on the other hand, *does* go down. And if our income goes down, while our expenses stay the same, well … that's not a fun equation to solve. You also have to consider your discretionary spending, like travel, presents for the grandkids, and the like. Because more than anything else, retirement should be *enjoyable.*

Another thing to remember about retirement: the average lifespan is longer than ever before. If we take reasonable care of ourselves, most of us can expect to live well into our seventies or beyond. So retirement is not only *expensive*, but *long*. It's crucial that our money lasts as long as we do.

So how do we prepare for retirement? The best thing to do is to start setting money aside, and to start *now*. Here's what the legendary fabler Aesop has to say about it, in his story *The Ant and the Grasshopper*[3]

<u>The Ant and the Grasshopper</u>

In a field one summer's day, a Grasshopper was hopping about, chirping and singing to its heart's content. An Ant passed by, bearing along with great toil an ear of corn he was taking to the nest.

"Why not come and chat with me," said the Grasshopper, "instead of toiling and moiling in that way?"

"I am helping to lay up food for the winter," said the Ant, "and recommend you to do the same."

"Why bother about winter?" said the Grasshopper. "We have got plenty of food at present." But the Ant went on its way and continued its toil. When the winter came the Grasshopper had no food and found itself dying of hunger, while it saw the ants distributing every ear of corn and grain from the stores they had collected in the summer. Then the Grasshopper knew:

It is best to prepare for the days of necessity.

To be like the ant instead of the grasshopper, start setting aside money for your own days of necessity. There are many ways to do it, from prudent investing to simply setting aside a little bit of your paycheck every month in a special savings account. But whatever you choose, do it soon and do it consistently. It's the best way to make retirement a long and fruitful summer, rather than a cold and bitter winter.

Call us at 1-800-277-0025 to take advantage of our Retirement Planning Software in our Wealth Toolkit, to be prepared for the days of necessity.

Moral 4: Little by Little You Will Get What You Need

Recently, I've been thinking about investing.

"What's so special about that?" you're probably wondering. After all, I *am* a financial advisor, so it's my job to think about investing. But lately, my thoughts have taken on a slight twist. "Why do we invest at all?" is the question I've been pondering. It's a question all investors should be asking themselves.

Generally speaking, there are two broad reasons why people invest their hard-earned money. The first reason is simply because they want more of it. Some people want as much money as possible, and they figure investing is the best way to get it.

The second reason is because you have a specific goal you'd like to reach, and you know you won't be able to without investing. Your goal could be anything: retirement, travel, funding a child's education, you name it. Investing, then, is simply a means to achieve your ends.

So which reason is best? To answer that question, let's see what the great Aesop had to say by looking at two of his most famous fables. First up: *The Goose with the Golden Eggs*[4]

The Goose with the Golden Eggs

> One day, a countryman going to the nest of his goose found there an egg all yellow and glittering. When he took it up it was as heavy as lead and he was going to throw it away, because he thought a trick had been played upon him. But he soon found to his delight that it was an egg of pure gold. Every morning the same thing occurred, and he soon became rich by selling his eggs. As he grew rich he grew greedy, and thinking to get at once all the gold the Goose could give, he killed it and opened it only to find nothing.
>
> **Greed oft overreaches itself.**

Next up, here's *The Crow and the Pitcher*.[5]

The Crow and the Pitcher

A crow, half-dead with thirst, came upon a pitcher which had once been full of water. But when the crow put its beak into the mouth of the pitcher, he found that only very little water was left in it, and that he could not reach far enough down to get at it. He tried, and he tried, but at last had to give up in despair.

Then a thought came to him. He took a pebble and dropped it into the pitcher. Then he took another pebble and dropped it into the pitcher; and another pebble, and another, and another, and another. Over and over he dropped pebbles into the pitcher, till at last, *at last*, he saw the water mount up near him. After casting in a few more pebbles, he was able to quench his thirst and save his life.

Little by little, you will get what you need.

It's probably obvious to you, but people who invest solely to acquire as much money as possible are like the countryman in the first fable. There's nothing wrong with wanting more money, but when *more* becomes all you care about, it can lead to problems. People like this invest for greed, and they often make mistakes. Sometimes those mistakes come in the form of taking on too much risk, or choosing investments they don't understand, or attempting to time the market. While such things might work for a while, they can easily lead to disaster. Just as the countryman lost all his future gold by strangling his goose, those who let their greed control them usually lose everything, too.

Much wiser was the crow, and much wiser are those who invest for *need* instead of just greed. Smart investing involves first deciding what it is that you want. What are your goals? What are your dreams? What's truly important to you? Once you've figured that out, determine what you need to reach those goals. That will enable you to choose the appropriate investments. For example, let's say your goal is to retire in ten years. To do so, you decide you need a 5% annual return on your investments over the next decade. If 5% is what you need, why would you shoot for 15%? Sure, 15 is more than 5, but it also comes with more risk. The higher the return, the riskier the investment. So instead, invest based on what you *need*. Little by little is always smarter than all at once.

As you go throughout life, always ask yourself: What do I most want to accomplish? What's most important to me? Then, figure out what you need to achieve it. Once you've done that, you're well on your way to investing wisely.

Call us at 1-800-277-0025 to take advantage of our Risk Assessment Software in our Wealth Toolkit to ensure you are properly managing your risk, so that little by little, you can get what you need.

Moral 5: Better One Safe Way than a Hundred Which You Can Not Rely on

When it comes to investing, almost everyone would agree that it is smart to have an investment strategy. Using a strategy, as opposed to "just winging it" or "going with your gut" can help prevent you from making decisions based on emotions or snap judgments. That's important, because emotional decisions can cause people to experience more volatility and take on more risk than they can afford.

That is why I always ask prospective clients, "What's your investment strategy?" Some people blink and admit they don't have one. Others just shrug and say, "A little of this, a little of that."

What's the difference between these two types of people? Simple. The first group *admits* they don't have a strategy. The second group is in denial.

People who try to manage their investments using advice from a hundred different corners—like the media, self-help books, or "hot stock tips" from friends—may *think* they have a strategy, but in reality have no strategy at all. It reminds me of the Aesop fable, *The Fox and the Cat.*

The Fox and the Cat

> A Fox was boasting to a Cat of its clever devices for escaping its enemies. "I have a whole bag of tricks," he said, "which contains a hundred ways of escaping my enemies."
>
> "I have only one," said the Cat, "but I can generally manage with that."
>
> Just at that moment, they heard the cry of a pack of hounds coming toward them. The Cat immediately scampered up a tree and hid herself in the boughs. "This is my plan," said the Cat to the Fox. "What are *you* going to do?"
>
> The Fox thought first of one way, then of another, and while he was debating, the hounds came nearer and nearer, and at last the Fox in his confusion was caught up by the hounds and captured by the huntsmen. The Cat, who had been looking on, said:
>
> *"Better one safe way than a hundred on which you cannot rely."*

When trouble comes or volatility strikes, too many investors react like the fox. Instead of relying on a conservative strategy, planned for in advance, they debate between a hundred possible courses. "Do I buy? Do I hold? Do I sell?" By the time they make a decision, the damage is already done.

Of course, it's never a bad thing to have options, and we should continually examine the strategies we use. But above all, *have a strategy.* Don't rely on bits and pieces of unreliable—and often contradictory—advice. Have your strategy researched, planned for, and determined in advance. It is one of the best ways to help protect yourself from volatility, risk … and yes, even hungry hounds.

Call us at 1-800-277-0025 to take advantage of our Risk Assessment Software in our Wealth Toolkit, so that you have one reliable strategy instead of 100 unreliable strategies.

Moral 6: We Must Balance Today's Needs with those of Tomorrow

Recently, I came across a story that I wanted to share with you. Like many of his fables, this one contains some good common sense that applies not only to our everyday lives … but to our finances as well.

The Master and His Mule

A trader set forth on a long journey driving before him a Mule well-laden with goods. The Mule, as long as he traveled along the plain, carried his load with ease, but when he began to ascend the steep path of the mountain, felt his load to be more than he could bear. He entreated his Master to relieve him of a small portion, that he might carry home the rest, but his Master, thinking only of how his own feet hurt, paid no attention to the request. The Mule shortly fell down dead under the weight of his burden. Not knowing what else to do in so wild a region, the Master took the goods the Mule had carried and placed them on his own shoulders. When he tried to take a step, groaning beneath his heavy burden, he said to himself:

"I am treated according to my desserts. If only I had not worried so much about my present pain and given the Mule the help he required, I would not be faced with a much more painful tomorrow."

When it comes to finances, all of us, regardless of our age, station, or status in life, have the following problem:

How do we balance today's needs with those of tomorrow?

After all, there are so many current demands on our money, aren't there? Groceries, utilities, fuel, repairs, not to mention the money we spend on luxuries like television, internet, vacations, and so on.

But the future has just as many demands. Retirement. Health care. Unforeseen emergencies. And it's not uncommon for the future's demands to be *far* more expensive than today's.

Unfortunately, many people often sacrifice tomorrow's needs for today's. For example, they:

- Take money out of their 401(k), IRA, or other retirement account to pay for something they need or want now.
- Take money out of their emergency fund, or fail to contribute to one, because they need a little extra cash now.
- Take out payday or cash advance loans, paying far more in interest than they received in the initial loan.

While there are occasions when it may be necessary to do these things, most of the time, it's a bad idea. And people who do often learn what the Master did in Aesop's story: that relieving a little present pain can cause far more pain in the future.

As we begin the New Year, one of the most prudent things you can do with your money is make a list of likely future expenses. Then ask yourself: "Am I setting money aside to meet these expenses? Am I investing and saving in a way that will help me secure the income I need once I stop working? Do I have an emergency fund, and am I contributing enough to it on a regular basis?"

By asking these questions, and by seeking the answers to them now, you can make your future burdens a *lot* lighter … without necessarily sacrificing the needs of today. More than anything, you can succeed where the Master failed. You can *complete* your own journey … wherever that journey might lead.

Call us at 1-800-277-0025 if you would like to take advantage of the Retirement Planning Software in our Wealth Toolkit, to be sure you are properly balancing today's needs, with those of tomorrow.

[1]http://aesopfables.com/cgi/aesop1.cgi?1&TheCageBirdandtheBat

[2] http://tinyurl.com/85xf8a8

[3] "The Ant and the Grasshopper," accessed January 25, 2013. http://www.aesopfables.com/cgi/aesop1.cgi?sel&TheAntandtheGrasshopper&&antgrass.ram

[4] "The Goose with the Golden Eggs" http://www.aesopfables.com/cgi/aesop1.cgi?sel&TheGooseWiththeGoldenEggs

[5] "The Crow and the Pitcher" http://www.aesopfables.com/cgi/aesop1.cgi?sel&TheCrowandthePitcher2

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