



## The Dangerous Stock Picking Game

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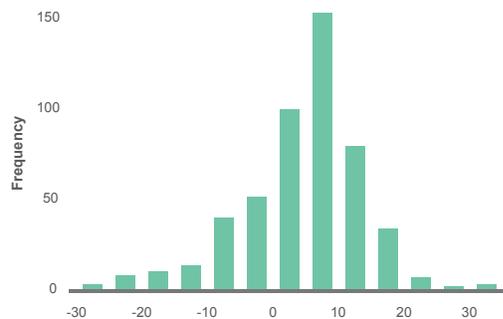
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How good is your stock picking? Is it good enough to wager your retirement future on it? What happens if you are unlucky and pick the wrong stocks?

Histogram of 10 Year Returns for S&P 500 Index Constituents



Source: Morningstar Direct November 2015. 10-year return as of September 2015.

The chart above shows the range of returns over the last 10 years for the stocks that made up the S&P 500 index, a popular measure of U.S. stock market performance. The difference between the best and worst performer was significant. Let's go back to 2005 and imagine you are a stock picker confined to investing in the stocks that comprised the S&P 500 Index. If you were the lucky stock picker, 10 years ago you would have invested in XTO Energy Inc., which gained 33.16% per year for the last 10 years. If you were the unlucky stock picker you would have invested in Sun Microsystems Inc., which lost 26.66% per year for the last 10 years. The difference in returns is significant and would have resulted in two completely different retirement outcomes.

If you are like me, luck is usually not on your side so there is no way you would bet your future on one stock pick. But what if you had the option of picking 20 stocks? The results are similar. The top 20 stocks in the index averaged 21.41% per year for the next 10 years. The worst 20 stocks lost 19.33% per year for the next 10 years.

The difference in returns is still significant and the difference in wealth even more so. A \$100,000 investment in the top 20 stocks would have resulted in \$695,731 today. And the same \$100,000 investment in the bottom 20 stocks would have resulted in \$11,678 today. Imagine a retirement with only \$11,678 in savings. That is what is at risk when you play the dangerous stock picking game.

There is another option. You don't have to wager your retirement on a handful of stocks. You can invest in them all just by investing in the index. Over the last 10 years the return of the S&P 500 index has been 6.80% per year, a return good enough to almost double an investment over that time. A \$100,000 investment would net \$193,051 today.

The next time you are tempted to wager your retirement on a handful of stock picks, ask yourself what information you have about those stocks that nobody else has. The market is made up of millions of participants, and stock prices reflect the combined wisdom of them all. Chances are they have all of the information you have and more, so the edge you thought you had probably isn't an edge at all.

# Making your New Year's Resolution Stick

American Psychological Association

## **Lose weight? Check. Start exercising? Check. Stop smoking? Check.**

It can be daunting when your list of New Year's Resolutions is as long as your holiday shopping list. In addition to the post-holiday slump, not being able to keep your resolutions by February, March or even late January may increase your anxiety. When your holiday decorations are packed up and stored away, the frustration of an unused gym membership or other reminders of failed resolutions can make the later winter months feel hopeless.

However, it is important to remember that the New Year isn't meant to serve as a catalyst for sweeping character changes. It is a time for people to reflect on their past year's behavior and promise to make positive lifestyle changes. "Setting small, attainable goals throughout the year, instead of a singular, overwhelming goal on January 1 can help you reach whatever it is you strive for," says psychologist Lynn Bufka, PhD. "Remember, it is not the extent of the change that matters, but rather the act of recognizing that lifestyle change is important and working toward it, one step at a time."

By making your resolutions realistic, there is a greater chance that you will keep them throughout the year, incorporating healthy behavior into your everyday life. APA offers these tips when thinking about a New Year's resolution:

### **Start small**

Make resolutions that you think you can keep. If, for example, your aim is to exercise more frequently, schedule three or four days a week at the gym instead of seven. If you would like to eat healthier, try replacing dessert with something else you enjoy, like fruit or yogurt, instead of seeing your diet as a form of punishment.

## **Change one behavior at a time**

Unhealthy behaviors develop over the course of time. Thus, replacing unhealthy behaviors with healthy ones requires time. Don't get overwhelmed and think that you have to reassess everything in your life. Instead, work toward changing one thing at a time.

### **Talk about it**

Share your experiences with family and friends. Consider joining a support group to reach your goals, such as a workout class at your gym or a group of coworkers quitting smoking. Having someone to share your struggles and successes with makes your journey to a healthier lifestyle that much easier and less intimidating.

### **Don't beat yourself up**

Perfection is unattainable. Remember that minor missteps when reaching your goals are completely normal and OK. Don't give up completely because you ate a brownie and broke your diet, or skipped the gym for a week because you were busy. Everyone has ups and downs; resolve to recover from your mistakes and get back on track.

### **Ask for support**

Accepting help from those who care about you and will listen strengthens your resilience and ability to manage stress caused by your resolution. If you feel overwhelmed or unable to meet your goals on your own, consider seeking professional help. Psychologists are uniquely trained to understand the connection between the mind and body. They can offer strategies as to how to adjust your goals so that they are attainable, as well as help you change unhealthy behaviors and address emotional issues.