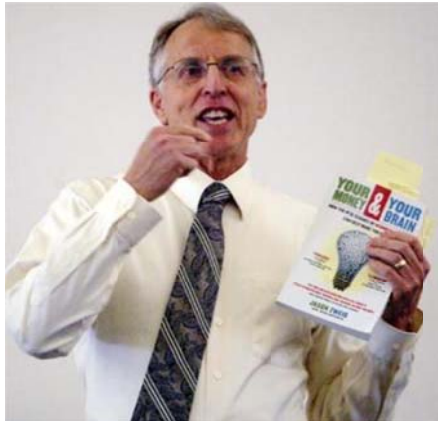


Financial planner: 'We hate uncertainty'

By MARY NUGENT - Staff Writer

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CHICO — Guerdon T. Ely says the financial mess the country is stuck in is complicated. "Millions, if not trillions of little events led up to this catastrophe," he said.

"Now it's after the fact, and we're trying to explain it. We think if we look at the little things that led up to it, maybe we can identify a few of them and come up with an explanation that makes us feel comfortable — but might be totally inaccurate. It's hindsight bias. We distort reality to our own bias."

Ely spoke June 22 as part of Butte County Library's Transforming Life After 50 series. He spoke to some 35 people, and shared his 2009 book "Uncertainty Is a Certainty: Fables for Fiduciaries."

For people wondering how to manage investment and ordinary expenses these days, Ely has some suggestions. "My principle is if you live within your means, budgeting is not necessary. We all have to get responsible. You can

learn enough about investing to make wise decisions."

Ely speaks from experience. In college, he "flunked bone-head English four times. One of my teachers told me I was the worst writer in the UC system," he said.

But Ely was a natural with math. "If I learned to write, others can learn to understand investing."

He also said there are things everyone should realize. Ely quoted a respected financial investor and philanthropist. "Warren Buffett said what you don't know is more relevant than what you do know. And he is right," he said. "When the dot-coms were going crazy, he didn't invest because he didn't understand it."

Throughout time, people have tried to predict the future in the financial world. "If people could actually do that, there would be no need for people like me," said Ely, who is a certified financial planner and accredited investment fiduciary analyst.

"My book is about responsibility," he said, explaining a fiduciary is someone who takes care of another's money or property, whether it's a person or an institution.

As a fiduciary, Ely manages money in several capacities, including for his family, his business and for an endowment.

"I believe in moral authority," he said. "When you choose a fiduciary, you want a good, unbiased advisor. You want to choose someone whose approach you understand."

It's not logical, but people tend to accept not understanding things fully. It's simply human nature, he said.

"If you don't understand something, you're enticed by it. We want people to lie to us, to tell us it's going to be OK and we have all the answers. We hate uncertainty. This is an uncertain world, but we don't want to hear that. We must learn to embrace uncertainty — it's the only way to make money."

People must fight the tendency to go with their gut in making financial decisions. "Basically, if it feels right, don't do it. This is so hard to get across to people. They agree intellectually, then go out and make emotional decisions."

People want to buy when they're already making money, sell when they're not. But generally, he said, "Buy when it's bad, sell when it's good."

While it's complicated, there are a few simple variables people can remember when considering investment, or recovery

from investments gone bad. "Get good, unbiased advice and keep it simple. Be conservative, and use discipline."

Ely shared the philosophies of four authors who write on related subjects concerning the economy and investing. "I'm a study-er. My whole career has been about studying."

The books:

- "The Black Swan" by Nassim Nicholas Taleb
- "Your Money and Your Brain" by Jason Zweig
- "The Squam Lake Report" by a group of 15 leading economists.
- "The Big Short" by Michael Lewis

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A few tips from Guerdon T. Ely on investing:

- Get unbiased advice.
- Get appropriate cash, stocks, bonds.
- Broadly diversify stocks.
- Use index funds, because they're cheap.
- Rebalance — the hardest thing to do. Sell winners, buy losers. "This is so hard because it's logical, but it doesn't feel right. Our emotions overwhelm our logic."



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