LAWSON KROEKER
INVESTMENT MANAGEMENT

As We See It

". . . determine first your objective."
–Marshall Ferdinand Foch

The road to investment success is treacherous and strewn with casualties. Although there is no formula that will guarantee investment success, the odds of succeeding are greatly enhanced by adhering to a few basic principles including these:

- Establish a goal
- Develop a plan
- Practice diversification
- Exercise patience

A prerequisite for success in any endeavor is the establishment of a goal. Financial goals can vary widely. Providing for a college education fund or retirement in financial comfort are but two typical examples. It is important to be specific. As someone once said, "If you do not know where you are going, any road will take you there."

In most instances, building up one's assets is, if not a lifetime project, an endeavor that usually spans many years. It starts with the development of and adherence to a sound long-range plan. The plan can be elaborate or relatively simple. It should provide for regular commitment of savings to sound investments and should be followed even when the emotions of the moment–greed or fear–suggest otherwise.

Since financial needs and ability to take risk change as one progresses through life, the plan should be flexible. For example, greater emphasis on capital appreciation through stocks may give way to more fixed income as one moves from prime earning years to retirement. The initial savings committed to investment should be dedicated to building a basic portfolio of sound equity and fixed income securities. Each added investment should fit the plan as foundation and roof fit the overall house plan. It is only later with significant progress toward the attainment of one's goal that speculative investment might be considered and then only with a limited portion of the assets.

Diversification is one of the basic fundamentals of prudent investing. It means much more than just purchasing a wide variety of securities. It involves spreading risk among asset classes (i.e., stocks, bonds, real estate, etc.) as well as diversifying within each of those classes. In a broader sense, consideration should be given to one's occupation when considering the question of diversification. An individual with a highly secure government job can, for example, assume more risk in an investment program than can someone whose income is based on commissions earned in a volatile business.

Attempting to guess the short-term swings in individual stocks, the stock market, interest rates, or the economy is not likely to produce consistently good results. Short-term developments are too unpredictable. On the other hand, shares of well-chosen companies stand an excellent chance of providing above-average returns to investors who are patient and invest for the long term. Furthermore, moving in and out of securities frequently has two major disadvantages that substantially diminish results: transaction costs and taxes. Capital will grow more rapidly if earnings compound with as few interruptions for commissions and tax bites as possible.

All too often the spectacular investment success stories are like meteors. They flash across the sky and burn out; More often than not, successful investment results accrue to those who set an objective, develop a plan, diversify their investments, and patiently work for success over a long period of time.

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