

Hello Everyone,

Former heavyweight boxing champion, Mike Tyson, once said, ***“Everyone has a plan until they get punched in the mouth.”*** The same could be said for investments. Your investment plan can make perfect sense...and then, bam!

That doesn't necessarily make the plan wrong. Mike Tyson punched Buster Douglas in the mouth and two rounds later, Iron Mike was on the canvas. Buster became the world champ.

My goal is to make my clients Buster and not Mike. The next series of missives will explain how.

Signed Your Took-Boxing-In-College-Got-Punched-In-The-Mouth-And-Chose-Finance-Instead Financial Advisor,

Greg

## **KKOB 09.28.2018 Buying Low--Fuel and Catalysts**

**Bob:** So, Greg, we are the theme of buying low...and, it seems to be a little more difficult than most people think. So far, we know just because the price of something has dropped, doesn't necessarily make it a buy. And, we also know we should be looking for investments which are structurally sound....meaning, people will need them now and in the future.

**Greg:** Great summation. So, the “need part” falls into two categories. There are needs that are constant. They don't change. For instance, humans constantly need food and water...but, food & water don't change. A carrot will always be a carrot.

Then, there are needs where the ***need is constant, but the delivery mechanism changes***. For example, humans need transportation...we always have. But, transportation has evolved from horses, to railroads, to cars, to jets. Who knows? Star Trek transporters might be next.

Or, humans have always needed energy...otherwise, our species would have frozen to death in the dark. We've advanced, however, from wood, to coal, to oil. Each new source was better than the other. Anyway, am I explaining clearly the distinction between how basic human needs are met?

met?

**Bob:** You are. If I could draw it on a board I would put the word **NEEDS** in big bold letters at the top. Then, underneath, I'd put two categories. Needs that **cannot** be improved on---like food and water. And needs **that can be** improved on. For instance, we need to communicate, and the Internet is better than the telegraph.

**Greg:** Right. So, as an investor, the "improved-on side" is a moving target. Get that right--- and get it right early---and you'll make a lot of money. Think of the first guys in radio, or TV, or, as you said, the Internet. Meanwhile, needs that can't be improved on are important, but kind of boring. Thus, we tend to lose interest in those. We like the shiny new stuff. So, let's call one category low-tech (boring) and the other category high-tech (shiny).

**Bob:** OK. I get that. So, now how do we relate this back to buying what is low?

**Greg;** Very rarely do you see high-tech and low-tech move together. During times of optimism----when technology breakthroughs are emerging, shiny holds sway. After all, if you can invest in Apple stock, why invest in apples?

Meanwhile, during times of uncertainty, or stagnation, the thinking will change to, "I don't need a new phone, but I need to feed my family." Apples then beat--- Apple. Thus, at any given time, you have one side that is moving up and the other side moving down.

**Bob:** OK...so, as an investor you're looking to ride one trend up and then switch. But, who is to say when something is too high or too low? I know there is an old saying in your business, "They don't ring a bell at the top."

**Greg:** I wish someone would...and, your point is well taken. How do you know when to get out....or get in? I'd say this. A cycle will change when two things are present. Fuel and a spark.

Think of it this way. Let's say you want to start a bonfire. You pile up wood and throw gas all over it. But, until you light the match, you just have a big ol' pile of smelly wood.

In 2008, Lehman Brothers was the match, and the pile of smelly wood was billions in bad mortgages. Or, on the positive side---- the improvements in technology that took place in the '90's and early 2000's made the I-Phone possible. That technology was the fuel. Steve Jobs then came along and was the catalyst that lit the smart phone fire.

**Bob:** So, fuel and catalysts are what we're looking for---to both the upside and downside. And, since one side moves up while the other moves down, there is always a place to make money.

**Greg:** That's my view. So, let's unpack this more over the next few spots. I believe it will make your listeners better investors. Sound good?

**Bob:** It does. How do people reach you?

**Greg:** My number is 508-5550, 508-triple 5 zero. Or, go to my website at [zanettifinancial.com](http://zanettifinancial.com)

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