



# INVESTMENT CONSULTING GROUP, INC.

246 West Third Street, Davenport, Iowa 52801 TEL. (563) 322-2322 \* TOLL FREE (800) 824-8668 \* FAX (563) 322-4966

## ICG TIMELY TOPICS

### FROM THE TOP



Stock and bond market volatility brings out a lot of new ideas and concepts in the capital markets. The events of the last few months have brought to surface the latest onslaught of new ideas-fund of funds, hedge funds-at a feverish pitch.

Today I am receiving a minimum of 2 to 3 calls a day. These “new” investment opportunities are as hot today as Growth Managers were in 1997-1999. As with all “investment concepts” when they are hot, these new ideas take advantage of today’s uncertain and flat markets. They also take advantage of today’s investor who becomes impatient with returns (or negative returns). Emotion is the biggest enemy of successful investing. Be careful out there!

Donald R. Stanforth, President  
Certified Investment  
Management Analyst



### **Jacobius, Arleen “401(k) investment advice isn’t working” Pensions & Investments October 28, 2002 pp. 3, 44, 45**

The biggest failure in investment advice has been with the online services. The usage is not there and the cost of doing the initial integration is high. A very small percentage of participants who are offered online advice actually use it. The solution appears to be **personal advisors**. Participants want face-to-face advice. (*ICG does this.*)

### **Cullen, Terri “Get Your Financial Act Together in 2003” The Wall Street Journal Sunday January 5, 2003 p. WSJ1**

Your ‘To Do’ list for 2003 should include 1) Keep good financial records 2) Set a realistic budget 3) Pay yourself first 4) Save seriously for retirement 5) Set up an emergency fund.

### **Editors “But what about investors?” Chicago Tribune January 2, 2003**

What will the average investor get from the Wall Street brokerages settlement? Most will have to settle for a costly crash course in the boom-bust phenomenon. The Wall Street culprits will have to eat some penalties and headlines. The rest of us can see the other people responsible for our losses by looking into a mirror.

### **Editors “Are You in Compliance? 64 Questions Ensure Your Plan Qualifies” and “Expert’s Advice Keeps Plan Administration in Compliance With ERISA” IOMA’s Report On Managing 401(k) Plans November 2002 pp. 1, 12, 13, 14 and December 2002 pp. 1, 6, 7, 10, 11**

Every plan should have a checklist of questions in eight major areas. 1) Plan documentation 2) Plan summaries 3) Funding 4) Plan custodians 5) Investments 6) Government filings and correspondence 7) Plan fiduciaries 8) Plan administration.

#### **Five things I know about the market:**

- One**, the market is gloriously inefficient;
- Two**, the manifestations of the inefficiency are that they horribly emphasize comfort and discomfort;
- Three**, they extrapolate today’s conditions forever;
- Four**, the real world is mean reverting, so you have a huge creative tension between the behavioral-driven world and the real world, driven by mean reversion.

The problem is, rule No. 5, we’re all governed by career risk and business risk, which means that even though you know points 1 to 4, you don’t know what to do about it, and if you do anything about it, you’re liable to pay a very high price.

That’s 98% of anything I know in five quick points. –JG