

# Portfolio Perspectives

Monthly Insights for Investors



## How to Lose Money

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*Loring Ward recently honored Dr. Harry Markowitz with our Heritage Award for his contributions to financial science that have impacted millions of investors as well as his many years of service on our Investment Committee. In recognition, we would like to share some insights from Dr. Markowitz adapted from his afterword to our book on wealth management: "The Wealth Solution."*

If you want to become an acknowledged Saint, it is best if you start by giving away all your money. If this prospect sounds too daunting, the following are four efficient suggestions for reducing your wealth. The first two may only lose most of it but the final two will make it all disappear.

1. The first advice toward achieving poverty on your way to Sainthood is to invest in the hottest stocks in the hottest sector: Buy auto stocks when the car is the latest new invention; purchase tech stocks when they are the "in" thing; invest in mortgage-based derivatives when all the "smart" money is doing the same.
2. Under no circumstances should you read Charles Mackay's book *Extraordinary Popular Delusions and the Madness of Crowds*. Instead, just try your utmost to keep up with the thundering herd.
3. If you are too cautious to follow the preceding advice, here is some rock-solid, very sensible, traditional advice: Put all your money in some big, trusted company — like the one you work for, the one that already pays your salary — like Eastern Airlines, Penn Central or Enron.

The aforementioned ways of losing money involve buying stocks traded on exchanges, such as the NYSE and NASDAQ. But if you do not want to invest in these, because you don't trust the guy on TV who barks advice at you, listen to your trusted neighbor or uncle who knows a brilliant investor who has figured out how to double your money in less than a year! I know of a guy like that: His name was Charles Ponzi.

4. Last, but not least, find a financial advisor who will take care of your money for you. To be sure to lose money and perfect your plan for poverty, do not work with an advisor who provides consultative, comprehensive, fee-based or fee-only service. Instead, find an advisor who provides the added service of holding your money for you rather than having you keep it with a large, nationally-recognized custodian that periodically sends, directly to you, reports of how your account is doing.

More generally, for optimal effect, just ignore this advice.