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#### **Back to Basics #4**

##### ***What We Can and Cannot Control***

With all the volatility and seemingly combustible political/economic news we receive daily, it is important to give thoughtful consideration to the things we control and the things we do not control financially and otherwise. From an investment point of view, the things we cannot control are identified as risk and, specifically, as systematic risk and unsystematic risk.

The first type, systematic, cannot be diversified away. It is the type of thing that affects the whole market. It is interest rates, recessions, and wars. The second type is unsystematic risk. It is risk that only affects a specific company, industry, or asset class. Through diversification, this risk can be reduced or eliminated. I suggest that these are themes and realities in our daily lives.

Think of your life as a portfolio. What can you control and what is out of your control? This is your unsystematic versus systematic risk. What does this have to do with investing and financial planning? Everything!

Viktor Frankl, the great writer/psychiatrist who survived the Nazi death camps wrote that the only thing we truly control is our reaction to what happens to us. This is true when it comes to the risk in our life portfolio. Our fear of the unknown and reactions to events cause us to save money, spend money, go to school, work harder and longer, exercise and eat right, and plan for both the best and the worst. These are examples of diversifying for the unsystematic risks in our life portfolio.

How do we handle the systematic risk, the risk that we cannot diversify away through our good choices? Planning and adjusting your plan to fit changing goals and reality is our best hedge against this risk in our life portfolio. When we succeed, we sometimes mistake good planning and commitment for control over people, places, and things and this can get us in trouble. This is true for your money and your life.

At TCI, we are grateful to participate in the planning to help you hedge against what you cannot control and the advice on the things you choose to do to achieve your goals and live your values.

Regards,

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Wealth Advisor