

## Seven Steps to Becoming a Disciplined Investor

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When it comes to investing, learning what you're supposed to do is relatively easy. It ain't rocket science. But *doing* what you're supposed to do, well, that's surprisingly hard. We can be our own worst enemies.

The one quality that separates the top professionals from the rest of us can take years to develop: emotional self-control. Our emotions interact with news and market events in ways that incline us to act at exactly the wrong time. We all want to "buy low and sell high," but emotionally, it's quite difficult to do either. In fact, experience shows that most investors do the opposite.

For example, few investors were ready to "sell high" during 2007, even though the S&P had more than doubled from the previous bear-market lows, and the bull market was five years along (old by historical standards). In addition, the subprime crisis had been evident for more than a year, and it was common knowledge there were serious issues afoot. Yet, everyone was optimistic. Man's natural greed kicked in and investors wanted to make even more.

Nor is it easy to "buy low." The reason that prices drop is that the economy is weak, the news is bad, and people are pessimistic or uncertain. Investors feel pressured, and under pressure, emotions tend to dictate our actions. As our fears increase, so do our anxieties. Rather than buy, we tend to wait for information that is more positive. We become paralyzed. Why? Emotions.

As you know, SMI's does *not* recommend that you attempt to buy and sell at market lows and highs. The above was for illustration purposes—to point out the need to exercise self-discipline if we are to overcome our emotions and become effective money managers. Here are a few suggestions for how to grow in that area:

1. **Be humble.** Accept that "there's nothing new under the sun," and that the instructions God has given us in His Word have proven to be practical and effective. There's safety in following the priorities and guidelines He has provided for our protection. Abandoning them can only mean we have more confidence in our own thinking than in His.
2. **Be conscientious.** You must see yourself as a caretaker of what

God has given you. Acknowledge that taking undue risks jeopardizes His wealth. You're not just in this for yourself, but to responsibly increase your assets so you can give more generously. You want to play your part in taking the gospel of Christ to the millions who have never heard.

3. **Be prepared.** Develop a written plan that lays out your investment strategy, one that reflects your personal goals and an appropriate level of risk. Understand how all the parts of your portfolio fit together and the role that each part plays. Then let your buying and selling be dictated solely by your plan. You're to be an initiator, not a responder to ever-shifting market news.
4. **Be content.** A preoccupation with large profits can be dangerous (1 Tim. 6:9-10), so as you draw up your plan, be reasonable in your financial ambitions. Surely, more money is lost due to greed than any other single factor. Accept the fact that annual gains of 8%-10% over time are most likely.
5. **Be diversified.** Make sure your plan divides "your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth" (Ecc. 11:2). To be sure, higher profits can be made by concentrating your money in one or two opportunities, but staggering losses can be incurred too. By avoiding the temptation to concentrate your holdings, no loss will devastate you.
6. **Be patient.** Taking your cue from the Parable of the Talents where the master was away for "a long time," make your strategy a long-term one that aspires to get-rich-slowly. This will allow you to take up-and-down market cycles in stride. Time is the enemy of the speculator, but the friend of the investor.
7. **Be accountable.** Show your plan to your spouse or a trusted Christian friend, and review it with them quarterly to show how you are being faithful in following it. Any thoughts of taking steps outside your strategy will be tempered by your realization that you will have to give an accounting.

Taking these steps will help assure that you are honoring the Lord and His priorities as you strike a wise balance between the risks and rewards of the marketplace. Then, while occasional bear markets and economic storms may threaten, you can be of good cheer, for the Lord has said: "I will instruct you and teach you in the way you should go; I

will counsel you and watch over you . . . the LORD's unfailing love surrounds the man who trusts in Him" ([Psalm 32:8,10](#)).