Special Report

7 Secrets of Successful Investors

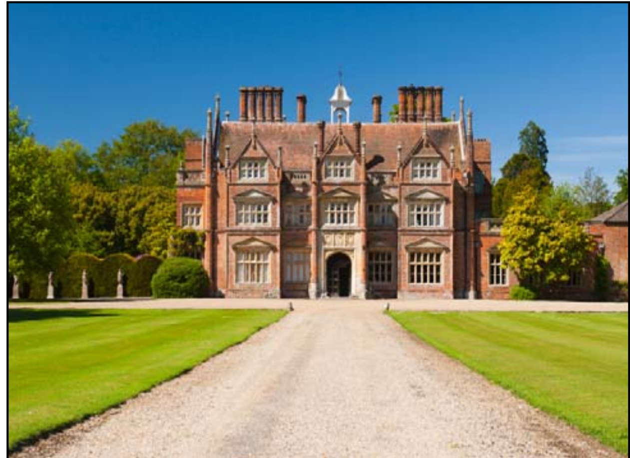
And How You Can Use Them to Help Meet Your Investment Goals

HALBERT WEALTH MANAGEMENT

CHALLENGING WALL STREET'S CONVENTIONAL WISDOM

The Wealthy Do Have Advantages

When you think of successful investors, you usually think of the wealthy. Wealthy investors have advantages- they seem to be masters at preserving their wealth. Is it simply because their wealth opens opportunities to them that are not available to the rest of us? Sometimes. But in today's investment world, many of these same opportunities are available to most investors, not just wealthy investors.



These include specialized strategies that are often used by large hedge funds and institutional investors, many of which have seven-figure minimum investment requirements and are only available to a select group of investors.

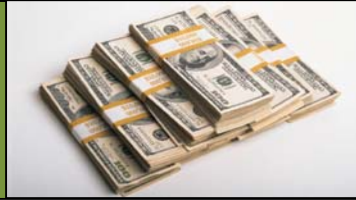
Most wealthy investors either inherited their portfolio, or they worked hard to accumulate it. They understand the importance of maintaining it, while at the same time earning a meaningful return. They also understand that if they experience large losses, it will be difficult or even impossible to fully recover from them.

Fortunately, many of the strategies used by the wealthy can be accessed by other investors as well.

In this Special Report, we're going to tell you the 7 Secrets of Successful Investors. We'll also show you how you can access some of these same strategies, even if you don't have millions to invest. In fact, you can put some of these strategies to work for you with as little as $15,000.

Halbert Wealth Management has been in the business of helping investors like you since 1995. We search the country for money managers who use active management strategies with a risk management component. Then we show you how to build a portfolio designed to help you reach your investment goals. ***After all, it's not just how much you earn, but also how well you preserve your investments.***

7 Secrets of Successful Investors



1. They Understand and Manage Risks

We all know there are certain risks of investing in the market. It's just a part of investing. However, successful investors often have a better understanding of just how important it is to keep risks to a minimum. Why? Because recovering from losses can be very difficult.

If you ask some people how much they would have to earn to recover a 50% loss, they'll tell you 50%. Seems logical, right? Successful investors understand that to recover a 50% loss, you have to earn 100% to get back to where you were. You're probably thinking that can't be correct. Let's look at the math.

If you start with $10,000 and lose 50%, you now have only $5,000. To get back to your original $10,000, you have to earn $5,000, so you have to earn 100% on your remaining $5,000 ($5,000/$5,000 = 100%). As you see, losses are more painful than many people realize.

You may be thinking that a 50% loss is not realistic. Well there were two large losing periods in the decade from 2000-2009. From 2000-2002, the S&P 500 lost nearly 45% and from 2007-2009 the S&P 500 lost over 50%. The NASDAQ Composite Index had an even greater loss.

Successful investors understand how difficult it is to recover losses, as the chart to the right illustrates. Even a 30% loss takes a 42.9% gain to get back to breakeven. That is why they use strategies with risk management techniques in order to try to keep their losses to a minimum. Doing this allows them to recover more quickly from losses and reap the benefits of gains sooner.

Amount of Loss Incurred	Return Needed to Break Even
20%	25.0%
30%	42.9%
40%	66.7%
50%	100%

Rule #1 - Understand the risks you are taking, how difficult losses are to recover from and use strategies designed to manage the risks.

2. They Know Not to Chase the Latest Hot Investments

Every year the lists come out - the top performing investments for the prior year. Their returns are often eye-popping. Many investors assume that if the investment did well last year, it will also do well in the coming year. However, top performing investments from one year rarely repeat as top performers the next year.

Nevertheless, investors pour their money into last year's big winners, and are often disappointed with the returns they receive. Then the next year, they sell them, take the losses and buy the latest hot investments once again, which often end up disappointing. And this vicious cycle goes on and on.

There are even studies that document this. One study by Dalbar looked at the investing habits of the public and found that most investors do not even earn the market averages. Why? They usually get in near the top, and out near the bottom (chasing the latest hot funds). This is exactly the opposite of what you should do.

Rule #2 - Do not chase the latest hot performers.

3. They Don't Get Stuck in the Buy-and-Hold Mentality

Wall Street tries to brainwash investors to embrace the buy-and-hold mentality. They want you to leave your money in their investments indefinitely. Successful investors understand that buy-and-hold strategies subject investors to all of the risk and losses of always being in the market, with little to no active management.

Remember, the S&P 500 had two substantial losing periods in a single decade. If you were in a buy-and-hold strategy during this period, your portfolio value was likely decimated. Successful investors know there are many strategies, other than simply buy-and-hold, or as we like to say, "Buy, hold and hope for the best."

Many of these strategies involve moving out of the market and into cash during periods of declining markets. Others hedge their positions in the market to minimize losses. Still others use sector rotation strategies or invest in positions with limited downside risk. There are many attractive alternatives to buy-and-hold.

Rule #3 - Don't get stuck in the old buy-and-hold mentality.

4. They Take Advantage of Specialized Securities

Successful investors understand that there are many types of specialized securities out there other than generic stocks and bonds. They understand that these securities can offer advantages that stocks and bonds do not offer. For example, convertible bonds have characteristics of stocks and bonds, which give the investor opportunities for gains in a bull market and the downside protection of bonds in a bear market.

Other specialized securities include high-yield bonds. Although they have a higher default risk, investors are often rewarded with higher returns. High-yield bonds are traditionally not as volatile when interest rates change. They often make a nice diversification tool for a portfolio, if properly managed.

Another specialized investment is an inverse or short fund. Essentially what these funds do is move in the opposite direction of an underlying index. So if the index goes down 2%, the inverse index fund would go up 2%. This gives investors the opportunity to make money when the markets are going down.

Some securities use leverage to magnify returns. A 2X index fund would move double what the index moves. So, if an index increased 2%, the 2X index fund would go up 4%. This can help magnify gains (or losses if on the wrong side of the trade).

There are many other types of specialized securities that wealthy investors use in their portfolios. These securities help their portfolio become an all-weather portfolio, with the potential to do well, no matter what direction the market is going.

Rule #4 - Take advantage of specialized securities.

5. They Combine Non-Correlated Strategies

Most investors know not to put all their eggs in one basket, so to speak. For example, you wouldn't want to put all your money in stocks. Successful investors, however, know how to take this one-step further.

They know to combine non-correlated strategies for diversification and to help mitigate overall risk.

This combination might include long/short strategies, leverage strategies, hedging strategies, sector rotation strategies and even some fully invested strategies that use active management to mitigate their overall risk.

They understand that not all strategies do well at the same time, and one may be doing well while the others are struggling. They know that by combining these very different strategies, they can help smooth out the risk of their overall portfolio.

Rule #5 - Combine non-correlated strategies.

6. They Don't Limit Themselves to Only Local Options

When selecting a money manager, many investors opt for their neighbor, or that guy they know at church, or their sister's friend. Maybe they get lucky and find someone knowledgeable about risks, alternative strategies and active money management. The more likely outcome is they end up with a salesperson working for some big brokerage firms, pushing their latest and greatest hot products.

Successful investors know, however, not to limit themselves to only local advisors. They know sometimes they have to broaden their search to find investment professionals with the knowledge to use many different strategies. With the Internet and 24-hour access to nearly every piece of information, they know they can stay connected to their investments, no matter where they are.

It would be like deciding you need a new car, and only considering the cars at the dealer in your neighborhood. Your options would be somewhat limited. There could be lots of other cars with better options and more attractive prices at other dealers that you would miss out on because you limited your search to only those nearest your home.

Successful investors know better. They do not limit themselves geographically. They search out the best alternatives available, no matter where they are.

Rule #6 - Don't limit yourself to only local options.

7. They Know to Focus on Net Returns

Many of the ads targeting investors tout their low fees, as if the only thing that matters is the fee the money manager charges. It's kind of like finding the cheapest doctor to perform your surgery, rather than looking at the specific results of the doctor.

Most index funds have very low fees. Why?

Because Index Funds simply mimic an index; there is no risk management.

There is very little actual money management going on with these funds. Therefore, if the index drops, the index fund drops. It's definitely not rocket science.

Successful investors understand that what really matters is the return, net of fees, and the amount of risk they are subjected to by the money manager. For example, would you rather have Investment A with a 1% annual fee, and a 6% average annual return, net of fees, or investment B with a 2.5% annual fee, but an 8% net average annual return? Well, if you were simply looking for the lowest fees, you would pick Investment A. But that would not be the best choice since Investment B had a significantly higher return after the deduction of fees.

Many of the advertisements you see tout the low fees of their investment, as if nothing else matters. They hope you will focus more on their fees, and less on their returns and risk management strategies. It is important to look at what you are receiving (or in some cases, not receiving) for the fees being charged.

Successful investors understand that they need to look at the big picture and what the money manager is doing (or not doing) for the fees charged. If the fees are low, the level of risk management will often be limited or non-existent. They know to look at the returns net of fees, and evaluate the level of risk management they are receiving.

Rule #7- Focus on net returns instead of only looking for the lowest fee.

How You Can Benefit From the 7 Secrets

Fortunately, the wealthy are not the only ones able to take advantage of these secrets. Now that you know their strategies, you can use them to help meet your financial goals**. Halbert Wealth Management has spent years finding ways for investors to take advantage of these strategies, even if they aren't among the elite super rich.**

We'll explain how you can use some or all of these strategies to help you achieve your financial goals. Many traditional brokers know little about these and those that do may not share them with you.

Rule 1: Understand and Manage Risks
Your Solution: Find Programs that Manage Risk

Having a strategy to manage risks is critical. Remember earlier that we told you how difficult it is to recover from large losses – a 50% loss takes a 100% gain just to get back to breakeven. So, you should look for programs that use techniques to manage risk. These can include moving to cash when market conditions are unfavorable, hedging positions to minimize the impact of losses, using sector rotation to shift investments to sectors with the greatest upside potential and using investments that have features that can limit downside risk.

If you carefully manage risk, losses should be smaller and easier to recover from, allowing you to benefit even more when the market is going up. ***You don't want to spend half the bull market just recovering your losses from the last bear market.***

Halbert Wealth Management's ***AdvisorLink® Program*** has money managers that use many of these risk management strategies. You can even combine these programs so that your portfolio has multiple risk management strategies, since different strategies work better under different market conditions.

Most of the programs offered in ***AdvisorLink*** have lower risk (as measured by month-end drawdown) than the S&P 500 Index. While this is no guarantee of future performance, it does show you how these risk management strategies have worked well in the past.

Rule 2: Don't Chase the Hot Returns
Your Solution: Look at Long-Term Results

Wealthy investors know this year's hot mutual fund may be next year's under-performer. That's why at Halbert Wealth, we focus on long-term results. A fund or manager with a one or two year track record does not tell you much about how they would have performed under different market conditions, especially during a bear market.

All of our ***AdvisorLink*** programs have multi-year track records that you can review to see how they performed over the long-term, not just last year. It is important to focus on long-term results. Also, make sure to look for instances where one big year pretty much made their impressive track record. For example, a program may have a 70% year, and the other years are all mediocre. This 70% year may never occur again, so it should be taken in context when looking at the entire track record. It is very important to look at the actual track record closely to see how an investment has performed over the long-term.

Rule *3: Don't Get Stuck with Only Buy-and-Hold*
Your Solution: Use Active Management Strategies

Successful investors know that buy-and-hold basically only works when the market is going up. When the market drops, most buy-and-hold strategies will also drop. We all know the market doesn't go up forever.

Therefore, you want to find programs with active management strategies. These strategies don't just sit by idly and take whatever punishment the market dishes out. They use active strategies to try to reduce the overall risk of being in the market, while at the same time trying to take advantage of market gains.

You can combine different types of strategies to have an additional layer of diversification in your portfolio. Halbert Wealth can show you which strategies may work well together.

Rule *4: Take Advantage of Specialized Securities*
Your Solution: Find the Specialized Security Experts

Successful investors know there are many investment options other than traditional stocks and bonds. They also know that these unique investments often require the expertise of professionals to select and manage them.

Several of our ***AdvisorLink*** Programs use specialized investments. These include convertible bonds, which have benefits of stocks and bonds, and with their put option, they offer an exit strategy. They also can benefit if the stock goes up, so they can participate in market gains. However, the key is the careful selection of the right convertible bonds. This is why it is important to have a convertible bond manager with that expertise.

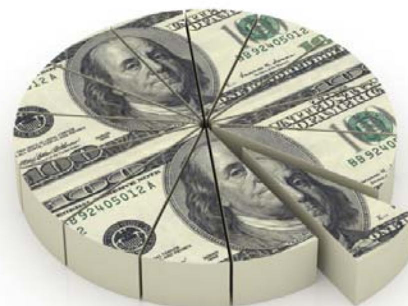
Some of the programs in ***AdvisorLink*** also use short or inverse investments. These are designed to move in the opposite direction of the market. This is an important tool to use when the markets are going down. Leveraged securities can also be a helpful tool to use. Again though, both require the expertise of a manager who knows how to effectively use these strategies.

Rule *5: Use Non-Correlated Strategies*
Your Solution: Combine Several Different Strategies

Diversification is important because all strategies do not always go up and down together. For example, sometimes when one is going up, another is going down, or vice versa. Therefore you want to combine different types of strategies that do well in different market environments.

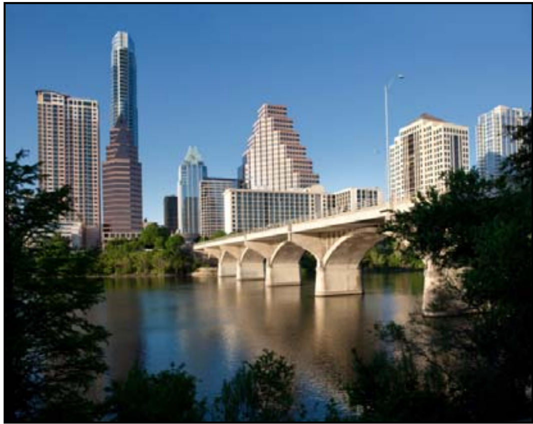
Combining strategies can help to smooth out returns and reduce overall portfolio risk. This can help to reduce overall losses. It also gives you more opportunities to take advantage of a variety of market movements, not simply upward movements.

Since many of our ***AdvisorLink*** Programs use different strategies and different types of investments, their performance is often not highly correlated with the performance of the other programs. This allows you to strategically diversify your portfolio, not only with different investments, but also different money management strategies.



Rule *6: Don't Limit Yourself to Only Local Options*
Your Solution: Broaden Your Search Geographically

Successful investors have known this for some time. If you limit yourselves to only advisors in your neighborhood, your options are going to be more limited. This limits your ability to find the best option for achieving your financial goals.



In today's hi-tech world, you can access information almost instantly. You can monitor your accounts online, download statements, scan documents, e-mail questions or pick up the phone and talk to someone. You no longer have to drive to someone's office and conduct your business in person. Most people bank this way, so why not manage your investments this way?

Halbert Wealth Management is located in Austin, Texas. For those nearby or passing through, we always encourage you to come in for a visit. For those who do not live in the Austin area, you can easily reach us by phone or e-mail. You can also visit our website at www.halbertwealth.com. All of our programs use custodians that have online access to your account, so you can get information whenever you need it.

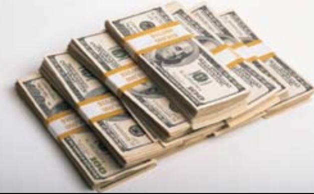
Rule *7: Understand the Importance of Net Returns*
Your Solution: Focus on Net Investment Returns

Successful investors know it's not so much the fees that count, but what your returns are after the fees have been deducted. Index funds may have low fees, but they have little to no active management. Therefore, no one is managing to mitigate risks. So you really do end up getting what you pay for- which is not much in the way of risk management.

At Halbert Wealth, all of our performance results are presented **net** of fees. This means the performance numbers you are viewing are ***after*** all fees have been deducted. This is what you should focus on – the net results.

We also present our returns with comprehensive statistical data so you can analyze long-term results and also see what the program did on a month-by-month basis. You can also see and compare the risks of the different programs.

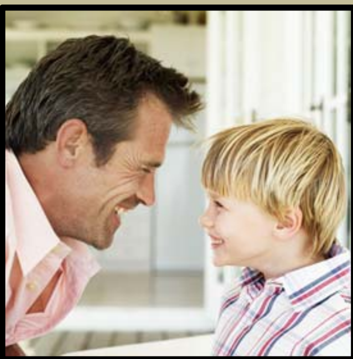
Invest Like A Successful Investor!

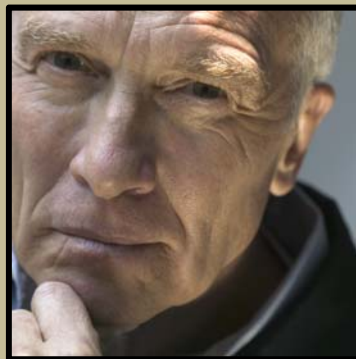


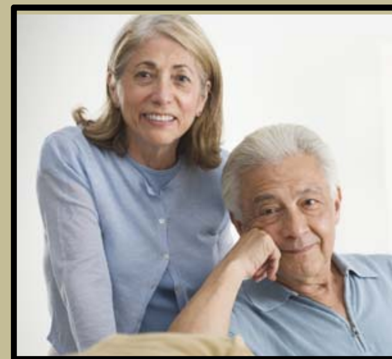
Remember, most successful or wealthy investors did not simply win the lottery. They (or their parents or grandparents) worked hard to accumulate wealth. They realize that if they lose it, it might be difficult or impossible to recover. So successful investors are usually very selective about the types of investments they make.

Fortunately, Halbert Wealth realized years ago that these investments and strategies should not only be available to the wealthy, they should be available to everyone. This is one of the reasons we developed our ***AdvisorLink*** Program, to help investors like you reach your investment goals using these unique strategies and specialized investments.

Your next step is to contact us to learn more about these investments and strategies, and how they might make an important addition to your investment portfolio. You can call us at **800-348-3601.** You can also visit our website at www.halbertwealth.com or e-mail us at info@halbertwealth.com. **We're here to help!**







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Investments offered by Halbert Wealth are not guaranteed and there is a risk of loss. There is no foolproof way to invest. See HWM's ADV Part 2 for more information.