

Appeared in *The Manchester Journal* 5.2.14

## **Basketball Brackets and Investing**

by Jim Mirenda, CFP®

I enjoyed reading about Warren Buffett's billion dollar contest. All anyone had to do to win was fill in a perfect NCAA basketball bracket. Sounded like a great deal: there was no cost to enter, so there was nothing to lose. But the contest winner needed to predict the victor of all 63 tournament games. Statistically, the chances of doing that were 9 quintillion to 1. Nobody won the money.

People like to make predictions. Lots of people bet on sports. Others speculate about what is going to happen in the economy or in the financial markets, and some even get paid to do it. I find no fault in being interested in the twists and turns of the economy or in trying to win a basketball bracket. But when placing any bets, it's important to acknowledge that foreseeing the future is impossible, regardless of how much good information you think you have.

There simply is no evidence that anybody can consistently predict the future. That includes the direction of the financial markets or exactly which investments will be the 'winners'. The fact is that most active, stock-picking managers underperform the market. Sure, one can be lucky from time to time, but is it prudent to make financial decisions based on luck? Maybe that's okay for a few bucks wagered on a game, but definitely not for planning your financial future.

While I don't advocate for making investment bets, I do believe in making adjustments when life changes. We need to be flexible with our financial plans, and to understand the compromises we are willing to make. Recognizing that the future is unpredictable, most of the decisions that we face today are actually controllable. Thus, our current actions should be based on an objective plan to reach the goals that we value the most, not on forecasts, hope, or luck.

Dissecting economic events and sports contests are fine pursuits but correctly predicting the outcome of future events is not a true financial goal, unless you consider winning a contest a financial goal. If that's the case and you do win Buffett's contest next year please call me when deciding what to do with your prize money. Regardless, my advice will always remain the same: focus on your plan, your goals, and on the things that are within your control.

----

Mr. Mirenda is a Certified Financial Planner™ professional and a Registered Investment Adviser Representative with Wealthcare Capital Management in East Dorset, Vermont.

*To better understand the nature and scope of the advisory services and business practices of Wealthcare Capital Management, Inc., please review our SEC Form ADV Part 2a, which is available [here](#). Past performance is not a guide to future returns. Before acting on any analysis, advice or recommendation in the above content, you should seek the personalized advice of legal, tax or investment professionals.*