



The Most Important Investment Decision Happens Before You Buy

Most investors think the most important decision they make is what to buy.

Which stock?

Which ETF?

Which sector?

Which opportunity?

That seems reasonable. After all, financial television, investment newsletters, and market commentators spend most of their time discussing what investors should own.

But after more than thirty years in the investment business, I've come to a different conclusion.

The most important investment decision happens before you buy.

It's deciding how much you're willing to lose if you're wrong.

That isn't nearly as exciting as discussing the next great stock idea.

But it's far more important.

With nearly 30 years under my belt managing money professionally, I have learned something that surprised me. Many investment mistakes have very little to do with security selection. Investors often spend countless hours researching a company, studying financial statements, listening to conference calls, and building detailed forecasts.

Then they lose money anyway.

Not because the analysis was terrible.

Because the risk management was.

A mediocre idea with excellent risk management can survive. A brilliant idea with poor risk management often cannot.

The market has a way of humbling all of us. No matter how much experience we have, we're going to be wrong sometimes. The question isn't whether mistakes will happen.

They will.

The question is how much damage those mistakes can do when they occur.

That's why I often think about investing differently than most people. Before I think about potential profits, I think about potential losses. Before I think about what I can make, I think about what I can lose. Before I enter a position, I think about what happens if the market proves me wrong.

That may sound pessimistic.

I view it as realistic.

One of the advantages of working with wealthy investors and managing money professionally is that you get to observe what separates long-term success from long-term failure. It usually isn't superior intelligence. It usually isn't superior forecasting.

More often, it's superior risk management.

The investors who survive over decades understand that protecting capital isn't a separate activity from investing.

It is investing.

They understand that every position should be sized appropriately. They understand that concentration creates both opportunity and risk. Most importantly, they understand that no single investment should have the power to permanently damage their financial future.

The financial media tends to celebrate big winners. That's understandable. Success stories attract attention.

What receives far less attention are the countless investors who took excessive risks, suffered catastrophic losses, and never fully recovered.

Those stories are less exciting.

They're also more instructive.

The older I get, the less interested I become in finding the perfect investment and the more interested I become in avoiding major mistakes.

Perfection isn't required for investment success.

Survival is.

The remarkable thing about compounding is that it only works if you're still around to experience it.

That's why I believe the most important investment decision happens before you buy.

It's deciding how much risk you're willing to take.

Because if you get that decision right, you give yourself the opportunity to recover from inevitable mistakes. If you get it wrong, the quality of the investment may not matter nearly as much as you think.

P.S. Everything I've written above isn't just theory. It's how I manage my own capital. One reason I launched my *Real Money Portfolio* is because readers kept asking how I personally invest. If you'd like access to the same process I use to manage my own money, simply email me at jd@unboundedwealth.com and I'll send you the details.

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