

PERSPECTIVES

Make Wild Predictions in Fantasy Football, Not with Your Money

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It's Sunday morning, and my kids are checking player reports to evaluate their fantasy football lineups. They chatter about wins and losses from the previous week and rumors about a reserve player that looks ripe for a break-out.

During the NFL games, they check their phones for player stats to determine how their teams are performing.

It's fun to watch them test their player picking skills on NFL Sunday—and throughout the afternoon, they experience a full range of emotions. In many ways, the highs and lows of fantasy football remind me of how many people approach investing.

The global fantasy sports market has exploded in recent years. One reason is that the younger population is growing and has ready access to digital infrastructure, affordable smartphones, and fantasy sports apps.

Could a similar trend be driving younger investors to speculate in the financial markets?

Today, stock trading programs sit alongside fantasy sports apps in our smartphones, offering easy access to stock or cryptocurrency trading—and sometimes faster than it would take to pick up a new tight end or place a bet on Sunday morning. But with your investment portfolio, the fantasy can only go so far and the stakes can be much higher.

This may be a good time to think about the difference between speculating and long-term investing—and recognize that your investment decisions have real and lasting consequences. Building a stable investment foundation is key to helping minimize bad outcomes and positioning for the potential rewards in the capital markets.

FOUR STEPS TOWARDS FINANCIAL PRUDENCE:

Here are four ways to help ensure you're making prudent financial decisions:

1. Understand the impact of your decisions: It may be easy to get caught up in using convenient, digital platforms to pick stocks or time markets. But without a solid investment philosophy, everyone runs a greater risk of getting caught up in the emotional roller coaster of speculation. Convenience and instant gratification are poor substitutes for a strategic, long-term investment approach guided by proven market principles and decades of research into asset behavior and portfolio design.
2. Think long term: The NFL fantasy football season lasts just a few months. That's not the same as taking a lifetime view of accumulating and managing wealth. Your investment decisions should be based on a time horizon that matches your goals. Speculating on individual stocks or industry sectors encourages a short-term mindset that can be easily jarred by unpleasant surprises. Investing involves a longer-term perspective that rests upon a historical understanding of markets.
3. Know your investments: Digital platforms can give access to an ever-expanding range of alternative investments, from cryptocurrency to single-stock exchange-traded funds. To pursue good outcomes, it's critical to understand the characteristics of stocks, bonds, real estate, and other asset groups—and their specific role in your portfolio. This means evaluating an investment's expected returns, range of risks, and potential costs.
4. Seek out a qualified financial advisor: One way to create and manage an investment plan is to enlist a professional. Working with a financial advisor can help outline clear financial goals and make investments that are contributing to those goals, instead of simply gambling on the market. An advisor can also help you focus on controllable factors, such as diversification, portfolio rebalancing, and tax management. Daily market moves are beyond anyone's control, but you can choose how to react in a tough market.

Investing is not a game, and it shouldn't be treated like one. So, sit back and enjoy the rest of the NFL season. If that fantasy league makes it all more interesting, so much the better.

Just understand where in life you can afford to lose—and where you cannot. Financial security is built over years, even decades. Not on any given Sunday.

With a solid investment plan and discipline to match it, you can pursue long-term success without the anxiety and emotions that come with speculation.

This piece first appeared on CNBC.com with the title "Op-ed: Investing isn't a game. Take risks and make wild predictions in fantasy football, not with your money."

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