A fresh perspective on investing through the lens of the everyday investor. Provides readers the essential knowledge to secure their financial future with clear and concise explanations of investment tools and strategies.

The Sleeping Investor:
A Common-Sense Guide to Investing for Everyone
By Peter Kotsinadelis

The Sleeping Investor

A COMMON-SENSE GUIDE TO INVESTING FOR EVERYONE

Investing has never been this easy.
Dreams can come true, it’s up to you.

Peter Kotsinadelis

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Introduction

"Time is a created thing. To say 'I don't have time,' is like saying, 'I don't want to."

— Lao Tzu

Investing is not for everyone — Or at least that is what I hear from those I talk with about investing. At first, I found it hard to hard to believe, but there are many people who say, "I don't have the time," or "I don't have any money to invest." What they are really saying is, "I don't want to." Some focus only on the present and are not concerned at all about their future. Maybe it has to do with age. Many in their twenties and thirties are simply not thinking far ahead. For them, retirement is so far into the future it is not a priority, so they prefer to simply go about their day-to-day lives without concern. Others with jobs that provide a pension, or some form of retirement income, believe that is all they need when they retire. There are even those who believe Social Security will provide them the income they need when they retire. The problem is that most fail to look at the actual numbers to see if what they receive every month, quarter, or annually will really cover their expenses. Many forget to consider money they may need for other things such as vacations, travel, buying a new car, etc. And let's not forget that there are always charges to cover deductibles, medical services, prescriptions, and other items that are not covered by Medicare.

Nothing is guaranteed, and nothing is set in stone. Take Social Security, for instance — while it is a government-provided benefit, no one can say with certainty it will still be available thirty or forty years from now. Additionally, companies and even municipalities can go bankrupt. Should this occur, private company pension plans are then taken over and run by the Pension Benefit Guaranty Corporation (PBGC), a U.S.

Government Agency. When this happens retirement payments and payouts change. For example, if your plan offered you the option of taking a lump sum when you retire prior to bankruptcy, that choice will no longer be available. Monthly payments may also change when the PBGC takes over your pension as they determine the monthly amount you will receive. This is something I have experienced myself and can attest to first-hand. As age is a key factor in their calculations, older retirees typically see larger monthly payments than younger ones. Both may end up seeing a lower monthly payment than what they had expected.

As to public pensions that are provided to employees who work for local governments or municipalities, should they go bankrupt, their pensions are not protected by the PBGC. Additionally, unlike private pension plans they are not subject to the vesting and funding rules of the Employee Retirement Income Security Act of 1974, the Act that created the PBGC. This means that these pensions may be modified by the company responsible for the management of the pension plan, also referred to as the pension plan administrator, should the city or municipality enter bankruptcy. While the Protecting Employees and Retirees in Municipal Bankruptcies Act of 2017 (H.R. 139) was designed to provide help, all it really did was make it more difficult for municipalities to modify pensions, not prevent them from doing so. And while some claim bankruptcies such as these are rare, it has happened in places like Detroit, Stockton, San Bernadino, Vallejo, and Orange County in California, Jefferson County in Alabama, and Harrisburg, Pennsylvania. There are more that have filed for bankruptcy, and others that are close to filing for bankruptcy protection.

Early in life I learned from others that it is best to depend on yourself and think about planning for your future. When I was in my twenties, I worked with people of all ages. A number of them were nearing retirement and one concern that many had was what to do should they need to adjust their lifestyle to fit their retirement income. The fortunate ones who were not concerned with this were those who planned ahead. They had started to invest when they were younger and it was now paying off. These investments provided them a good supplemental income that helped mitigate the need for any lifestyle changes. The less fortunate either had to adjust their lifestyles, or in some cases ended up working after their retirement, part-time or otherwise, to make ends meet. Seeing this made me consider my own future. I did not want to retire after working for so many years and be faced with concerns that prevented me from enjoying the time I had left. So, I decided it was time to learn about investing to see how it might benefit me.

When I received a call from a sales representative at a well-known brokerage house, it seemed like perfect timing. They had a great sales pitch and talked me into buying stock in what they said was a "sure thing." I had very little money at that time, but since this person worked for a prestigious firm, I thought it would be good investment. Wrong!! I lost money. I attributed this to the fact that I had no understanding of what I was investing in. In a few months, the stock I purchased lost nearly 40%. A few months and many sleepless nights later, I decided to sell my stock and take a loss. Although the price when I sold it was only slightly better yielding a loss of about 35%, I was still angry at myself for not thinking things through. After all, this was a call from a sales representative I did not know who was looking to sell something. Sure, it was perfect timing, for them not me. Still, I did not want to give up on the idea of investing because I wanted to secure my future and that of my family. Consequently, rather than abandon investing, I decided to learn from my experience. I never wanted this to happen to me again. Slowly but surely, I began reading some business periodicals and decided to ask those I knew who were near retirement for their advice. Why not learn from others? This provided me with a good foundation and a far better understanding of how to invest and just as importantly what to invest in. There were so many options, but I had to pick the right ones for me. I was young, and while I could risk some I did not want to risk losing all. With a growing confidence, I was able to make some smarter decisions and eventually profit from them. In time, I was even able to make up for the loss on my initial investment.

The purpose of this book is to help others avoid the pitfalls of investing and in particular learn to invest wisely based on what is best for you. This includes information on various investment types or products that can be purchased by anyone. It does not take a lot of money to invest but it does take some thought. Investing is far simpler than one may think and anyone looking to secure their financial future can do it, especially today with the ability to buy and sell stocks, bonds, and other securities at your fingertips. I only wish the information in this book was available to me when I started. It certainly would have saved me many sleepless nights, hence the title The Sleeping Investor. The investor who understands what they are investing in, and sets their expectations accordingly will be able to sleep soundly at night without worry.

As you read through this book you will gain an understanding of investments anyone can take advantage of, and most importantly which investments are best suited for you as an individual. I've always been surprised when people say investing is nothing more than gambling. Or that in order to invest you need to have a great deal of money. These are what I refer to as excuses and fairytales. They are typically used by those without any understanding of investing who have no interest in learning how investing can benefit them financially. My favorite excuse is when I hear someone state that a relative of theirs lost their life savings in an investment. Of course, they can offer no details about the investment, only that it was one that lost money. Often those who use excuses like these are ones who believe that the only safe investment is a savings account at a local bank.

First and foremost, investing does not require a large sum of money. Anyone can invest any amount and make far better gains than if they put their money in a savings account. It is not just for the rich. You too can do what they do and that is let your money work for you. With a common-sense approach and an understanding of investments are best suited for you and your family, you can safely secure your financial future. As I write this book, the markets are in turmoil and many investors appear to be confused as to what to do. Nevertheless, investors who understand what to do during these times and others, known to invest and will always benefit. Hopefully, the information in this book will help in providing confidence to those interested in securing their financial future. And above all, help them sleep at night, or like the title of this book, become a Sleeping Investor.

Chapter One:
What type of Investor are you?

"To Thine Own Self Be True"
—William Shakespeare (Hamlet Act 1, Scene III)

To borrow a line from Shakespeare, "to thine own self be true." When you start thinking about investing you should first determine the type of investor you are. Bear in mind, the type of investor you currently see yourself as will change as you become more knowledgeable about investing. But to start, be totally honest with yourself to determine who you currently see yourself as when it comes to investing your money.

Over the years I have met a wide variety of investors. Below are eight different types of investors and their investment strategies along with pros and cons for each. As you read through these, you may even recognize someone you know. Some may even give you a chuckle, but the point here is to get you to start thinking about investment strategies and start to determine what works best for you.

- The "Reluctant Investor" is one who wants to invest, but does not want the risk associated with it. They will buy 5 shares, sometimes 10 shares in a particular stock. Typically, they buy dividend bearing stocks such as an electric utility so each quarter they gain a little extra for every share they own. This type of investor will also limit their purchase to a stock that is priced at no more than $50 a share because in their view, anything more than that is simply too expensive. The Reluctant Investor enjoys talking about how smart they are in their investment decisions, and even pick some winners, but rarely make much money on their investments because they are fearful of any loss. They invest more for bragging rights than anything else.

- The "Gambler" is an investor who likes to play the high-stakes and will basically roll the dice hoping to make a lot of money. They rarely do a great deal of research on the companies they may be buying stock in, and often rely on information provided by others. They also have an emotional need to show they can win big. This investor may make decisions without thinking things through. This is primarily due to impatience and sometimes the emotional need to show others how smart they are. The Gambler may invest a large sum of money, some even borrowing more than they can afford, in order to buy of a particular stock, they believe it will be a winner. As the name implies, they are really gambling with their money hoping their investments will really be a winner. While this strategy may occasionally work, more often than not it fails. And if it does fail, it may take years to recover from those loses. Regardless of winning or losing, the Gambler will always be looking for the next investment to gamble on. For most people, this approach is not a good one and like casino gambling the odds are not in your favor.

- The "Braggard" investor is one that may also be a gambler but to them investing is always something of a contest. They prefer not listening to any advice and believe they know it all. All their investments are always winners, they never lose. And even if they lose, they will never admit it because ego is the primary driver for this investor. This is the one investor you should avoid taking any advice from.

- The "Let it Ride" investor is one who basically invests for the longer term. This type of investor can be split into two types. The first type is an investor who has a long-term strategy and understands the company they are buying stock in. They typically invest in well-known companies that will be around for the long-term. The second type is an investor who buys stock in a variety of companies without a good understanding of the companies and their associated business. This type of investor thinks long-term is the solution for all short-term mistakes. They almost always hold their stock investment even when it is experiencing significant losses because they claim they do not want to lose out when the stock rebounds. The failure here is not thinking that the stock may continue downward adding to their losses and also not realizing that the stock may never recover. Sometimes it is best to cut your losses rather than wait.

While a wait and see strategy may work for the overall market, individual stocks and their associated companies may still fail. Even if they do recover, it can sometimes take years before they do if they do. And keep in mind that many well-known companies many believed would never fail, did just that. As a good friend of mine once said, "Never argue with a profit!" So, instead of holding a stock that is heading downward, sell it and if you really believe it will go up, buy it back later on when the price is lower. As an investor your objective is to make a profit and not lose money.

- The "Excessively Diversified Investor" buys a fixed amount of share, or invest a fixed amount of money in any one stock. This investor will typically buy no more than 50 to 100 shares in any one company. They are uncomfortable with larger amounts of stock in any one company and believe spreading their money across multiple companies is best. Some of these investors will do some research, but the majority almost always buy stock in well-known companies. When markets are up and times are good, they will see gains, but when the opposite occurs, they can lose a significant amount. The reason for this is they have not considered that the companies they invest in compete in the same industry, or market sector. In other words, if you invest in 3 different oil companies, when the market for oil experiences a downturn, all companies in that sector will also experience that same downturn.

- The "Planner" has an understanding of their financial objectives and what they need to do to achieve them. They will generally put together some form of a strategy to meet these objectives. While some will employ a financial planner, others will do it entirely on their own. The Planner is usually a very disciplined and structure person who typically invests in well-known companies and other more secure investments like Treasury Bills for the long-term. The Planner may not make large sums of money quickly, but their strategy is one that prevents losing large sums of money just as quickly. This type of investor always does well, as they are disciplined and willing to spend the time to set up a long-term strategy so they can achieve their financial objectives.

- The "Not for Me" investor is one who thinks the best approach to investing is putting their money in a bank savings account. They want zero risk and have no interest in anything that may cause them to lose money. Should the amount in their savings account exceed the federally insured limit of $250,000, something discussed in Chapter 3, they will open an account at a different bank and move funds there to safeguard all their savings. These investors believe that banks are the only safe haven and the only place they will put their money in. Occasionally they will buy a fixed interest Certificate of Deposit, or CD, to get a higher interest rate. But if they do it will be from the bank where they have their savings account. Their aversion to risk is primarily due to an unfamiliarity of other investment options that pay more and still offer the same zero-risk they want.

- The “Let Someone Else do it for Me” investor is one who relies on someone else, typically a financial advisor, for their investments. Some may also invest on their own in mutual funds believing this to be a safe investment. Most of these investors are professionals, or people with demanding jobs, who often state they do not have time to do it. They would rather have someone do it for them, for a fee of course. The downside here is that they are dependent on someone who gets paid regardless of whether they make or lose money on their investment. Many financial advisors faithfully follow a strategy they have been taught. While this may work well when the economy is sound, it may not work well when there is a downturn. Regardless, the advisor will still get their fee. While a small number of these investors will tell their advisor to sell and hold the resulting cash when losses become significant, most will just let it ride anticipating a rebound. The line most often used when this occurs is, “You need to look at the longer-term.” As we said earlier, the need for long-term is when you make a mistake in the short-term.

The names given to the investors you have just read about and associated investment strategies are not intended to be unkind. Instead, they are used only to provide examples of individuals who may not have had opportunity to learn about investment options they can benefit from. Investors must always remember it is their money to lose. A little knowledge goes a long way to help reduce significant loses.

Of all the types of investors noted here, all can gain from reading this book. However, the last three types are the most likely individuals who will buy and use the ideas and information in this book to build an ideal strategy for their needs. With so much financial information available online today, it is easier than ever to get what you need invest smarter. The Internet has proven to be the great equalizer in many industries and the finance industry is no exception. Advances in technology have made investing available to a greater number of people than ever before. The individual, or what some call the retail investor, has played a significant role in the overall growth of the investment industry. Today these retail investors can use their PC, tablet, or smartphone to quickly access their account and invest in stocks, bonds, and other financial instruments as they choose. And while this technology is certainly welcome, investors should realize that a basic understanding of investing is still the key to success and a way to provide them with the best return on each of their investments.

You the Investor – First considerations

"Success occurs when your dreams get bigger than your excuses."
Anonymous

Now that you have read and thought about the various types of investors, it is time to start thinking about yourself. What type of investor are you?! You may be completely different than any of the ones mentioned earlier, or you may be a combination of several. No matter which, one of the first things to consider is your age. The reason for this is simple. The older one gets, the less time they have before retirement and consequently the less time they have to recover from any potential losses they may incur. It is always best be in a position where time is not against you.

Table 1 (below) provides a guide to start you on your way to determine your risk level. Since everyone is different, the key word here is "guide." People in any one age group are not all the same and will typically have different levels of risk tolerance. The guide is to start you thinking about your own individual risk level so moving forward you can better decide what investments work for you.

As you review the table, notice how age applies to risk level and the percentage of higher risk you may consider in developing your investment strategy. The table was created to show that riskier investments are often best suited to a younger age since they have more time to recover from potential loses. While those who are a bit older may also decide they want a larger percentage of risk in their investments, attention should be given to the fact that there are fewer years that remain before retirement. Typically, the older one gets, the more consideration should be given to acquiring safer and less risky investments. However, if one chooses higher risk, they need to determine the amount of loss acceptable that will not impact their future financial needs.

Age Range	Risk Level	% of Risk in Investments
20 to 30	High	75 to 100%
30 to 40	Medium to High	60 to 75%
40 to 50	Med	40 to 60%
50 to 60	Low to Med	25 to 35%
60+	Low to Med	<25%

Table 1. Risk Levels

Money and Investment Decisions

"An investment in knowledge pays the best interest."
— Benjamin Franklin

Once you have a basic understanding of age and risk, it is time to start thinking about you as an individual investor. What are your objectives? How much money are you considering investing? Money to be used for investing can come from bank savings or checking accounts, 401K, or an IRA. The latter two generally offer self-directing for investments. This means you can use the funds in those accounts to select and buy individual stocks, mutual funds, CDs, Bonds, other financial instruments, or any combination thereof.

Once you decide on the amount of money you are willing to invest, consider dividing it into three parts, and not necessarily equal. The first part would be used for low-risk investments, the second medium-risk investments, and the third for high-risk investments. For each of these amounts ask yourself what percentage of it you are will to potentially lose. This is something that is often done best on paper where you can visually see the amounts and make your best decisions. For example, let’s say you have $5,000 to invest. You might decide to use $3,000 for your low-risk investments, $1,000 for your medium-risk investments, leaving $1,000 for high-risk investments. Starting with low-risk, if you want to ensure you lose nothing at all you are best to consider fixed-income investments that offer zero-risk. Examples of fixed-income investments are Certificates of Deposit, Treasury Bonds or Bills, or any fixed income fund or money market. While you do not lose with these types of investments, you will gain as much as with non-fixed income investments.

So, what are some low-risk non-fixed income investments? They are investments that pay a fixed amount in the form of a dividend per share owned, but they also offer the potential of a gain on your principal investment. For example, if you buy a dividend bearing stock, such as those offered by electric utilities, oil companies, and others, you get paid a fixed cash amount for each share owned. This payment is typically shown as annual amount but is usually paid on a quarterly basis. For example, say you buy 100 shares in a dividend bearing stock at $30 a share, your initial investment is $3,000. The stock pays a 4% annual dividend, so you would get $120 annually in the form of a dividend, but if the stock rises to $33 per share, you know have $3,300 plus your $120 annual dividend. So, you have gained 4% on the dividend and 10% on the principal for a total gain of 14%. But the stock may drop in price, in which case you would have a loss, but you still have a 4% dividend to mitigate that loss. There are still some advantages when the stock price does drops, something we explained later in Chapter 2.

Next, are medium-risk investments. These investments are usually stock purchases in well-known blue-chip companies. Blue-chip companies are market leaders, or among the top performers in their industry or sector. Many of these companies pay a dividend for each share owned, while others do not. Medium-risk here means you have a greater potential for gains, but also a slightly greater chance for loss should the company experience a downturn.

Last are the high-risk investments. These will yield the greatest return on your initial investment but they are far more volatile and could yield the potential of a larger loss. Many of the higher-risk companies are found in the technology and biotechnology sectors. They are companies whose products are what are called industry disruptors, meaning their products could change an entire industry. For example, electric cars have changed the entire automotive industry, or disrupted that sector by producing electric vehicles that are less costly to operate. While there are investors who have made significant profits investing in electric car companies, there are also those investors who bet on electric car companies that did not do well and have lost a significant amount.

Many reading this may be thinking that they should only consider low-risk investments, while others may also be contemplating about adding a small amount in medium-risk investments to minimize losses. Before you make that decision, bear in mind that what we have been describing are simply three types of investments and their associated risks. This was to start you thinking about your own risk tolerance for your investments. Even with each risk-type there are companies you can invest in that are in different market sectors. This provides you a way to minimize losses when a downturn occurs in a specific industry or sector as it will not impact your entire investment. As the saying goes, never put all your eggs in one basket.

Investment Term and Income

Up until now we have introduced investment risk-types and how each provide you the potential for gains and/or losses. What we have not discussed is time. By this we are referring to the length of time you are willing to keep your money invested. Although discussed in more detail later in this book, when considering investing you have to think about how long you want to have your money tied up in a particular investment. While some investments allow you to sell all or some of it and then use the proceeds as you like, others have fixed-terms. While this does not prevent you from selling these investments, you may be penalized in the form of not receiving the full amount of the money you would have otherwise made had you held it to full term. For example, you may buy a one-year CD that pays 5% interest. If you hold it for the full term, you will certainly receive the full 5% interest. However, should you decide to sell it after six months thinking you will still get half, or 2.5% interest, you will usually not due to penalties typically associated with the early sale of your CD.

While there may be some great opportunities in longer term investments, you need to think about the money you are using for those investments and ensure you do not need it in the shorter term.

About the Author

Peter Kotsinadelis is a seasoned investor with over 40 years of experience in personal finance and investing. Throughout his career, he has worked across various industries, including technology, finance, and marketing, where he has had the opportunity to engage with many industry leaders. These experiences have shaped his unique perspective on the market, contributing to his success as an individual investor. In writing this book, he approaches the subject with the mindset of someone focused on securing his family's financial future.