



PRATO CAPITAL

Is Do-It-Yourself always the best choice?

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Between the traditional media outlets and the internet, almost anyone can find out how to do-it-yourself for almost any subject.

The proliferation of Do-It-Yourself (DIY).

Many see DIY projects as a great way to save money. Online websites, blogs, and videos along with the proliferation of home shows on television make home projects of all types and complexity seem accessible for just about anyone. Everything from replacing kitchen cabinets to building a deck seem easy, cheap within anyone's ability.

The truth is that many DIY projects aren't always easy or cheap, and they may involve technical work that's best left to the experts. The internet can make a project look inexpensive and easy, but that doesn't always mean it is. Often times at the end of the project, it looks like it was a DIY project and not professionally done.

DIY Investing

Many investors tune into one or more of the financial news networks to hear from a "Chief Strategist" or "Fund Manager" about what the next hot stock or sector will be or where the stock market is going in the future. There is no shortage of advice in the media. Most of this advice is based on a predicted future performance and little, if any advice speaks of risk.

With the large volume of self-help advice available, it can be difficult for the DIY investor to decide on the correct investment strategy for them. The internet is filled with stock picking forums like the Reddit group famous now for the GameStop run-up earlier this year. See our blog posts for [February 1](#) and [February 4](#) about this subject. There are also many weekend television shows devoted to personal finance and investing. Many of these shows and internet forums may sound like they are offering good advice at the time, but this is not the same as developing an investment plan that is specifically tailored to the individual.

Risk can be difficult to see, especially during bull markets like we have seen since March 2020. In the search for performance when everything seems to be rising, unexpected and hidden risk can be very difficult to uncover. Performance is sought after at almost any cost, and sometimes that cost can be substantial.

This year alone has provided two examples of hidden risk and the real impact it can have on investors. Earlier this year, the mutual fund Infinity Q Diversified Alpha Fund asked the SEC to deny shareholder redemptions. When started in 2014, this fund was proclaimed as using “hedge fund strategies” for the masses.¹ In February 2021, “pricing irregularities” of the derivatives and alternative assets were discovered and in order to stop overwhelming shareholder withdrawals, the fund stopped redemptions and is now charging the shareholders the cost of liquidation. One of those shareholders is an investor interviewed in an [NBC News article](#). He considered himself a careful investor that didn’t want to risk his life savings. Having up to 30% of his savings with Infinity Q, he is now left to wonder what the future will hold.²

Also earlier this year, the hedge fund Archegos Capital Management, lost all \$20 billion in assets in just two days of trading.³ Archegos was considered a family office, which is a private investment company that manages family wealth and does not have outside shareholders. But, the impact of its collapse was felt much further than just this one family. Many of the bets placed by Archegos were highly leveraged with bank margin loans. Banks and financial institutions, including but not limited to UBS, Wells Fargo, Goldman Sachs, and Morgan Stanley, saw an unexpected combined loss of over \$10 billion from these loans. The unexpected and hidden risk had negative impacts on earnings and share prices throughout the financial sector.

Using the right person for the job

Much like hiring a professional builder to build your home, a financial advisor can be the professional to manage a lifetime of savings. It is important to find someone that is the right person to provide a tailored and individual investment plan. A great place to start is with a financial advisor who is a Registered Investment Advisor (RIA), like Prato Capital. As an RIA, Prato Capital abides by the fiduciary standard, meaning we always put our clients first and our loyalty is to the client above all else.

Listed below are some of the ways that Prato Capital helps current and future clients throughout their financial lifetime. Over the past few years, our newsletters and blogs have discussed many of the topics listed below in greater depth and some links to these are highlighted below.

- As the expert in the field, we will provide investment recommendations that are thoroughly researched, based on facts, and appropriate for the individual client.
- With our client, we build a valid investment plan that fits their individual risk and works in tandem with a financial plan.
 - [A balanced and diversified portfolio](#) of stocks and bonds based on academic, and Nobel Prize winning research that provides more predictable expected returns and makes a financial plan much more stable and achievable.
 - Remove emotional decisions from the investment plan. When stocks go up or down, emotions can drive decisions, not sound investment strategies.
- Provide information and education through our website and social media accounts about [current events](#) and [the impact they may have on portfolios and the stock market](#).
- Work with our clients to develop their financial goals, what they would like to accomplish with their investments and savings, and create an accurate [Financial Life Plan](#) (FLP).

1 Sabrina Wilmer and Margaret Collins. Bloomberg Pursuits. April 7, 2015. <https://www.bloomberg.com/news/articles/2015-04-07/bonderman-s-wildcat-family-office-backing-hedge-fund-for-masses?sref=rq26lVwH>

2 <https://www.nbcnews.com/business/business-news/what-s-your-mutual-fund-collapse-infinity-q-warning-investors-n1277740>

3 Erick Schatzker, Sridhar Natarajan, and Katherine Burton. Bloomberg Business Week. April 8, 2021. <https://www.bloomberg.com/news/features/2021-04-08/how-bill-hwang-of-archegos-capital-lost-20-billion-in-two-days?sref=rq26lVwH>

- Take into consideration tax implications like [capital gains and tax loss harvesting](#).
- [Rebalance portfolios](#) to maintain a client's risk tolerance and be prepared to capture returns as they happen.

These are just some of the ways that we add value for our clients. This is our full-time job, and our clients are our priority. Our clients, even those employed in the financial industry, trust us because we have the experience and expertise to help them achieve the goals in their FLP. And really, that is what everyone wants from their investments and savings.

Conclusion

Many DIY projects are started but never completed. That is not what many DIY investors plan on for their life's savings and ambitions, but over the years, life's other obligations often take a priority. Sometimes, when a DIY investor calls a financial advisor, significant losses or missed opportunities have already occurred.

At Prato Capital, our focus is on our clients and what they want to achieve with their hard-earned savings and investments. Our priority is helping them achieve those goals and build true wealth, not just a portfolio.

*"The highest use of capital is not to make more money,
but to make money do more for the betterment of life." – Henry Ford.*