

JULEX CAPITAL

The need for a Mad Money account

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- Definition of a mad money account
- Standalone account
- Fully separate from any and all other client assets
- Advisor cannot charge a fee on this account
- This is a client-directed account

Let's backup and motivate this topic

How would we even get to the notion of a mad money account

It all starts with your value proposition

- What's your value prop
- You charge a fee . . . and in exchange, deliver value
- What's your value?

- Does the presence of a mad money account enhance your ability to deliver on your value prop

- Financial planning
- Investment decision-making

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What factors or behaviors might interfere with that delivery

- **What might interfere with you maximizing your value-added?**
- **The client wants**
 - To jointly manage investments with you
 - You to offer them a shoe store of selections that they then pick from
 - To follow some crazy questionable investment nostrum
- **The client is**
 - Unable to let go
 - Focused on the wrong thing . . . On the wrong objective(s)
 - Driven by greed, fear, hope, desperation
- **The client believes that**
 - They can “beat the market”
- **The client has a problem with time**
 - Just seeking entertainment
 - Has an excess of time on their hands
 - Lacks a rewarding life

Our industry doesn't help

JIM CRAMER'S

MAD MONEY

WATCH TV, GET RICH



JAMES J. CRAMER WITH **CLIFF MASON**

The 7 Best Stocks to Buy For 2021

No Matter How The Stock Market Moves Today



Shutting down the country has fast-forwarded us 10 years into the future. These seven companies are taking us there.

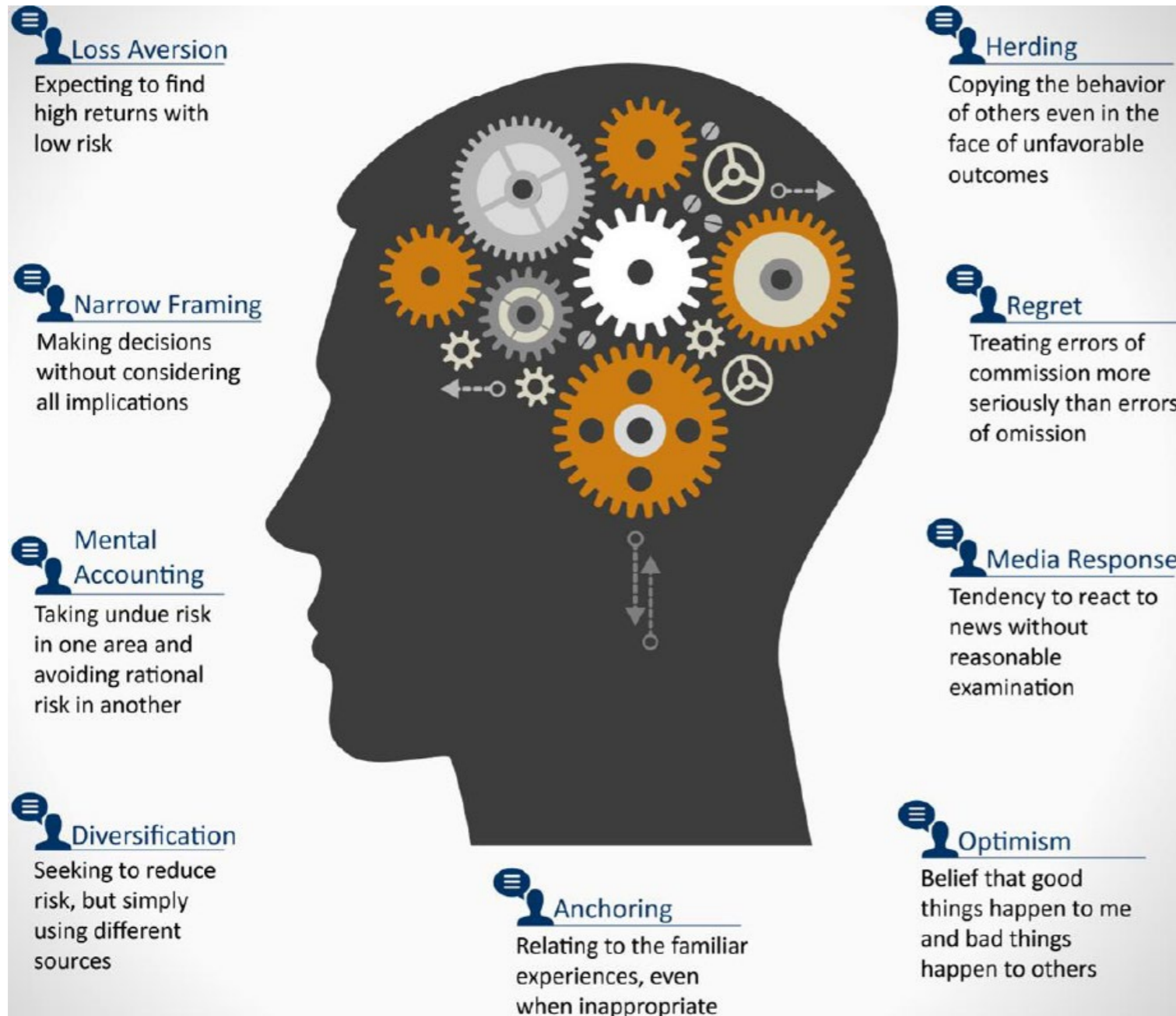
- One has been called “the biggest threat to Amazon.”
- Two of them are **essential** to remote workers.
- Another is poised to add \$300 billion in revenue.

To get our full report on all seven of these revolutionary companies, just enter your e-mail address below.

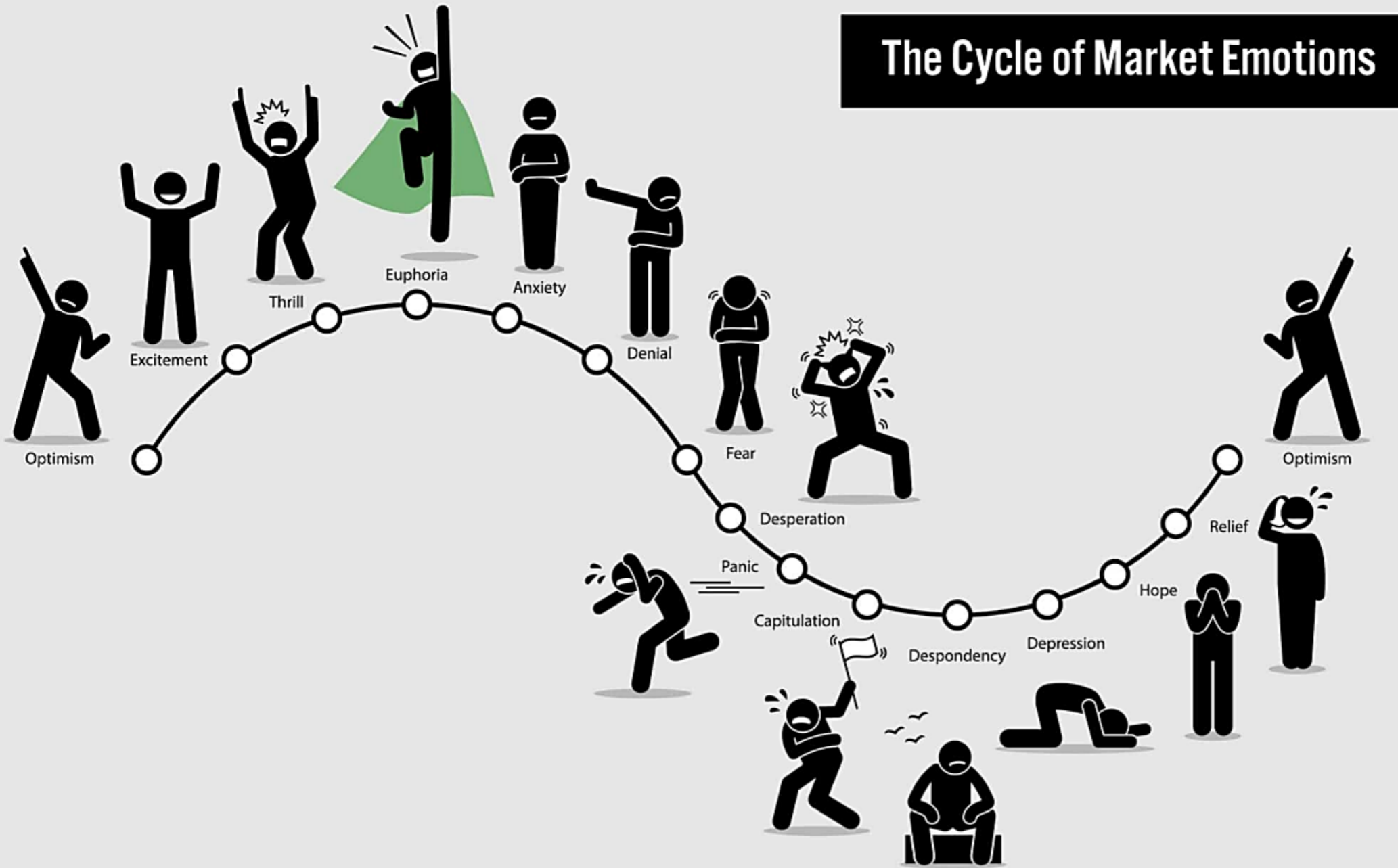
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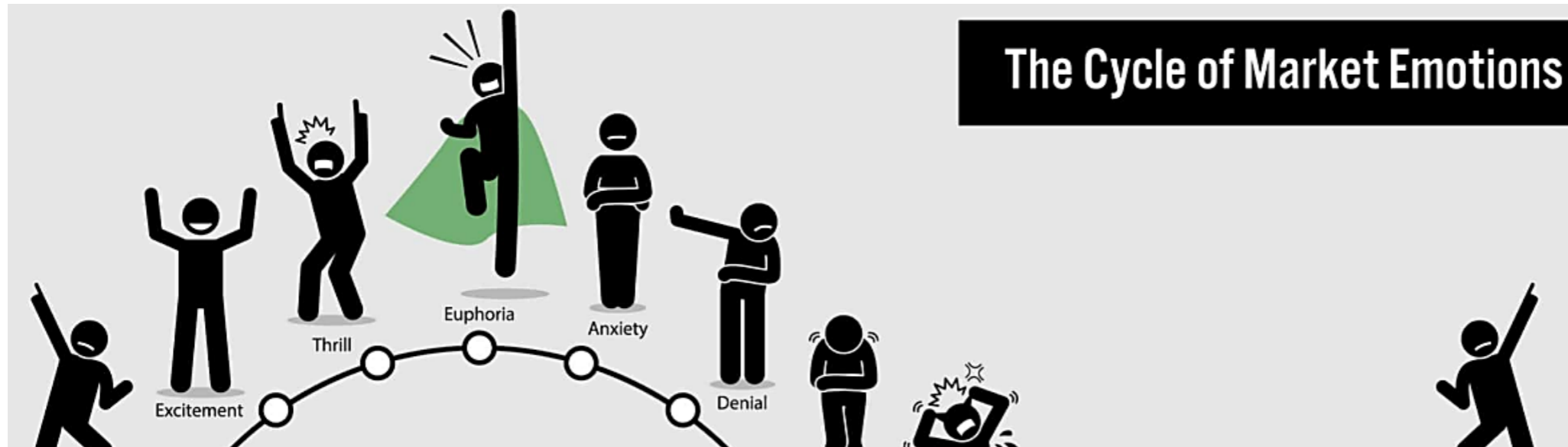
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Most of it starts with our inherent psychological weaknesses



Most problematic behaviors are exacerbated by a focus on past performance as opposed to future goals





Overconfidence Bias - Unwarranted faith in one's intuitive reasoning, judgment, cognitive abilities

At the macro level, overconfidence can run wild. The late 1990s is the best example. This was the Internet stock boom. Investors indiscriminately poured money into internet businesses that were getting "eyeballs" (page views), rather than looking at the bottom line - whether these companies were making money or not. Millions of dollars were lost investing in overvalued internet companies in those days.



Couples - on occasion, a useful component of success

- I've seen the use of a mad money account to be vital in some couple situations
- It can help ease financial stress for couples
- Setting aside a small chunk of a portfolio for trading can help scratch the itch of overconfidence
- In many cases, it's all about giving the transition time that's needed
 - It can serve as a slow, gradual transition tool for one member to slowly let go
 - To find more valuable, relevant, rewarding uses for their energies

A suggestion for use in your
practice

Why not suggest its use with every new client

- OK . . . so this sounds crazy
- But, here's my experience
- By doing so . . . you have raised the behavioral challenges in a non-threatening way
- Now, you can discuss those challenges without specifically stating that the client suffers from one or more of the “illnesses”
- Use it as an opportunity to discuss
 - Emotional bias
 - Performance chasing
 - Overconfidence
 - Excess time, leading a rewarding life, finding fulfillment
- So, just propose it really early on
- And before it becomes obvious that it might be needed

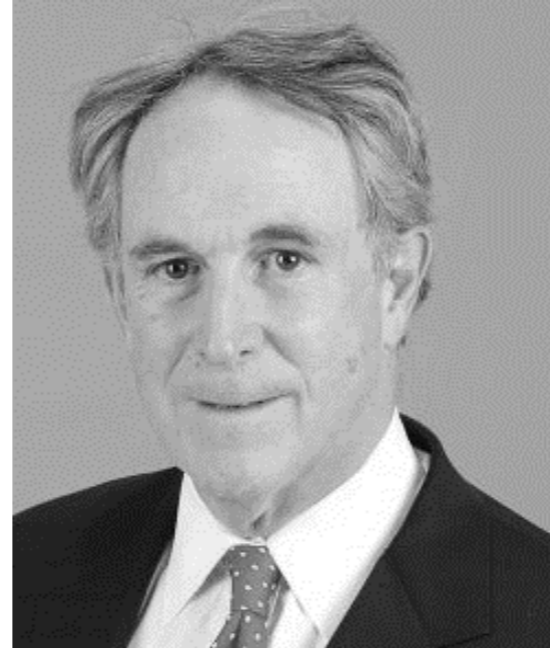
Why not suggest its use with every new client - II

- Why not just propose it with every single client
- Let them say no
- This allows you to set the rules
- Propose it before the difficult discussion of
 - Joint management
 - Shoe store structure

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Setting logical performance objectives

Beat a benchmark or achieve life-goals?

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One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the presentation of hypothetical performance results and all of which can adversely affect actual trading results.

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