Mitigating Risk and Minimizing Losses

By Todd Wooten

When I first learned to fly, we spent some time on learning how to maneuver the airplane. But the majority of my training was on how to mitigate risk and fly safely no matter what came my way. I learned how to recover from stalls and spins, how to handle crosswinds and the correct steps to take during mechanical and electrical malfunctions. The focus was more on what to do when things go wrong than how to fly in a perfect environment.

By looking at constantly changing market conditions, the ups and down, highs and lows, it's not hard to imagine that additional economic turbulence could be just over the horizon. The future may well be a bumpy ride based on risks such as rising taxes, climbing inflation, stock market risk, rising healthcare costs, depreciation, longevity and new government regulations. These factors are inevitable, but there are strategies available to lessen their impact. In fact, Warren Buffett, an American business entrepreneur and widely regarded as the most successful investor of the 20th century gives this sage advice, "Rule number one: never lose money. Rule number two: never forget rule number one!"

My philosophy is that the best way to make a lot of money is not to lose a lot of money. So it's unfortunate that many people believe that losing money is a necessary evil in the process of investing. Contrary to these beliefs, there is a way to mitigate downside risks in a volatile market. These strategies are an integral part of a sound financial plan, one that is defensive during the bad times and offensive in the good. It's imperative to implement a plan that manages risk and minimizes losses in order to have a secure future.

While we don't have a crystal ball that can predict the financial future, we can look at history and take a lesson from past experience. Since 1900 the United States has gone through approximately 22 recessions, one every five to six years. With longevity at an all-time high, you could spend 25 years or more in retirement, which means living through four or five significant market corrections and potential loss. The question is, can your portfolio survive before it runs out of money?

The number one rule in retirement is to avoid losses because the gain required to recover from a loss is exponential; conversely, a relatively smaller loss can erase big gains. If you're looking for solutions to help manage risk and minimize losses, work with a financial advisory team that understands this paramount rule and can design a plan to fly you safely through financial turbulence.


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Blue Sky Financial Partners, is one of Northwest Indiana's premier insurance and financial advisory firms, specializing in assisting retirees, pre-retirees and business owners in creating and growing their wealth, protecting and preserving their life savings, and planning for the distribution of those life savings in the most tax-efficient manner. Todd Wooten is a featured contributor for Fox Business, CNN's Money.com and Fortune.com. He is a nationally sought-after speaker and frequent lecturer for educational institutions. To schedule a no-obligation consultation, call Blue Sky Financial Partners at (219) 548-9370 or visit www.financialflightplan.com.