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SCOTT: Let's talk about risk. Look up on at this chart for a moment here. See these losses up here? See that minus 11 percent right there Patty?

PATTY: Uh-huh.

SCOTT: If that minus 11 percent were a minus 40 percent, would you like that investment as much, or would you say, Scott, why are you recommending that to me?

PATTY: Right.

SCOTT: Would you like it?

PATTY: No.

SCOTT: You wouldn't like it, would you?

PATTY: No.

SCOTT: Roy, see right right here where it says minus 15? If that minus 15 were a minus 50, would you like that investment as much, or would you be like . .

ROY: Nope.

SCOTT: You wouldn't want that. I mean, because you can't take that kind of loss at this stage of your life right now, can you?

PATTY: No.

ROY: Exactly.

SCOTT: All right. If you ever want to know how an investment might potentially perform in the future when times are good, look at what it's done in the past when times were good. Now the past is no guarantee of future results, but it gives you an indication of what you may potentially expect. If you ever want to know how an investment may potentially perform in the future when times are bad, look at what it's done in the past when times are bad. Again, the past is no guarantee of future results, but it gives us an idea what we may potentially expect in the future, right? When you look at investments, you've heard me say it before as you've learned; if you want to know what an investment can potentially do, listen to what that investment is telling you, all right? If an investment clearly says, if it's lost 40 percent of your money, what is it telling you, Patty? It's telling you what?

PATTY: Again, you're losing your money.

SCOTT: It's telling you it could happen again, right? You could lose that money again, right? So, what we want to do now is we're going to take a look at the investments that you own right now. Now, I want to be clear about something. I'm not saying you owned them years ago. I'm saying you own them right now, okay? As we look at these investments, I want you to ask yourself what are these investments that you own today telling you that they could potentially do? You ready?

PATTY: Uh-huh.

SCOTT: Are you sure you're ready?

PATTY: Well, I don't know.

SCOTT: Well, here we go. Let's take a look. The first investment we're going to take a look at is your Columbia Thermostat Fund Class Z. Notice in the housing bubble of 2008, when the market crashed so bad, you see that right there? It lost 52 percent of it value. You see that, guys?

ROY: Uh-huh.

SCOTT: It lost half of its value in the housing bubble. And not only did it lose 52 percent of its value, but see these boxes right here? Each of those boxes represents a year. It not only lost 52 percent, but it took one year, two years, three years, four years, five years, six years. You see that? Six years just to recover to where it was back here. See that there, guys?

ROY:  Uh-huh.

SCOTT:  How do you feel about an investment that loses 52 percent of its value and then takes six years to recover, I mean at this stage of your life. How many six-year periods do you have left to recover?

PATTY:  That's a lot.

SCOTT:  It is, isn't it? It's too much, right?

PATTY:  Yes, it is.

SCOTT:  So, another question for you, Patty: when you were sitting down with your Edward Jones broker -- I think this is in your Edward Jones account -- when you were sitting down with your Edward Jones broker, and he recommended that you put your money in here, and he told you all good things this investment can do and all the right reasons this was your investment and all the right reasons  this fit your goals, he told you why you should buy buy this investment. And then he said to you, "Oh, yes, and by the way, it can lose 52 percent of your money." How did that conversation go?

PATTY: Not well. I mean, I don't even remember him saying that.

SCOTT: He didn't say it?

PATTY: No, he don't point that out to us.

SCOTT: He didn't point that out to you?

PATTY: No.

SCOTT: Simple question for you. Had he pointed out to you that that investment could lose 52 percent of its value, what would you have said to him about that investment?

PATTY: I would probably tell him to change it.

SCOTT: You wouldn't want that, would you. Would you want that, Roy?

ROY: Nope.

SCOTT: You see it?

ROY: Right.

SCOTT: But, you know what? You want to know some good news. You have an opportunity, a real blessing, actually, to take advantage of an investment philosophy that I invented many years ago. You may have heard of it; it's called "buy low and sell high." Did you know I invented that? All right, I didn't invent it. Wait, wait . . let me get to the the point. Look where you are today. You're at or near all-time highs, aren't you?

ROY & PATTY: Uh-huh.

SCOTT: You have the opportunity, the true blessing to say two magic words. Those two magic words are "thank you." Thank you for all the profits that you've made for me, but now it's time for me to take my money and protect it and enjoy the rest of my life. Does that make sense, guys? You see, you have the opportunity; remember I said earlier about how you crossed the goal line, and now you can hand the football to the referee and go over and enjoy the retirement victory party over here? You see that? You know what this 52 percent loss is right here? This is the tuba player! You don't have to knock the tuba player. You don't have to keep running. All you have to do is just not lose, and then get reasonable, conservative growth, and you can accomplish all your goals and enjoy the rest of your life. Does that make sense guys? You see it?

PATTY: Uh-huh, I see it.

SCOTT: But, maybe this is the only one. Let's just keep looking, okay? All right? Maybe the other ones are better. What I did is I took your largest holdings and I put them up here, okay? The next one we're going take a look at is the Columbia Select Growth Fund Class Z. See in 2008 right here? Don't even look back in the dot com bubble where it lost 71 percent. Look right here recently. It's lost 50% of its value. You see that right there? Not only did it lose 50 percent, but it took one year, two years, three years, just to get back to even, but then it's down below it again. Four years. Five years later to finally get above even. You see that right there? Five years wasted. Then look over here. Recently, it's lost a third of your money. Notice when it gets to all-time highs, what does it have a tendency to do?

PATTY: Drop.

SCOTT: When it gets all-time highs, what does it do?

PATTY: It drops.

SCOTT: Where do you think we are now? Is it going to go up or down? I don't know, guys. I don't know, but you know what the point is? Risk is for people trying to get the assets you already have. All you have to do is just not lose, just not lose, and you can accomplish all your retirement goals and enjoy the rest of your life. You see, you don't have to knock the tuba player over. Go to the victory party, okay? Let's keep looking. Here's your Lord Abbett Bond Debenture Fund

Class C. Now, look at this. This is one of your more conservative. You know, they talk about diversifying between stocks and bonds to protect you during the bad times? In 2008 how much money did this thing lose? It lost a third of your money, just like that. You see that?  This is supposed to protect you. It is supposed to be a more conservative type investment, and it lost a third of your money, just like that. Here's your BlackRock Global Allocation Fund. This thing is supposed to be a conservative investment, and it lost 33, excuse me, 38 percent of the value, and it took one, two, three, four, five and a half years just to get back to even . .

ROY:  It dropped off some more.

SCOTT  . . just to drop off again. You see that right there, guys? Do you you see that?

ROY:  Uh-huh.

SCOTT:  How many times can you afford for that to happen at this stage of your life?

PATTY:  None.

SCOTT:  You can't, can you? Let's keep looking. Here's your Fidelity Advisor New Insight Fund. This thing lost roughly 50 percent of its value in the dot com, in the housing bubble, excuse me. You see that right here? It took one, two, three, four, and a half to five years really, here, five years just to get back even and stay above even. But, you know what the good news is, Patty? Where are you at right now? What do you get to say here?  What are the magic words?

PATTY:  Thank you.

SCOTT:  You get to say thank you. You see that?  Thank you.

PATTY:  Uh-huh.

SCOTT:  That's the blessing you guys have right now. Let's keep looking. Here is one of your stocks that I can't even pronounce. Raspadskaya? I don't know how to pronounce it. Look at the housing bubble. Look how much money it lost. See that number right there? Eighty-nine percent, and then it lost 45% there, and then recently it lost 93 percent. I have to ask, how is this . . when they told you about this investment and wanted to put your money in there, they knew where you were at in life, right? How close you were to retirement?

ROY:  Uh-huh.

SCOTT:  They knew. How . . do you feel like this is appropriate for you? Let me ask you a question. If you were sitting on my side of the table, if you were a fiduciary, and I was sitting on your side of the table close to retirement like you guys are, do you feel like this would be an appropriate recommendation for you to give me?

ROY: No, not if I knew what the market has done with it before. You know, how it's worked in the market before.

SCOTT: This investment's speaking to you. What is this investment telling you?

PATTY: It was losing, and it's going to go down again and again.

SCOTT: It's telling you how much it can lose. It can lose 89, 90 percent of its money. You see that? That is a fatal fluctuation, guys. You see that? See, that's rights here in the 2008 time-frame. Let's keep going. Here's Pfizer. Good company; I have nothing against Pfizer, but look at this: in the housing bubble, it went down and lost 68 percent of its value and it still has barely not even recovered. You see that right there? It hasn't even recovered. How many times can you wait is one, two, three, four, five, six, seven, eight, nine, ten, 11, 12, 13 years? Let's keep going. Dover Corporation. See the housing bubble right there? Fifty-six percent. See the dot com bubble? Fifty-four percent. See recently? Forty percent. What does this investment, when it's speaking to you, what is it saying to you, Patty?

PATTY: There's too much of a risk, because it grows, and then it drops and it grows, and it's not really growing, anyway.

SCOTT: You see it, Roy?

ROY: Yeah.

SCOTT: Parker-Hannifin Corporation. Look here; in the housing bubble, it lost 66 percent of its value. But you know what the good news is, Patty? What do you get to say?

PATTY: Thank you.

SCOTT: You see it?

PATTY: Again.

SCOTT: You see it? Thank you! You get to say thank you. Union Pacific, 57 percent in the housing bubble, recently lost 43%. But, it's at or near all-time highs again. What do you say, Roy?

ROY: Thank you.

SCOTT: It's thank you. You guys have crossed the goal line. You're set! Tiffany, 65 percent in the housing bubble. All right, then we have Vanguard

Institutional Fund, lost 55 percent. Took one, two, three, four, five, six, years just to recover.

ROY: Thank you.

SCOTT: You see it, guys? Patty, I want to do something. I'm going to hand you my mouse here, okay? And here's what I want you to do. See the roller ball on the mouse?

PATTY: Uh-huh.

SCOTT: You're going to use that roller ball. What you're going to do is you're going to find the 2008 time frame, you're going to find the loss that corresponds to it, and I want you to read me that loss, and once you read it to me, use the roller ball to scroll up, okay?

PATTY: Okay.

SCOTT: But hold on, just a moment before you do it, I need to do something first. Can I erase what's on the board here, guys?

ROY: Yep.

SCOTT: Okay. All right. So, Patty, read to me that loss that corresponds to 2008.

PATTY: 55.9.

SCOTT: Minus? Minus? Minus 55.9?

PATTY: Right. Sorry.

SCOTT: That's all right. Then you scroll to the next one and read the next one to me. Find the 2008 time frame.

PATTY: -65.9, -57.9, -56.2, -56.9, -68.3. Oh, -45.5.

ROY: -84.

SCOTT: 2008.

SCOTT: What's the number there?

PATTY: -89.4. And then we have -49.8, -37.9, -33.1, and -50.7, and then 52.7. That's it, I think.

SCOTT: Look at that, guys.

PATTY: I lost money.

SCOTT: What do you think that averages out to be?

ROY: 59, maybe 60.

SCOTT: Around 55, 60 percent, right?

PATTY: Yeah.

SCOTT: What do all these losses have in common, besides the fact they're big? What do all those losses have in common right here? They all happened at the same time! Do you guys see it?

PATTY: Yeah.

SCOTT: You have a portfolio, and it's speaking to you right now. Your portfolio is telling you in no uncertain terms "I can lose 60 percent of your money like that." I want you to look up here. I want you to see this. Let me get it mouse back from you, Patty. I want you to see this. Let's look at this. I'm sorry, the last one here. Notice, here's where your money peaks. See it? And then it goes down. Meh, no big deal, it just went down, right? And then it's coming back up here fine, then it goes down, then it come back up. Meh, no big deal; that happens, you have these fluctuations, right? And then what happens? BOOM, and then you're like oh, crap; is it going to keep going down? Finally, it comes back up; we're okay. You don't really worry about it. And then what happens? BOOM. You see how fast that goes down right there? You see how fast? Next thing you know, it goes down to here. Roy, you want to retire in the next few years. If this happens to you and it takes your money one, two, three, four, five, six, years to recover, you know what that means? You're not retiring. Do you see that, Patty? You can't retire. Risk is for people trying to get the assets you already have. All you have to do is just not lose, and then get reasonable, conservative growth and you can enjoy the rest of your lives. Do you see it? So, you have a portfolio that's telling you in no uncertain terms "I can take your $1.5 million and I can turn it into 600,000 at the drop of a hat." All those losses happened at the same time. But yet, your portfolio is supposed to be diversified, isn't it? Does that look like it's very well diversified? It doesn't, does it?

ROY: Nope. Those are a staggering losses, aren't they?

PATTY: Yes, they are.

SCOTT: This is what ends retirements for people. This is what ends the dream of retirement, or worse yet, if you retire and this happens, you're in real trouble. How are you going to make ends meet at that point in time? Because your portfolio is what you need to provide you your income in retirement, isn't it? If that portfolio gets cut in half, let alone 60 percent, you're in deep trouble. Because if you retire and this happens, you can't go back and get your old job anymore. They're not going to hire you back at same rate, are they?

ROY & PATTY: No.

SCOTT:  No. So, when you retire, you need to make sure you not only do it right, but you take that off the table. You need to take that problem and put it over here. You see that guys? Let's keep going. Now, sometimes it's hard for people to really get what this means, how this loss affects them.  Because when I show you losses like that, and then show you returns like this, I want to be clear; you see, there's losses in here. You see them? There's losses here. They're going to happen. But what's the difference between these losses and that loss that I just showed you? They're small, infrequent and recover quickly. But let's now fulfill my fifth commitment to you, okay? What I want to do now is I want to take the investments you're in right now and I'm going to compare them side-by-side against what I'm recommending so that you can really see the difference. Are you ready?  Let's take a look.