



The following is an excerpt from an interview with Charles B. Cossé, President of Cossé International Securities in Seattle.

Q: Chuck, you've had your own firm for more than three decades now and we're hearing some interesting stories about your clients' investment success. Could you share your ideas with us?

A: Sure. I'd be glad to.

Q: What are you telling clients today?

A: Basically the same advice. Have a plan for how you want your money to be invested. Nothing complicated. In fact, the more straightforward the better. It can be as simple as saying that you want your funds split say 50% toward income investments and 50% toward growth investments or whatever's right for you. But how many investors could even tell you that? Most people, unfortunately, spend more time planning a vacation than planning their investment programs. Spending an hour or so now would save most investors a lot of time and money down the road.

Q: Time and money?

A: Absolutely. Once you have a plan in place and an investment opportunity comes along, there's never any question whether to act on it or not. It either fits within the framework of the plan or it doesn't. Individual investment decisions are a lot easier.

Q: What's a typical plan like?

A: Every plan is unique. The most important thing I do when I sit down with a new client is determine the level of risk this person is willing to accept.

Q: How do you get investment accounts to grow with some degree of predictability?

A: I've learned how to identify excellent growth investments by studying with some of the most successful investors anywhere. These aren't college professors who have written a book telling you a theory on how it's supposed to work or somebody who got lucky in the market one year. They're real investors making real money. And they've made a lot of money over the years.

Q: How?

A: The first thing most people don't realize is that the really successful investors do everything they can to avoid risk. That's my first rule.

Q: But you're investing in common stocks. Aren't they risky?

A: Yes and no. All stocks have some risk. But it can be controlled. Let me explain. Most investors don't have any rules to guide them in investing. If you ask them why they own some shares, they're as likely as not to give you some vague response like "it's a good company." You just won't make money investing money that way. You've got to have rules to follow.

Q: What else?

A: That's the first rule of ten I use in knowing what and when to buy. Rather than going into a lot of detail about offense, I'd like to talk a bit about defense. As mentioned before, all successful investors avoid or at least control risk. I've found that if you have a solid set of rules in place, and just as important, the discipline to follow them, you won't get into much trouble. Most investors who don't have rules or don't follow them eventually get into a lot of trouble and really don't know what to do.

No matter how good you are at selecting investments, you won't always be right. You've got to be able to recognize when you're not right and avoid major losses. The idea in investing is not to prove you're right, it's to make money. I've seen investors ride stocks all the way down. Without defensive rules, they suffer losses from which they never recover. You can have a lot of 5% or 10% losses and still come out way ahead with just a few 50% and 100% winners.

Q: Anything you'd like to add?

A: Yes, a true story. A few years ago a retired client of mine had a relatively large sum of money to invest when he sold his practice. He had been approached by an investment group to put the money into a diversified program with money spread among common and preferred shares, real estate, gold, bonds, investments outside North America, etc. What they didn't understand was that this was the client's 'safe' money. I recognized that he was uncomfortable with their proposal. I developed a plan for him that was divided between growth and income investments with the understanding that when the growth portion grew out of proportion to the income portion, we would trim it back and put the excess funds into the income side. This client ended up with an investment program that meets his comfort level, is producing better rates of returns than most portfolios, and is far safer than the 'diversified' plan. In fact, several years ago this client confessed to me that he made more money in capital gains from his growth portfolio than he did in any of his many years as a physician.

Helping good clients like this is a big part of what makes this a very rewarding business.

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