

Don't Look for Monsters

The Motley Fool

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Just about five years ago, I was living in the greater Washington, D.C., area. Do you remember the big news story from those days? There were snipers in the area, shooting people seemingly at random. I wrote about the event at the time, sharing some thoughts on how we tend to think irrationally about threats such as snipers — and about money, too.

I quoted best-selling crime novelist Patricia Cornwell in the article, too, as she'd offered some insightful thoughts, noting:

Someone reading this article may know one of the killers and refuse to make the connection for the simple reason that we believe only in monsters. We call the sniper a cold-blooded monster. We fear monsters, not ordinary people. We read about monsters in novels and watch them in movies. We are confident that we will be able to peer out the window and recognize a monster immediately.

Rereading these words recently, I realized how profound they are. It's very true that we tend to assume that people who commit terrible crimes are monsters. Yet how often do we see interviews with a killer's neighbors on TV, where they express surprise that the mild-mannered person next door could do such a thing? Think also of divorce. I've known plenty of seemingly nice, polite people who turn out to have very ugly sides and mean streaks in them when they leave their spouses.

Monsters in your life

So what does this all have to do with money? Well, think about people who suffer devastating financial losses. Many times, we assume their troubles are caused by their being monstrously bad money managers. That's not always the case, though. For example:

Think of someone whose house burns down. If they can't afford to rebuild it, you might tsk-tsk, thinking they were so dumb that they let their home insurance lapse. But instead, they might just have been under-insured, as many of us are. Take some time to update your policy to reflect your home's current worth and what it would take to rebuild it. Building materials, for example, have recently risen considerably in price. (Learn more in our [Insurance Center](#).)

Think of someone who enters retirement with a paltry portfolio. You might assume that they were monstrously negligent, investing only in risky highfliers or not investing at all. But perhaps they thought they were being responsible, investing much of their money in their own employer's stock. That *seems* sensible, as it's a company they know very well. But seemingly strong companies can fail — look at Enron. **Eastman Kodak** (NYSE: EK) has never lived up to the potential of its 1970s glory days. Even huge companies like **Wal-**

Mart (NYSE: WMT) and **Pfizer** (NYSE: PFE) have been relatively stagnant lately. This is why it's important not to put too many eggs in one basket — even a seemingly strong one.

Also, consider people who've ended up deep in credit card debt. We might assume they're irresponsible ne'er-do-wells and monstrous money managers. But perhaps they just got whacked by one of life's blows, like losing a job or facing a costly medical emergency. (This is actually how many people end up in such debt.) Without an emergency fund, it's easy to end up tapping credit cards, and when they charge 20% to 30% in interest, it's darn hard to dig out from under that. According to Herb Weisbaum at MSN.com, an **American Express** (NYSE: AXP) card is charging around 23% on cash advances, while **JPMorgan Chase** (NYSE: JPM) is charging 28%.

Little acorns ...

Luckily, the solution is easy. When it comes to your finances, give yourself a checkup now and then. Make sure you've been saving enough and effectively enough for your retirement. Make sure you've got all the insurance you need. Make sure you're being tax-smart, taking advantage of all the credits and deductions available to you. Make sure your stocks and mutual funds are good ones, offering sufficient diversification.

Don't assume your financial life is peachy because you don't see any massive monsters around. Remember that small things can have big effects. A little weed can break up your driveway — you don't need monstrous vandals to do that. A little drip, drip, drip through a tiny hole in your roof can cause thousands of dollars of damage — you don't need a hurricane for that.

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