

The strategic investor takes the driver's seat

The authors apply the principles of strategic management to investment in order to create wealth, based on recommendations in their forthcoming book on the subject.

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Martin is a successful professional who, having accumulated modest savings and inherited some money, decided he wanted to invest. As he had no investment expertise, he sought the services of a professional broker, who suggested he invest in a portfolio of quoted stocks and bonds.

Within eight years, Martin was shocked to discover that his net worth had fallen by 25 percent, and it wasn't just because the markets had performed badly. He realized that his investment was getting eaten up by high brokerage fees and taxes. In fact, the salaries and bonuses of the investment bankers depended on the revenues they generated through brokerage fees, which seemed at odds with Martin's interest of optimizing his own returns with minimal transaction costs. In the end, Martin decided he needed to change his approach entirely.

Like Martin, you may have some funds at your disposal that you would like to invest. However, as our experience has shown, the conventional approach of investing in stocks and bonds, while it may help to preserve capital, is not suitable for creating wealth. This is because, as Martin discovered, investment expenses, taxes and inflation have a real impact – even more so, if one considers the repressed financial outlook for the coming years.

As such, a different and innovative concept is necessary. It requires deviating from the

standard investment paradigm and entering the realm of strategy.

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