

THE BUSINESS PAGE

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I think it was 1993 when I met a potential client who wanted to discuss his financial situation. At that time, I worked for a big financial services company in San Francisco, and people walked in from the street of the financial district looking for investing and planning help. He was a somewhat nondescript older man, the kind of person we walk by every day with no memory of them. But his situation was pretty interesting.

He had accumulated quite a lot of his employer's company stock. He told me with some pride that he was one of the first 20 employees hired. He had faithfully worked and earned tons of stock options in a fast-growing technology firm by the name of Cisco Systems. It was, by far, his most substantial asset, at something over \$3 million. He also had terminal cancer.

He wanted to understand how he should best plan for this wealth, given his situation. The easiest thing to suggest would be to start selling the stock to protect that value for his heirs. But that involved a lot of taxes. If he kept his shares and passed them to his heirs, they would get a step up in cost basis, which would essentially eliminate any capital gains. But this would also embrace incredible risk to his heirs — or himself, if he lived longer than he thought he would. He could have even entertained the idea of selling half and keeping the rest. I don't know how he decided to proceed, as I never saw him again. But I always remembered him, and hoped things worked out OK for him. But you never really know.

When I think back on that conversation, it's obvious he and his heirs would have been very rich by simply holding those shares. He himself had already seen his investment rise by hundreds of percent since the shares first went public in 1990. What is astounding is that it would go on to appreciate by many more hundreds of percent and ultimately become, for a brief time, the most valuable company in the world.

And therein lies the rub: We never know what's gonna happen in the future. We may think we can, but that's usually a product of wishful thinking and a typically normal misplaced trust in our own views. No one knows the future. It is, by definition, unknowable ahead of time.

Fast-forward to 1999. The stock markets had gone absolutely bananas. The age of the

Internet was upon us, and there were fortunes being made. I remember being struck by how tech stocks were the main topic of conversation at parties, at work, and just talking with neighbors. At the beginning of that year, I confessed that I didn't think it wise to be chasing stocks at the incredibly high valuations that existed then. And then you know what happened? The Nasdaq, where most Internet/tech stocks were trad-

me off. He also lit a large amount of money on fire when the bubble popped.

Even after tech stocks peaked and started dropping in 2000–01, the belief in the riches of the Internet and our old pal Cisco stayed quite alive. A financial advisor I know had bought Cisco after it started dropping, and owned it at a price which was showing a big loss. I asked her what her plan was for owning the stock. She replied

that it was a world-class company and she was confident it would rebound. And eventually it did. But it spent approximately 16 years below that price, and only recently traded above \$50 a share. You never really know.

If you had bought Cisco at its initial public offering, your money would have grown by 632 times, based on the current stock price. But you would have ridden a gut-wrenching beast that few could have held onto. Had you sold it at its all-time high, that

number is 942 times your money. It also could have gone to zero if things turned out differently. You just don't know.

But what I feel reasonably confident of is that we do know we have a high probability of getting respectable returns on our savings if we have a long enough timeframe. If we spread out our risk and diversify, if we

101 FINANCE

You never really know

When in doubt, stick it out. **BY JOHN KAGELEIRY**

ed, went up another 78 percent. No one ever knows what the hell is going to happen. The way I left it was, "I don't know when this is gonna blow up, but when it does, it will end in tears." But really you just never know.

What I did know at that time was that Cisco was a sort of standard-bearer for the new world we were inhabiting then. A guy I worked with at the time was getting frustrated with his returns that were less than what the headlines told him he should be getting. He mentioned he should "just put it all in Cisco and be done with it." I noted that Cisco was now the largest company by value in the world, was trading at painfully high valuations, and had risen nonstop for a decade. But "putting it all in Cisco" would have been a bad mistake.

And it wasn't just Cisco. An older guy I worked with had his own bold investment approach: buying Internet stocks that were also penny stocks, the smallest, most speculative types of stocks. He was a man who had a surplus of highhanded confidence and a large deficit of good ideas. I shared that he might want to take his profits and move on to other things. He laughed at me and waved

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save diligently and stick with our plan, we will get results that we can hopefully enjoy. As long as the world continues to grow and we humans continue to innovate to solve our challenges, we have a good chance of a future that will be better. That's one thing we can know about the future. We just have to hold on long enough.

John Kageleiry is a business writer and financial planner. Have a question for "Finance 101"? Email it to jkageleiry1@gmail.com.

THE CHILL FACTOR IN MASSACHUSETTS

The rank of Mass. versus the other 49 states with regard to stress indicators.

48th
Work-related stress

40th
Money-related stress

40th
Family-related stress

45th
Health & safety-related stress

Source: WalletHub

QUOTE OF THE WEEK:

Polly Hill left the table feeling good. The film festival left the table feeling good. We left the table feeling good.

– Ag Society president Brian Athearn commenting on the Martha's Vineyard Film Festival entering into an agreement to buy approximately 10 acres of land from the Martha's Vineyard Agricultural Society to establish a permanent home.

The Big Question

Should the music festival planned for Vineyard Haven this summer be held without selling alcohol?

Reply online as a comment, or send your answers to onisland@mvtimes.com with the subject line "MVSB Big Question."

BUSINESSBriefs

Three Island brands open in Falmouth
Iconic Island brands the Black Dog, Bad Martha Farmer's Brewery, and Bite On The Go will all make the leap across the pond, establishing satellite locations in Falmouth. The Black Dog will feature a grab-and-go concept at 465 Grand Ave. (home of the former Silver Shores Shanty) while Bad Martha will reprise its trademark Amish barn, albeit

with expanded kitchen and brewing facilities. Bite On The Go will also be sticking to a successful recipe: Brazilian-inspired dishes served in a buffet-style setting. Black Dog is slated for a mid-April opening, followed by Bad Martha and Bite in early summer 2019.

Shored Up Digital offers food photography
Island-based marketing company Shored Up Digital is currently offering product and food photography to Island restaurants preparing for the new season. According to a

press release, Shored Up Digital encourages restaurant owners to get ahead of the curve by booking a photography session before the busy season kicks off. In the release, Angela Prout of Shored Up Digital says, "Photographing your food and drink menu not only gives you great content to share on social media, but you can also use it for your print ads, press requests, and as an opportunity to train your staff all at the same time."

For more information, email shoredupdigital@gmail.com.