

The Purpose of Vehicles: Determining Yours (Part 1)

Recently, I was in an unfortunate situation where my “reliable” vehicle started to need constant attention and I had to decide whether to keep it or purchase a new one. This germinated into an idea of how you can approach both the automotive and financial worlds using similar tactics. With this in mind, I am writing a series of articles to share my insights.



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This first posting is about determining what you need in a vehicle. To start, looking at both the automotive and financial markets, we need to determine our own capabilities, what sort of utility/access we need, and our entry cost into that market.

- **The first option is the “do or fix it yourself option.”** This option has a low cost to enter and maintain but it does require a time commitment and can be less reliable.

This option would be for those who have a sufficient degree of understanding about what sort of vehicle they need to get them from point A to point B. With regard to investments, the “do or fix it yourself model” might mean that you enjoy learning and watching market trends as well as being responsible for your own risk management.

- **The second option is what I like to refer to as the “compromise vehicle.”** This usually is a model that does not do any one thing very well but it can do almost anything.

This is usually the best option for people that are looking to participate in a wide range of activities. In the financial world, this option might include the purchase of stocks and mutual funds. In terms of a vehicle, these would include off-roading, trailering, etc.

- **The third option is using a “purpose built vehicle.”** This usually is a model that, like the title suggests, is built to achieve a specific goal.

This usually is the best option when you want to do something specific like creating a portfolio made to achieve a specific rate of return, or trailer 35,000 lbs.

There are vehicles that can be considered parts of two or more of these groups. I like to call these “hybrids.” In an investment scenario this would be mutual funds or some investment funds that include multiple market segments. Ultimately though as a buyer or investor, we have to determine which one of these categories fits us best.

Looking at a purchase or buy-in in this manner will also help you determine what it is that you are actually looking for. As well, when go to see your good buddy at a financial institution or at a car dealership and they ask you what you are looking for, you can answer more than “something that works.”

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