

THE ZURICH AXIOMS

An Effective Set Of Principles About Handling Investment & Risk

MAX GUNTHER

Main Theme

The Zurich axioms apply to any situation where you have put your money at risk in order to make more money. They are based on an approach of managing the risk effectively rather than trying to shun risk, because your potential return is directly proportional to the risks involved.

These axioms form the basis of a philosophy around which you can make investment decisions. They also represent

Major Axiom 1 - Risk

Worry is not a sickness but a sign of health. If you're not worried, you are not risking enough.

Minor Axiom 1 - Always play for meaningful stakes.

Major Axiom 2 - Greed

Always take your profit too soon.

Minor Axiom 3 - Decide in advance what you want from an investment, and when you get it, get out.

Major Axiom 3 - Hope

When the ship starts to sink, don't pray. Jump!

Minor Axiom 4 - Accept small losses cheerfully as a fact of life. Expect to experience several while working

Major Axiom 4 - Forecasts

Human behavior cannot be predicted.

Distrust anyone who claims to know the future, however dimly.

Major Axiom 5 - Patterns

Chaos is not dangerous until it begins to look orderly.

Minor Axiom 5 - Beware the historians trap.

Minor Axiom 6 - Beware the chartists illusion.

Minor Axiom 7 - Beware correlation delusions.

Major Axiom 6 - Mobility

Avoid putting down roots. They impede motion.

Minor Axiom 9 - Don't become trapped in a souring venture because of feelings like loyalty or nostalgia.

Minor Axiom 10 - Never hesitate to abandon a venture if something more attractive comes into view.

Major Axiom 7 - Intuition

A hunch can be trusted if it can be explained.

Minor Axiom 11 - Never confuse a hunch with hope.

Major Axiom 8 - Religion And The Occult

God's plan for the universe won't be to make you rich.

Minor Axiom 12 - If astrology worked, all astrologers would be rich.

Minor Axiom 13 - A superstition can be enjoyed,

Major Axiom 9 - Optimism And Pessimism

Optimism means expecting the best, but confidence means knowing how you will handle the worst.

Never make a move if you are merely optimistic.

Major Axiom 10 - Consensus

Disregard the majority opinion. It is probably wrong.

Minor Axiom 14 - Never follow fads. Usually, the best time to buy anything is when nobody else wants it.

Major Axiom 11 - Stubbornness

If it doesn't pay off the first time, forget it.

Minor Axiom 15 - Never try to save a bad investment by "averaging down".

Major Axiom 12 - Planning

Long range plans create the illusion of order amidst the chaos. They should never be taken seriously.

Minor Axiom 16 - Shun long-term investments.

An Introduction To The Axioms

These principles are about betting to win. Everyone wants to win, but not everyone wants to bet. Therein is the very key to success. Everyone wants to win without betting. The axioms discussed here apply in any situation where you put your money at risk to make more money.

To make any kind of gain in life, you have to put something at risk. You must make a commitment of time, money, love or something of value. The sensible approach is to not shun risk but to learn to manage risk to your own advantage with care and thought.

The Zurich Axioms were developed by those with the most experience of any in managing risk and winning - the Swiss financial community. They contradict some of the most cherished investment advice. And best of all, they work.

Major Axiom 1 - Risk

Main Idea

Worry is not a sickness but a sign of health. If you are not worried, you are not risking enough.

Supporting Ideas

If your main goal in life is to escape worry, you are going to stay poor and be bored silly in the process. Life ought to be an adventure, not a yawn. An adventure requires some risk.

Worry is an integral part of life's grandest enjoyments, and not just the financial challenges. If you are afraid of risk, you will never fall in love. You'll never participate in a sports event because you might lose. In these things, it's the defeat of imminent failure that gives a spirit of adventure. It's the same for a financial strategy. Adventure is what makes life worth living, and that means taking risk.

You can't get rich working for someone else. The economic structure of the world is rigged against you.

Try this for a rule of thumb - devote one half of your energies to job income. The other half ought to go into investment and speculation. The only way you can ever lift yourself above the masses is to take a risk with your money. There's farther to go upward than you can go down with this strategy, and you'll have an adventure to boot.

"All investment is speculation. The only difference is that some people admit it and some don't."

- Gerald Loeb.

There's no such thing as a risk free speculation. Calling it an investment doesn't change the facts - a gamble is still a gamble. Put your money at risk. Don't be afraid of getting hurt a little.

Minor Axiom 1.

Always play for meaningful stakes.

If you only bet what you can afford to lose, you can only win what won't help very much. The only way to beat the system is to play for meaningful stakes. You need to bet amounts that worry you a little and that hurt if you lost. Choose your own level according to the degree of worry you can tolerate - 25%, 50% or 100% of your wealth.

Minor Axiom 2.

Resist the allure of diversification.

The investment community preaches the wisdom of having a number of investments, in the hope that one good one will make up for numerous failures or mediocre investments. The actual fact is that diversification, by reducing your risks, reduces by the same degree any hope you may have of getting rich.

This philosophy has three major flaws;

1. It reduces your chances of playing for meaningful stakes.
2. You are creating a situation where your gains and losses stand to balance themselves out leaving you where you started.
3. You become like a juggler, trying to keep four balls in the air at once. You won't be watching your investment with the proper degree of care.

In speculation, only put your money into those investments that really interest you. Never buy simply to have a diversified portfolio. Put all your eggs into one basket, and watch that basket.

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