Prizant Group

RETIREMENT PLANS THAT "CLEARLY" WORK FOR YOU.

Prizant Group

SKIN IN THE GAME: To be directly involved in or affected by something, especially financially.

We can use the idiom "skin in the game" when referring to finance and marketing. It's a good way of saying that somebody has invested money into something to try and make a good return. However, you might not know the origin, which this article will explore.

What Does "Skin In The Game" Mean?

"Skin in the game" means that someone has put money toward achieving a goal. However, this money is seen as an investment that can incur risk. There is no guarantee that you will be safe with your money when you have "skin in the game."
Part of the idea comes from the "risk to reward" ratio that people work with. Having your "skin in the game" is a good way to show that you're happy to take big risks while expecting big rewards and profits if they pay off. Of course, that doesn't always mean you're going to get your money back; however, the idiom shows that it's worth taking risks sometimes to see what might happen

What Is The Origin Of "Skin In The Game"?

Now that we've covered the meaning, it's time to go back to when we first saw it used. Sometimes, this helps us to understand more about its meaning and why it's so popular today.

"Skin in the game" was first mentioned in a 1986 Wall Street Journal article. An executive in this article wrote that "others don't have skin in the game the way the marketing rep does."

From this origin, we can see that "skin in the game" referred to each person's individual investment in something.

There are plenty of other cases in recent history where "skin in the game" found usage. The meaning was always roughly the same.

For example, in 1997, "Computerworld" published an article about turning contracts into partnerships. This article made clear that large investments were

known as having “skin in the game,” which showed that you were making a big commitment with your money.
Skin

Before we get deeper into the "Skin Game," I thought a a little crooning from Mr. Frank Sinatra was in order. BTW, you might remember the infamous "Rat Pack" (see picture below) of the late 1940"s and early 1950's which Frankie was a prominent member of along with aforementioned Sammy Davis Jr. along with Dean Martin, Peter Lawford, and Joey Bishop.

Under My Skin

Though there are a multitude of things that "frost my butt," I want to focus in on mutual fund money managers that **"Eat Their Own Cooking."** By this I mean, how much of their own money do they have invested in the mutual funds that they are paid so handsomely to manage? I have the same issue with directors of company boards who own little (if any) of the stock of the said company they are supposed to be fiduciaries. It makes me feel much better when those in charge "**Put Their Money Where Their Mouth** Is" along with mine or my participants hard earned cash.

Skin in the game

It is natural for investors to want portfolio managers to invest their own money in the funds they run.

It means interests are aligned, which should encourage good behavior on the part of the manager, and (on a less edifying note) it offers investors the cold comfort of knowing that if things go south, the manager stands to lose too.

As international equity manager Rajiv Jain told Citywire back in 2017 when launching GQG Partners with 80% of his own money: ‘If things don’t go well, I can explain it to clients and shareholders, but I’ll also have to explain it to my wife, which is a much more difficult conversation.’

Good news for the Jains’ marriage, but bad news for fans of schadenfreude: the firm has accumulated assets of more than $55bn in a little over five years.

Be that as it may, the main benefit of managers investing in their fund is better returns for investors, according to Morningstar’s director of manager research Russ Kinnel, who has suggested that manager ownership is the second-best predictor of outperformance after, of course, fees.

In the latest issue of Morningstar’s Fund Investor newsletter, Kinnel delves into the topic further, by looking at how many managers have more than $1m (the threshold at which the SEC requires disclosure) invested in their own fund.

He found that:

1,155 funds out of 7,424 had at least one manager with more than $1 million of his or her own money invested. Kudos to the fund industry for producing so many investments it believes in. On the downside, thousands had no manager investment. Not so good, fund industry.

Kinnel points out that some manager investments are more impressive than others. For a manager getting paid seven- or eight-figure sums, $1m is an achievable amount to invest and it should be broadly expected that those PMs running core strategies would have this much of their wealth allocated to, say, large-caps, or core bonds. What is more noteworthy, he suggests, are those managers who have legged in on niche funds, particularly those have very low return profiles, such as short-term bonds, or those that are highly volatile, like

energy equities.
Kinnel goes on to highlight a number of managers in more specialist categories who have gone ‘above and beyond in putting their money where their mouths are.’

One could raise questions about these managers’ investments, either about their asset allocation skills (if this money is a meaningful portion of their personal wealth), or (if it’s not) just how well paid are they that they can afford this risk (or lack thereof)?

But these quibbles are slightly beside the point and it is clearly laudable that these managers are invested in their funds to this degree.

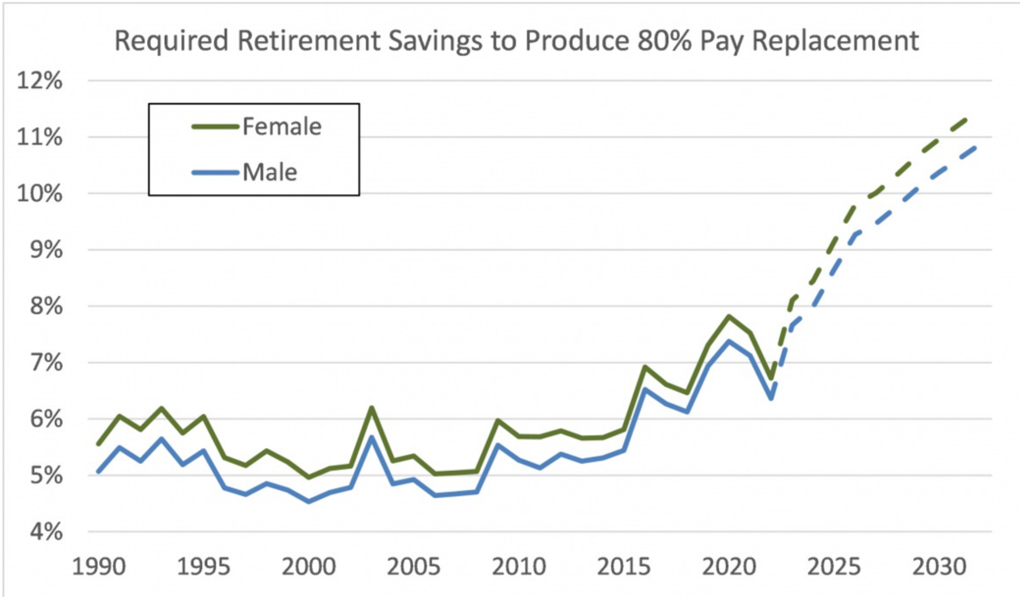
Let’s just hope they have heeded Jain’s words and kept something to one side to cover the costs of the divorce lawyer if things go wrong.

Managers

We, at The Prizant Group, believe that our long investment experience allows us to present our retirement plan participants a view untethered from the daily "noise" of the markets. As a firm believer in "Visual Learning," I want all my readers to examine the "Required Retirement Savings" chart below. Retirement Savings As we continue to nudge our retirement plan sponsors to the **6% Automatic Enrollment** number (some still need a bigger nudge than others!), the analysis by ASPAA (American Society of Pension and Professionals & Actuaries) is telling us that our 6% hurdle will not do the trick for most retirees. (see chart below).

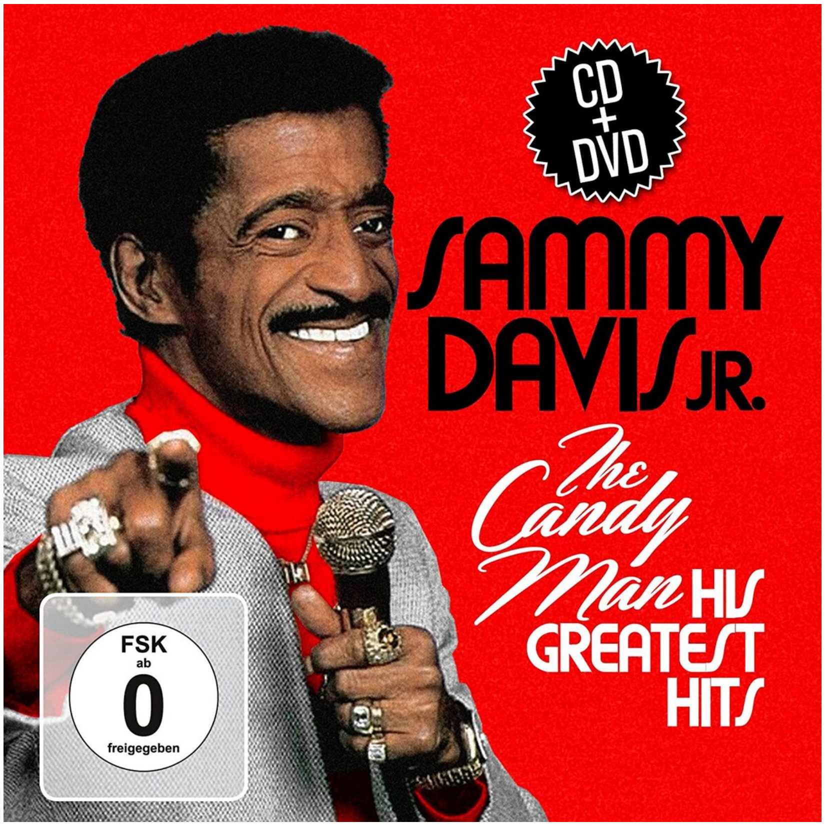
What is October without a mention of Halloween. With "All Saint's Day" around the "cavity corner," I wanted to end this missive with Sammy Davis Jr. and "The Candyman." Though the relentless march of cannabis legalization is probably more in line with the tenor of the song than Reese's buttercups!

Candyman



Sanford Prizant (President) The Prizant Group, Ltd.
sanford@prizantgroup.com/847-208-7618
www.prizantgroup.com/@prizantgroup

Call, Email, Twitter, LinkedIn, Carrier Pigeon, Smoke Signals, Naval Flags


CD
+
DVD
SAMMY
DAVIS JR.
The Candy Man
HIS
GREATEST
HITS
FSK
ab
0
freigegeben