

Mutual Funds, Casinos, and Opportunities

By [Harrison Barnes](#)

At least a decade ago, I started receiving all of these phone calls from American Express Financial Advisors urging me to invest with them my 401(k) from my previous job. After putting off the caller for some time, I eventually decided to meet with the guy. He came by one afternoon and sat down and showed me how a certain mutual fund investment functioned.

As I reviewed his investment and all of the fees, I realized that if the investment got the returns it had earned for the past ten years—after paying the minimum brokerage fees associated with just keeping the account open—I would end up losing substantial amounts of money each year. It was as if I would be opening an account simply to pay fees.

When I asked him to explain this, he told me something about how he would “look into it” and left the meeting fairly quickly, in a somewhat awkward manner. I never heard from him again.

A few years after this meeting, I read that American Express Financial Advisors had been sued by the State of New Hampshire for disproportionately rewarding its financial advisors for recommending underperforming in-house mutual funds to its clients. The company paid a \$7.4 million settlement with the state to dismiss the allegations. Shortly after this—and in the wake of other scandals—American Express Financial Advisors changed its name to Ameriprise because its reputation had been so sullied.

Financial advisors, insurance companies, lawyers, automobile finance companies, doctors, sophisticated businesses, and others—all have the ability to get the “upper hand” when they know more than you do going into various business transactions. I happened to be lucky that I was not “taken” by the mutual fund salesman—apparently, many people were not so lucky.

One of the most interesting statements I have ever heard is the following: *When a person with experience meets a person with money, the person with the experience ends up with the money and the person with the money ends up with the experience.*

If you were going to sell a business, for example, you would have to be absolutely out of your mind to sell the business to Warren Buffet. Why? Because Warren Buffet has made his entire **career** out of finding good businesses and purchasing them for the absolute lowest price possible. He has been doing this for more than fifty years and he is the best in the world at it. He sees more than you see. He understands more than others. He knows the true value of a business and he is not going to purchase a business unless he thinks he is getting an incredible deal on it. He is someone with experience. He will take the business for as little money as possible.

You’ve probably heard about how companies like Goldman Sachs and their partners make so much money. It is the same thing. They structure extremely sophisticated financial transactions with people who do not have as much experience and end up getting the better end of the deal most of the time. They have experience. They do business with people who do not have nearly as much experience and this is why they end up winning most of the time. Experience always wins.

It is like this with casinos as well. How do you think casinos are able to afford such lavish hotels? The most expensive hotels in the world are casinos. The reason for this is that they have the experience. They have made the odds and the rules work for them inside of the casino. While people certainly can make money in a casino, over time the casino has set up the odds in such a way that they can win the majority of the time. They have the experience.

It is common for successful businesses to try something different. Imagine a car company suddenly deciding to build televisions, for example. Most of the time when a company tries an entirely new line of business, they end up failing—not all the time but almost always. The reason that companies tend to fail when they go into completely new lines of business is that they do not have the experience. They are competing with people who have the experience and who know what to look for.

Businesses, like people, go into new lines of work and business all the time. There is nothing wrong with doing something new; however, if you have a lot of experience in a given line of work, you always have a distinct advantage over those who do not. When you try something completely new and different, you will be competing with those who have experience, and going up against those who have experience means you will be at a distinct disadvantage.

When you have experience in something, you tend to see all the intricacies associated with the work you are doing that those without experience do not see. You tend to know the traps for the unwary and also where the **opportunities** lie. When you confine your work to things you have experience in, you generally will experience the most success.

The worst decisions I have made in business occurred when I dealt with people who were far more experienced in something than I was. When you deal with someone who has more experience than you, that person will know how to get an advantage—and more often than not, you will end up with the short end of the stick. In simplistic terms, what this means is that when you do business with people who have more experience than you, they will generally get your money.

The lesson this holds for your **career** is that you gain more when you confine your work and efforts to what you have the most experience in. If you have substantial experience in something, the odds are generally that you can do much better in this than if you apply yourself in something you do not have experience in.

THE LESSON

If you have considerable experience in something, then you can go much farther in this field than in one in which you do not have experience. Experience in a given line of work will always give you an edge over those who lack it because you better able to notice all of the intricacies associated with the work. You gain more when you confine your work and efforts to that in which you are most experienced.

