

My First Big Investment Blunder

[Editor's Note: The following guest post was submitted by Dr. Cory S. Fawcett, author of the [Doctor's Guide Series](#) and blogger at [Prescription for Financial Success](#). We have no financial relationship, although he did buy me breakfast once. In this post, he confesses an investing error, and in doing so, reveals the "gambling mindset" that leads investors to buy individual stocks. If you recognize yourself in the illustrations of his thinking, I highly recommend you stop taking [uncompensated risk](#) and diversify.]

Have you ever heard about a hot new company and felt the need to get in on the ground floor? What if it's the next McDonalds? What would it have been like to have been one of the first investors in [McDonalds](#)? Or [Microsoft](#)? Or [Facebook](#)? Or any of the other companies you hear of today that were home runs for the initial investors. That dream is inside of many [investors](#), including me.



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Chasing a Home Run

In December of 1996, just over a year after becoming a partner in my general surgery practice, I came across such an opportunity. I was a young [investor](#) searching for that next McDonalds. I found my golden ticket in an article in a financial magazine. There was a new Wonder Boy in the business world and he was about to take a new fast-food franchise to the moon. He had some new ideas and everyone was excited about his future. He was about to go public with his company and [I wanted in on the ground floor.](#)

I'm Going to Be a Millionaire!

His IPO (Initial Public Offering) opened up at \$3 a share and [I bought 1000 shares](#) at \$2.4375 and [another 1000 shares at \\$1.873](#). I now had 2000 shares of stock that would make me a millionaire in the next decade because I was one of Wonder Boy's initial investors. At least that's what I hoped would happen.

Over the next few months, I watched as the stock went up to more than \$6 a share. I had already turned my \$4,310 investment into \$12,000. I was so proud of myself. Later that year the stock started to go down in value. There was nothing different, no new reports, no bad outcomes, nothing to point to for the drop.

I'm Still Going to Be a Millionaire, I Just Need to Wait it Out.

I continued to watch my dream stock slowly drop down to \$0.26 a share. My total value was down to \$520. Still, there were no bad reports to account for this drop. I was sure I still owned a piece of the next McDonalds and was not going to let it go. In fact, now with the price so low, I could pick up stock for 10 cents on the dollar compared to the original offering. I

decided to do just that. In January of 1999, two years after my initial purchase, I bought 5000 more shares of my dream and added only \$1,800 to my basis. Now, I owned 7000 shares with a total investment of \$6,110. I was on my way to millions and I was in at less than \$1 per share. I just needed to wait out this dead time until others saw its great potential and started buying the stock, in turn shooting up the price. I decided to just wait it out.



The stock continued to drift slowly down. Sometimes I read the stock values and it felt like I was dying a death of a thousand cuts. But my dream was still alive because the only place left to go was up. By the summer of 2001, the stock was trading for less than 2 cents a share and my investment was worth less than \$100. Then something happened I had never experienced before. The stock did a 1:10 reverse split to get the trading price back up. My 7000 shares became 700. That brought the effective share price back up to 10 cents a share.

The price bounced around a little encouraging me every time it jumped. If it moved from 14 cents to 21 cents a share, I could claim a 50% growth in my stock. The value of my \$6,110 just jumped from \$98 to \$147. I did not see the \$6,000 loss or the \$50 gain. What I saw was an amazing 50% increase in only a few days. Each of the jumps encouraged me and each of the drops I ignored. My dream stock would come back someday.

It Still Could Happen...

In the summer of 2005, the stock did another reverse split, this time 1:100. I was now the proud owner of only 7 shares of my dream stock. This brought the share price back up to the original price of \$3. My \$6,110 investment was now worth \$21. Of course, there is no point in selling. It's only \$21 dollars. Might as well let it ride as I have nothing more to lose. Who knows, I might still make millions.

Over the next few years, it had a 40:1 forward split and another reverse split of 1:8. Today, I own 35 shares of my dream stock. In 2015, the price per share was \$0.0001. Today the share value is listed as N/A.

Caught Up in the Dream



Dr. Cory S. Fawcett

I got caught up in the dream of being on the ground floor of a new company. I didn't realize when I bought the stock that there were so many basement floors below me. If I had set a stop loss figure in my mind, I could have prevented myself from losing it all. But, I doubt I would have sold because what I was doing was not called investing, it was called chasing a dream and dreams don't have stop loss numbers.

Winning the Money Game With Singles and Doubles

The good news: I still became financially independent by age 50 and left the practice of medicine at age 54. I never hit any home runs investing, although I did take a few swings at the fences. I hit a lot of singles and doubles and struck out a few times, but in the end, I won the money game. Making bad investments need not be the end of the world. We will strike out occasionally. But, if we keep playing the game and keep hitting those singles and doubles, we eventually will win the game. Just keep getting back up to the plate. About 3,000 years ago King Solomon stated that “steady plodding brings prosperity; hasty speculation brings poverty.” That advice is still applicable today.

This was [my first big mistake](#), but it was not my last or my most expensive. But it's a good example to remind us of two things: one error is not the end of the world, and [never let your emotions drive your investing](#).

What about you? Have you hit what you thought was a home run only to see the ball dribble out a few feet? If you invest long enough, you will have a few good stories to tell. I'd love to hear your story.