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"How to be a Great Investor"

Hint: It has nothing to do with picking the next Apple, or in predicting the market's next drop. Being a great investor has much more to do with how we *think* about things and our overall mindset when it comes to dealing with the unknowable. Because we've all felt –at times- that we were alone down in the half lit caverns, and didn't know where to turn.

- **First, a Level of Radical Acceptance:** This psychological term refers to accepting things in life that you cannot change. We can't control government policy, nor can we cannot control the "stock market". And fighting off feelings that "this isn't fair" when things don't go well can help you improve your mental health and maybe keep you from making costly investment decisions.
- **Power up Your B.S. Detector:** 75 media outlets were recently rated for their bias. Almost 40% were reported as offering unfair interpretations of the facts or outright "nonsense damaging to public discourse" (source MediaBiasChart.com). Only 27% were rated as offering true, balanced news. Regardless of who's rating them, if you think the news you're getting is unbiased there's a good chance you're wrong. If you make investment decisions based upon what you're reading and hearing from your favorite news outlets, it could cost you.
- **Understand Investment History:** Over time U.S. markets have done very, very well. Yet, there are temporary periods when they do not. In the last 69 years, there have been 14 bull markets and 13 bears. The average bull market has lasted 46 months, three times longer than the average bear (13 months). The average bull market return (S&P 500 Index, without dividends) has been +125.3%, and the average bear -25.8% (Putnam Investments). On January 1/1/1949 the S&P Index was 15.4 . . . and it is 2,628 today. That's a 17,000% increase, in just one lifetime.
- **Accept the Pain:** You know the stock market doesn't go up all the time. Yet – even knowing that - we can still feel an unpleasant twinge when our account values temporarily dive. Over the last 72 years there have been 59 corrections (a drop of 10% or more for the S&P Index) which is once every 14 ½ months. In the last 38 years the *average* intra-year decline has been almost -14% (JP Morgan). And we see a drop of -5% (or more) about every 4 months. If you can take these little heartaches, you're on your way to success.
- **Worry a Little Bit:** People with a healthy level of concern are better prepared to cope with the inevitable bad news that comes in life (University of California Study, 2016). Blindly optimistic investors get . . . well . . . blindsided when the markets

skid. Practicing coping, and thinking about how you'll deal with the next downturn, is very healthy. Remind yourself how you got through 2008-2009.

- ***You* Drive Your Portfolio:** As Benjamin Graham (legendary investor and educator) put it, the behavior of the investments themselves are less important than how the *investor* behaves. The economy and stock market are amazingly resilient (since 1926, you'd have made money in 94% of the 10 year rolling periods). What is less predictable is what an investor might do under the frequent stresses of the markets (remember, a 10% or greater drop every 14 months, on average). Many investors cost themselves far more than any market crash, and doing nothing is often the best medicine for an upset portfolio.
- **Stick with the Basics:** Diversifying among different asset classes, geographies, and economic sectors won't guarantee a better return, but it might give you a smoother ride by spreading your money around. Finding an allocation to stocks and fixed income you are comfortable with is important, and sticking with that model by rebalancing the mix annually helps too. If you can, investing each month is smart, and the best basic move is to stay on course.
- **There's no "Big Secret" to This:** Sure, there are some really smart people talking and writing about how to win big in investing. They're enthusiastic, and impress upon you that you're missing out if you don't cash in on their ideas. But… every week it's something new. You don't need something new. You need to watch what you spend, save diligently, stay steady in choppy markets, and just follow those basics we mentioned.

Financial stress has a negative impact on our health, and people with lower financial stress even *look* younger than their high stress counterparts according to a study reported in The Journal of Aging Research.

You can be a great investor, and you don't have to do it alone. A little teamwork can probably get you where you want to go.

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