

# BEHAVIORAL & FINANCIAL INSIGHTS

## Investing: Simple, Yet Difficult

Warren Buffett said, “Investing is simple, but not easy.” Sounds like a contradiction. But in real life simplicity has little to do with ease. Take losing weight – very simple – burn more calories than you take in. Easy, right?

### The Battle

The path to our long-term goals is often filled with conflicting short-term desires. Investors want the long-term returns, and want safety and security. They need to generate a certain amount of income, but can’t take another 2008/2009. And, as illustrated in the Dalbar piece I have shared with most of you, many investors lack the patience and psychological fortitude to stick with their plan during times of losses and uncertainty.

Investors have the best of intentions, but sometimes we make decisions to satisfy our emotional urges. That can make us feel good at the time, but often comes at a significant long-term cost.

### The Cost of Getting Emotional and Following Urges

JP Morgan reports that over the past 20 years, six of the ten best days occurred within two weeks of the ten worst days. So even a temporary lapse in judgement can be very costly.

Take a look at the differences in returns from missing just a few of the best days in the S&P 500 over that time period (January 1998 – December 2017) <sup>(1)</sup>.

<b>Fully Invested Entire Time</b>	<b>7.2%</b>
Missed 10 Best Days	3.5%
Missed 20 Best Days	1.1%
Missed 30 Best Days	- 0.9%

### The Take Away – The Value of a Financial Steward

There is a cost of feeling good or comfortable. Being uncomfortable at times is the price to pay to earn an above average return. And that is one of the most important reasons I and The Private Client Group are here. We cannot control the market; we cannot predict it. But we can provide the professional counsel to ensure sound decisions are being made that are aligned with your values and long-term goals.

Sources: The Behavioral Finance Network, (1) JP Morgan, Guide to Retirement. 2Q 2018.

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