January 2022 – Measurement

"Buddha was asked. What have you gained from meditation? He replied, Nothing! Then he continued, however, let me tell you what I have lost: anger, anxiety, depression, insecurity and fear of old age and death."
-Alvin Alexander

Does Worrying Help?

This past year was a very good one for investors, and a very bad year for almost everything else. 2021 started with an attack on our Capitol and saw coronavirus mutate causing multiple waves of illness and stresses on our health care system. Labor became scarce, supply chains proved inefficient, and inflation accelerated after years of tranquility. Yet the market had one of the best years in history.

Ironically, despite excellent returns these past three years, it seems to us that people are now more worried about their financial position and holding onto their gains than their physical and mental health.

Why is this so? One explanation is that values are easily calculated. You can even tell if you were worth more at ten a.m. then you were at nine a.m. Yet during that time you may have unknowingly contracted a virus that can kill you.

Since March of 2020 Johns Hopkins has reported that globally five and a half million (almost one million in the U. S. alone) people have died. On the day they died, few worried about whether their investments were up or down that day.

So, does worrying help? We don't think so. Nevertheless, we have our phones apps and three popular television channels devoted to how to increase or protect your investments. In addition, almost every television or radio channel reports frequently market averages and changes. Does this knowledge make us happier, healthier, less stressed or feeling more secure? If so, we might want to reconsider our priorities.

We do believe in measuring performance, and we report it to our clients at the end of each quarter. It is important to do this because as our circumstances change, particularly in health and wealth, adjustments can be made.

If you had a great year, and your goals have been reached, you may want to take less risk by investing in more conservative stocks or in more secure fixed income. Here human nature may argue that I had a great year, do I really want to change my portfolio so that I might miss out on another great year?

Other factors may be unique to you. You may have changed jobs, got married, had a child, retired, or your health has declined. Such factors always should be considered in your investment profile.

Measurement is particularly important as you are trying to accumulate assets that can alleviate financial worry. But again, you don't constantly measure. In a self-serving way I believe this is where investment advisors add the most value by keeping the focus on the objectives and not volatility.

When you start investing, using IRAs and 401-k plans are an excellent way to build substantial financial assets. You should try to fully maximize contributions to the extent possible. (Don't think of this as something you should do. It is something you must do!) Tax deferral and employer matching are gifts that should be accepted. When people start out in their career, they have a forty- or fifty-year window for compounding to work its magic. Nothing hurts performance more than by constantly trying to time the market. Readers of these letters know that we believe timing is futile and harmful.

To state this another way, take time to smell the roses, to engage your family and friends, and to be grateful for our many blessings. Disciplined investing and compounding will take care of your financial assets.

As always, please let us know if you have any questions, comments, or suggestions. We are thankful for your support.

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