

Some thing or no thing

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From time to time I follow commentary by Carl Richards of *The Behavior Gap*. He regularly questions conventional wisdom and has some insightful and very practical comments to the layman investor.

I took some thoughts from a recent letter which discussed our human bias towards taking action; i.e. we need to continually do something in order for something else to work. He discovered a study that explored the success, or hit rate of elite soccer goalkeepers during a penalty shoot out. The results were astounding. You can download the study which was also published in the *Journal of Economic Psychology* [here](#). The notion was simple; that if goalkeepers just stood there and do nothing, they would be much better off.

It turns out that the statistics show that the goalkeeper picks a side and dives 93.7 percent of the time and just stands in the middle only 6.3 percent of the time. There was a clear bias toward action. The kicks themselves are more evenly spread across the net, and here's the surprise: almost 30 percent were kicked to the middle of the net. Without boring you with the numbers, the result showed that goalkeepers could almost double their success by doing nothing. In other words, just standing there was the optimal strategy! How ironic. Who would do that? Besides that it would look silly, everyone expected some kind of effort by the poor bloke. Every other goalkeeper in the world dives to a side of the goal. Just standing there would be embarrassing to say the least.

Don't we do the same when we invest our money? Most of us know that once you build a low-cost and diversified portfolio, you should avoid making changes every other day. A sound investment goes hand-in-hand with a resolute long-term strategy. Warren Buffett said things like, "Benign neglect, bordering on sloth, remains the hallmark of our investment process." Investments are like planting trees. You never plant a tree and then pull it out every time the wind blows just to inspect its roots. We know that time in the market is important, not timing the market. Despite familiarity with this concept, we often chose to do something instead of just standing there.

According to [Dalbar's 2013 Quantitative Analysis of Investor Behaviour](#), the average time investors hold an equity unit trust — by definition a long-term investment — is just less than three and a half years. Three years may feel like a long time, but is it really? On top of that, we now have people talking about how great exchange-traded (ETF's) and index funds are; often citing that they're low cost (i.e. good) and that you can trade them any second of any day.

why not us?

Is that what wealth planning and portfolio management is all about? I would beg to differ. That is called entertainment, or tips from social events such as the local braai (sketch by Carl Richards). If you want a term to justify it, you can call it gambling or trading. However the evidence is clear that it doesn't work. So this is one of those rare opportunities to improve your results by just being lazy. Plan and build a strategy around your investments that matches your goals. Sounds strange to say it, but by doing nothing (or very little), may be one of the best decisions you can ever make.

Your "re-wirement" stage



It does not matter who you are; you are already there, or you are planning for those years (cartoon by Al Ross). How do you, and when do you retire, or for that matter scale down over time? Many individuals

"Winning is crucial to my retirement plans." that have had high energy professions or executive roles within companies find this a very challenging and difficult transition; to retire and then doing nothing with what purpose?

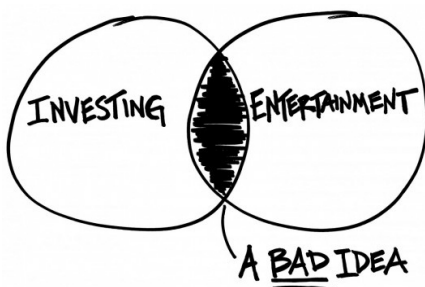
It is not all about doing nothing. A study in France of more than 400,000 retirees showed that the longer you postpone your retirement, the lower your risk of Alzheimer's disease. After adjusting for other risk factors, the study showed that individuals who retired at 65 were 14.6% less likely to develop the mental disease than those retiring at 60. The upside of continuing to work includes the mental challenges, social connections and physical activity. We now know that reading, crossword puzzles, learning a new language or taking a course that interests you, keeps your mind active. The theory is that challenging intellectual activity builds up rich neural connections that functions as insurance to brain-tissue loss, just as a well developed muscle. So it makes sense that people who continue to work beyond the traditional retirement age, have a lower risk in this category.

The message being that you need to stay mentally active as long as possible. If one starts to do nothing, too soon, you are doomed.

Another year has gone by...

We would like to wish everyone a special time with family and friends over the upcoming Christmas holidays. It is time to do nothing and think about the things that are important to us.

Up till now you were used to receiving my perspectives bi-monthly. From next year I will be sending them out quarterly. For those of you who are my clients, thank you for your patronage and the trust you have placed in our practice over the last 20 years. We never take our responsibility lightly.



It is all counter-productive, but we feel that we must do something with our money for the same reason a goalkeeper dives to the one side. If everyone else is doing something, trading, talking...