

THOUGHTS FOR THE WEEK

UNCERTAIN TIMES

February 11, 2022

The night before D-Day in 1944, President Franklin Roosevelt informed his wife Eleanor of the pending invasion. After a sleepless night, exhausted with worry, the First Lady muttered, “To be nearly sixty and still rebel at uncertainty is ridiculous isn’t it...”

To “rebel” at uncertainty is to acknowledge the future is unpredictable...but still worry yourself over it. Despite the future being largely out of your control.

This worry plagues investors too – professional and amateur alike – who “know” patient, disciplined investing works over long periods of time, but still have visceral reactions to provocative short-term news and events.

“Uncertainty” is the excuse for today’s stock market volatility, and “rebellious” against it is a natural reaction. But the future is always uncertain, and our confidence or fear doesn’t help us predict how stock markets will perform in weeks, months, or years to come.

For example, 56 years after D-Day, President Clinton’s State of The Union Speech noted, “We begin the new century with over 20 million new jobs; the lowest unemployment rates in 30 years; the lowest poverty rates in 20 years...[and] the fastest economic growth in more than 30 years.” Economic success felt relatively **certain** in January 2000, but that didn’t stop the stock market from entering a 3-year bear market two months later.

10 years later, President Obama remarked in his State of The Union Speech, “One in 10 Americans still cannot find work. Many businesses have shuttered. Home values have declined...and for those who’d already known poverty, life has become that much harder.” Economic success felt **uncertain** in January 2010, but the US market was already embarking on a historic 10-year bull run.

10 years after *that*, President Trump’s State of The Union Speech in January 2020 noted, “Jobs are booming, incomes are soaring, poverty is plummeting...and our country is thriving.” Economic success felt **certain**, then a month later came Covid.

From the year of the D-Day Invasion (1944) to the end of 2021, The US Stock Market appreciated over 5,455% (Source: NYU Stern). Throughout that 76-year span, investors were faced with numerous periods of “uncertainty”. Some were short-lived. Others, like the 1970’s, required investors to endure a decade of poor returns and a seemingly flagging future. Yet throughout, investors that kept a long-term view, coupled with attention to meeting their near-term liquidity demands, came out OK. There is little evidence that making decisions based on fear of the near-term pays off over time. Paraphrasing Eleanor Roosevelt, “Rebelling is a bit ridiculous, isn’t it?”

A few lessons inspired by Eleanor Roosevelt quotes...

“I am who I am today because of the choices I made yesterday.”

Delayed gratification is a key component of long-term investment success. The choices you make today will impact your financial well-being long into the future. Resist the urge to make decisions based on how uncertain things feel in the moment, and instead focus your energy on working toward long term goals.

“It takes as much energy to wish as it does to plan.”

A well-planned investment strategy demands up-front energy but is designed to be resilient in the face of myriad market conditions. A wishful investment strategy on the other hand can feel unmoored in a market storm. Build an all-weather boat, not one finely tuned to current conditions but unable to sail when those conditions change.

“Be confident, not certain.”

Confidence in an investment process is arguably more important than certainty. A long-term investor is rarely afforded smooth returns – the path forward is lumpy and non-linear. But with sufficient cash reserves on hand and a diversified collection of assets, an investor can confidently confront a rocky market period.

“Uncertainty” is not good or bad. It just is. It’s part of life and part of investing, and a feeling not easily suppressed. It humbled Eleanor Roosevelt at times, and it humbles any investor, your authors included. But the more prepared we are, the more willing we are to accept uncertainty, the less likely we will be to rebel against it.

Enjoy your reading and your weekend.

Mike, Cate, Scott, Marina, Oscar, Suzy, and Willis

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