THOUGHTS FOR THE WEEK

BLUE DOTS

December 08, 2023

Designing and building an investment portfolio is simple right? We can choose from myriad investable advisor driven portfolio models (human or robo), create and test hypothetical portfolios with on-line tools and place trades, check balances, or make changes on our smartphone. While standing in line.

From 1901 to 1904, Spanish artist Pablo Picasso painted almost exclusively in shades of blue. This became known as Picasso's *Blue Period*.

Contemporary critics eschewed the somber collection. Today, however, *Blue Period* paintings are some of Picasso's most desired works.

Fast forward 114 years, and the color blue was making another splash in popular culture. Only this time it was among Harvard scientists, as opposed to Spanish artists.

The Blue Dot Effect is the nickname of an interesting psychological study on the human subconscious and its ability to identify problems…*and its tendency to create or amplify problems even when they don't exist*.

The experiment went as follows: Subjects were seated in front of a computer and instructed to identify a series of one thousand dots as "Blue" or "Not Blue". At first, subjects were shown an equal 50/50 distribution of blue and purple dots. They identified colors with a high degree of accuracy.

As the experiment progressed, subjects were shown fewer and fewer blue dots. However, subjects continued identifying (incorrectly) roughly 50% of the dots as blue. Scientists concluded that the subjects had become conditioned to the equal distribution, and their subconscious had expanded its definition of blue to include other colors.

The experiment was repeated with (i) "Threatening" vs "Not Threatening" facial expression and (ii) "Ethical" vs "Unethical" research proposals. The results held. Subjects expanded their definitions of "Threatening" and "Unethical" to fabricate new dangers or issues that did not necessarily exist.

This experiment helps explain how our minds can amplify problems to meet a preconditioned state of dissatisfaction, how standards of living can improve without necessarily making us *feel* happier, and why, when technological and economic progress eliminate society's proverbial blue dots (threats, frustrations, etc.), people tend to fabricate new ones. It's the way we're wired!

Annoyed when your delivery driver is 10 minutes late? That's because we've forgotten about the pain of getting out the phone book, dialing the local pizza joint, waiting on hold for 20 minutes, and not being able to track the driver's ETA on our phones. And, oh yeah, the only option for food delivery back then *was* the local pizza joint.

Kids hate riding the bus to school? That's because they've forgotten their grandfather had to walk to a school. Six days a week. In the snow. Uphill, both ways!

Real threats, unethical actions, inconveniences have of course not gone away. But it's that time of year to slow down and be thankful for what we have, rather than gripe about what we don't.

So, while you're singing *Silver Bells* over the next few weeks, don't forget to look for silver linings, because every inconvenience is just an opportunity in disguise.

Stuck at the airport after a few cancelled flights? Call a friend, send a text, turn to the grumpy family member sitting next to you and give 'em a smile.

Get the wrong order at dinner? Great opportunity to try something new.

Another ugly sweater from your great aunt at this year's holiday party? Exercise that patience and self-discipline required to avoid making someone feel bad.

A few years prior to *The Blue Dot Effect*, the National Institute of Health published a study, concluding that generosity and compassion are contagious. They spread like a virus. Not only might your search for silver linings bring you, your friends, and your family a renewed sense of joy, there's a good chance your holiday cheer spreads far and wide (exactly what happens in the movie, *Elf*).

We're constantly surrounded by perceived threats and problems. Some certainly real, but many that are amplified in our minds. So, maybe this holiday season, slow down, appreciate what you have, be present, and spend less time worrying about a future that as yet is unwritten, and that we have little ability to predict, even when we're "increasingly certain" we can.

Enjoy your reading and your weekend.

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

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Mike Burbank's Awards:

2017-2022 **Barron's Top 1,200 Financial Advisors: State-by-State** (formerly referred to as Barron's Top 1,000 Financial Advisors: State-by-State)
Source: Barrons.com (Awarded 2017-2022). Data compiled by Barron's based on 12-month period concluding in Sept of the year prior to the issuance of the award.

2013-2020 **Financial Times 400 Top Financial Advisors**
Source: ft.com. Data compiled by the Financial Times based the following time periods:
Awarded 2013-2020; data 12/31/12 - 6/30/19

2019-2020 & 2022 **Forbes Best-In- State Wealth Advisors**
Source: Forbes.com (Awarded 2019-2020 & 2022). Data compiled by SHOOK Research LLC based 12-month time period concluding in June of year prior to the issuance of the award.
Awards Disclosures

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Any type of continuous or periodic investment plan does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low-price levels.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives, and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally, the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer.

Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.