

Remaining Steadfast

The recent eclipse of a few weeks ago stirred up some thoughts that I have not been able to let go of, and thus I felt the urge to write these down and share them. What I found most interesting about the eclipse was how much press it received. At the time I remember thinking - didn't we just have one not too long ago that was viewable in Oregon? I settled on the reality that the most likely reason for the uproar this time around was because so much press lies along its path of totality, including where most national press occurs - New York City. While being in the path of totality is somewhat rare, eclipses happen in varying degrees fairly often. The subsequent thought that is now hitting me strongly is this: just because events or occurrences rarely happen near us, does not necessarily mean they don't happen regularly or frequently somewhere.

Morgan Housel, one of my favorite authors who wrote a very impactful financial book, "The Psychology of Money," has come out with a new book titled, "Same as Ever." While I have not read it just yet, I am aware that the overall theme encourages the reader to avoid focusing too much on what is so different and unknown and, perhaps, cause for worry, and instead to focus on what is familiar in order to derive comfort from it.

You may ask, how does this relate to my financial plan, and my day-to-day financial life, investment portfolio, etc.? Human nature has a tendency toward *recency bias*, or the idea that future events will look similar to recent experiences. Here are a few examples of current events that lend themselves to recency bias:

- The impending polarization of the 2024 election
- The current state of conflict in the Middle East
- The decreasing value of the dollar due to inflation

That's probably enough to make your stomach queasy. The reason they can be so upsetting is that we are watching these play out in the media right now, in real time. But most of us can remember similar events happening in the not-too-distant past. Consider this:

- Throughout our country's existence, there has been a presidential election every four years, many of which occurred during times of war somewhere on

the globe, as well as other past events that had a huge impact on American and/or world history (economic events, pandemics, etc.). During every past election cycle, there were people who were very passionate about how impactful each election was. Regardless of the outcomes, our government's balance of power still is in place, our president still remains a person of worldly influence, and the United States remains a major player on the world stage.

- The amount of conflict throughout the world, particularly in the Middle East, has been ongoing for centuries... and, unfortunately, will likely continue for some time. What drives humankind, good or bad, and independent of our individual opinions, will create conflict for centuries to come.
- Although unkind, inflation and the attempts at controlling it, have been around for many decades. It's certainly not ideal when it gets out of hand, and certainly the economy and federal policy has an impact on that, but America finds a way to bring it back in check. Changes often come slower than we'd like, but they do come.

If we can change our mindset to focus on things that remain the same, this may help us take a deep breath, and carry on smartly and productively. So, how can we focus on what is familiar and also answer the question of how this relates to our financial plans?

Throughout history, markets work. They fairly reflect the value of investments and reward investors accordingly over time. Although past performance cannot guarantee future results, this is unlikely to change in the future no matter how volatile the markets are in the short term. We know people will react to world events and that those reactions can impact and create noise throughout our investment and financial lives. In general, American businesses, regardless of obstacles that may be in the way, will find a way to be profitable. Essentially, we are investing in American resiliency, in the people behind the businesses that strive daily to create a better place for us to live. While anecdotally it may not feel like that is the case, it truly is. How many of us have said, "thank goodness I won't have to raise the next generation of kids in this world?" How many of our parents said that about us? There is nothing really new under the sun, the same stuff just comes in different forms, and seemingly a whole lot faster. As throughout history, we adapt and find a way to make our world a better place.

Our office reads a book every quarter and we spend time discussing it purposefully once a month. Currently we're reading a book by Adam Grant titled, "Think Again." In it, he discusses many psychological phenomena about how we all think and the obstacles to opening our minds to new ideas. Often when we learn something new, we can quickly feel overconfident about our knowledge and then swiftly transition into falsely thinking we know everything about it. He points out how dangerous this mindset can be and sums it up with this quote, "If knowledge is power, knowing what we don't know is wisdom."

I encourage you to focus not on everything that is changing around us, but instead to draw comfort from what remains the same. Develop a sound financial plan and stick with it. Markets work. Americans are resilient.

Remain steadfast.

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