

Some Noteworthy Quotes

I'm going to let other people do the talking this month. Here are some quotes about investing and life that I think are worth pondering.

From science journalist Charles Mann -

"The great European cathedrals were built over generations by thousands of people and sustained entire communities. Similarly, the electric grid, the public-water supply, the food-distribution network, and the public-health system took the collective labor of thousands of people over many decades. They are the cathedrals of our secular era. They are high among the great accomplishments of our civilization. But they don't inspire bestselling novels or blockbuster films. No poets celebrate the sewage treatment plants that prevent them from dying of dysentery. Like almost everyone else, they rarely note the existence of the systems around them, let alone understand how they work."

Morgan Housel is a financial writer, and partner at The Collaborative Fund. He's best known for his work explaining behavioral finances, how psychology and human emotion influence investing and financial decision-making -

"As the world improves, our threshold for complaining drops. In the absence of big problems, people shift their worries to smaller ones. In the absence of small problems, they focus on petty or even imaginary ones".

"The inability to forecast in the past has no impact on our desire to forecast the future. Certainty is so valuable that we'll never give up the quest for it, and most people couldn't get out of bed in the morning if they were honest about how uncertain the future is."

"Pessimism always sounds smarter than optimism because optimism sounds like a sales pitch while pessimism sounds like someone is trying to help you."

"John D. Rockefeller was worth the equivalent of \$400 billion, but he never had penicillin, sunscreen, or Advil. For most of his adult life he didn't have electric lights, air conditioning, or sunglasses."

"About once a decade people forget that bubbles form and burst about once a decade."

"More people wake up every morning wanting to solve problems than wake up looking to cause harm. But people who cause harm get the most attention. So, slow progress amid a drumbeat of bad news is the normal state of affairs."

Peter Lynch is one of the most successful and influential investors in modern history — best known as the longtime manager of the Fidelity Magellan Fund, where he achieved legendary returns. His books and writings helped popularize practical, common-sense investing -

"You get recessions, you have stock market declines. If you don't understand that's going to happen, then you're not ready, you won't do well in the markets."

"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."

"Everyone has the brainpower to make money in stocks. Not everyone has the stomach."

Economist and author John Kenneth Galbraith said, *"There are two kinds of forecasters: those who don't know, and those who don't know they don't know."*

Charles Mackay was a Scottish journalist, poet, historian, and social commentator. In 1841 he wrote one of the most influential books on crowd psychology and speculative manias, "Extraordinary Popular Delusions and the Madness of Crowds". In the introduction of the book, where he sets the stage for his case studies of financial bubbles, superstitions, and mass fads he noted -

"Men, it has been well said, think in herds. It will be seen that they go mad in herds, while they only recover their senses slowly and one by one."

"Every age has its peculiar folly; some scheme, project, or fantasy into which it plunges, spurred on by the love of gain, the necessity of excitement, or the force of imitation."

"A pessimist complains about the noise when opportunity knocks." ~ Oscar Wilde

"Periods of speculative frenzy always draw both scoundrels and suckers to Wall Street, the way a three-alarm fire attracts onlookers and pickpockets." ~ financial historian Robert Sobel

Jesse Livermore was an American stock trader and speculator, one of the most fascinating figures in Wall Street history who made and lost several fortunes during the early 20th century. He was notorious for lavish spending and a tumultuous personal life. He declared bankruptcy three times and left a legacy of both riches and destruction that can result from speculation -

"Another lesson I learned early is that there is nothing new in Wall Street. There can't be because speculation is as old as the hills. Whatever happens in the stock market today has happened before and will happen again."

"After spending many years on Wall Street and after making and losing millions of dollars I want to tell you this: It was never my thinking that made the big money for me. It was always my sitting. Got that? My sitting tight!"

"The big money is not in the buying or selling, but in the waiting."

"The stock market is never obvious. It is designed to fool most of the people, most of the time."

"Emotions are your greatest enemy in the stock market."

"The human side of every person is the greatest enemy of the average investor or speculator."

"The average man doesn't wish to be told that it is a bull or bear market. What he desires is to be told specifically which particular stock to buy or sell. He wants to get something for nothing. He does not wish to work. He doesn't even wish to have to think."

Benjamin Graham is often referred to as the father of investment analysis. And he's revered, especially by stock-pickers, because he was Warren Buffett's teacher and mentor. But that overlooks a key change in Graham's thinking late in life. In a 1976 interview, this is what he had to say about stock-picking -

"I am no longer an advocate of elaborate techniques of security analysis in order to find superior value opportunities. This was a rewarding activity, say, 40 years ago, when our textbook 'Graham and Dodd' was first published; but the situation has changed a great deal since then.... I doubt whether in most cases such extensive efforts will generate sufficiently superior selections to justify their cost."

"Price fluctuations have only one significant meaning for the true investor. They provide him with an opportunity to buy wisely when prices fall sharply and to sell wisely when they advance a great deal."

"The essence of investment management is the management of risks, not the management of returns."

As the late psychologist Daniel Kahneman said, *"The best person to advise you on your finances is someone who likes you, but does not care about your feelings."*

Sir John Templeton was a pioneering global investor, philanthropist, and mutual fund manager, widely regarded as one of the greatest investors of the 20th century. He was known for his contrarian investment style, his religious faith, and his belief in the power of optimism and global investing — long before global investing became popular. He couldn't know the staying power of his famous edict when he wrote in 1933-

"The investor who says, 'This time is different,' when in fact it's virtually a repeat of an earlier situation, has uttered among the four most costly words in the annals of investing."

"The best opportunities come in times of maximum pessimism."

"An investor who has all the answers doesn't even understand the questions."

"No matter how much you know, the future is always uncertain."

"Happiness comes from spiritual wealth, not material wealth. Happiness comes from giving, not getting."

Gerald Minack, an investment strategist formerly with Morgan Stanley noted - *"Investing is an unusual profession — perhaps the only one where amateurs have a good shot at beating the pros. Amateurs normally stand no chance against professionals. Investing is different. An industry has been built on index funds that seem capable of replicating index returns at relatively low cost."*

Aldous Huxley said, *"Most human beings have an almost infinite capacity for taking things for granted."*

Many products (financial and otherwise) are sold based on fear. If somebody can tap into your political fears, they'll have an easier time selling to you. Your political fears may be well founded, but as soon as you notice that somebody is trying to sell you something based on those fears, your level of skepticism should be at its maximum. - Unknown

For every complex problem, there is an answer that is clear, simple, and wrong. - H.L. Mencken

"Your portfolio is like a bar of soap. The more you handle it, the smaller it gets." - Unknown

Blaise Pascal was a French mathematician, physicist, inventor, philosopher, and theologian, remembered as one of the greatest minds of the 17th century -

"All of humanity's problems stem from man's inability to sit quietly in a room alone."

"If God does not exist, we lose nothing by believing in Him; if He does exist, we gain everything." (Pascal's Wager)

"Do not trouble yourself with the opinions of the world; it is the way of the weak-minded."

"The more I learn, the more I realize how much I do not know."

David Bahnsen is the founder, managing partner, and chief investment officer of The Bahnsen Group.

"That 9/11 was one of many events in market history where markets declined substantially, and then subsequently recovered, is not a particularly unique story. It is manifestly true and should be remembered for its impact on our behavioral tendencies as investors. Awful things happen, they sometimes tank markets, but markets are more resilient than awful things. That much is true, important, and undeniable throughout history."

"I think the odds that there will be future political events in the U.S. are 100%, and I think the idea of a future geopolitical conflict or domestic disturbance is 100%. And my investment advice when it happens is to not just do something but stand there. A good safe haven will be the properly constructed portfolio that an investor has before the inevitability of future disturbing events."

"If someone ever tells you, 'There is a debt fund that pays you 9% (or 8% or 10%) and it has no risk, so you should buy it because Treasuries or municipal bonds only pay 4%' you need to lose their phone number, pronto. Now, it is entirely possible that the person is not a con artist - they may very well just be a simple idiot, and there are plenty of those in the world, too. But only con artists or morons say that something has a return at least twice that of the risk-free rate, without a commensurate increase in risk."

Howard Marks is the co-founder and co-chairman of Oaktree Capital Management, a highly respected investor, and a prolific author -

"The pendulum-like fluctuation between optimism and pessimism, fear and greed, and risk tolerance and risk aversion remains one of the most dependable features of the investment world... Most of the time, the market's short-term behavior stems from irrational swings of investor perception from hopeless to flawless, rather than a dispassionate weighing of merit...The lessons of history are regularly forgotten when market sentiment becomes excessively optimistic or pessimistic."

Here are some quotes from Warren Buffett -

"By far, the most important quality is not how much IQ you've got. IQ is not the scarce factor. You need a reasonable amount of intelligence, but temperament is 90% of it...We've seen relatively little correlation between investment results and IQ. Not that there are a whole bunch of people out there with 80 IQs that are knocking the cover off the ball - but there are all kinds of people with high IQs that get no place."

"Despite our citizens' penchant - almost enthusiasm - for self-criticism and self-doubt, I have yet to see a time when it made sense to make a long-term bet against America."

"You've got to be prepared - when you buy a stock - to have it go down 50% or more ... If you can't handle it psychologically, then you really shouldn't own stocks - because you're going to buy and sell them at the wrong time."

"If you're smart, you don't need leverage. If you're dumb, you have no business using it."

"A climate of fear is an investor's best friend. Those who invest only when commentators are upbeat end up paying a heavy price for meaningless reassurance."

"Gambling is a tax on ignorance. I find it kind of socially revolting when a government preys on the weaknesses of its citizenry rather than acts to serve them."

"There are always problems in the future. There are always opportunities in the future. And, in this country, the opportunities have won out over the problems over time - and I think they will continue to do so."

"If it makes a difference to you whether your stocks are down 15% or not, you need to get a somewhat different investment philosophy. People have emotions, but you've got to check them at the door when you invest."

"Overall, we feel extraordinarily lucky to have been dealt a hand in life that enables us to write large checks to the government rather than one requiring the government to regularly write checks to us because we are disabled or unemployed."

"We look for three things when we hire people. We look for intelligence, initiative, and integrity. If they don't have the latter, the first two will kill you - because if you're going to get somebody without integrity, you want them dumb and lazy."

Financial blogger Ben Carlson noted - *“Don’t listen to personal finance people about spending money. Personal finance experts are great at offering ways to save, compound, pay off debt and behave better when it comes to your money. They are NOT helpful when it comes to spending your money. Personal finance people want you to delay gratification for the rest of your life so you have a big portfolio but are miserable because you never enjoy any of it.”*

“Ideas have consequences, and bad ideas have victims” - David Horowitz, American writer and political commentator.

“It’s tough to make predictions, especially about the future.” - Yogi Berra

At the 2008 national conference of the Financial Planning Association, I attended a session in which the speaker said, *“When the left side of the chart looks like the left side of the Eiffel Tower, it won’t be long before the right side of the chart looks like the right side of the Eiffel Tower.”* Since then, I haven’t seen anything that would falsify that assertion.

“My Uncle Alex, who is up in Heaven now, one of the things he found objectionable about human beings was that they so rarely noticed it when times were sweet. We could be drinking lemonade in the shade of an apple tree in the summertime, and Uncle Alex would interrupt the conversation to say, “If this isn’t nice, what is?” So I hope that you will do the same for the rest of your lives. When things are going sweetly and peacefully, please pause a moment, and then say out loud, “If this isn’t nice, what is?” - Kurt Vonnegut.

*The secret of life is enjoying the passage of time.
Any fool can do it.
There ain’t nothing to it
Nobody knows how we got to the top of the hill.
But since we’re on our way down
We might as well enjoy the ride.....[James Taylor](#)*

Disclaimer - The information in this newsletter is educational in nature and should not be considered as personal investment, tax, or legal advice. Each reader must determine how its content should be applied to their investment portfolio. This newsletter is not a solicitation to sell investment advisory services where such an offer would not be legal. Investing in stocks and mutual funds involves risk and the potential loss of principal. Historical data has been obtained from sources believed to be reliable. Past performance is not an indication of future returns. The calculations or other information in this newsletter regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are shown for illustrative purposes only. Unless otherwise noted, rates of return reflect historical annual compounded total returns including the reinvestment of dividends but do not include taxes, fees, or operating expenses. If included, these additional costs would materially reduce the results. Index performance is provided as a benchmark and is not illustrative of any particular investment. It is not possible to invest directly in an index. All expressions of opinion are subject to change. OCFP accepts no responsibility for losses arising from the use of the information contained herein.