Do your money a favor: Don't peek!

In October, Mary and I traveled to central Pennsylvania to attend a "mini" high school reunion. For the past several years, a handful of us have been meeting at various destinations around the country where classmates have settled. One of our high school friends lives near Pennsylvania's state capital, Harrisburg, and owns a small farm out in the country. About 20 of us gathered there to celebrate the day that, 52 years ago, we left the sheltering halls of Bloom Township High School in Chicago Heights, Illinois, to take on the world. Time flies.

My brother Tommy lives about an hour away from Harrisburg, so Mary and I headed over to his house after our reunion to spend a couple of days with him and his wife. And, to complete an already delightful trip, my cousin, Michelle, whom I had not seen in more than 25 years, drove over from her home in nearby New Jersey to join us for lunch. My brother, sister, and I grew up with Michelle and her siblings, and we had a great time catching up and talking about our childhood adventures. Here I am outside the restaurant with Tommy and Michelle before we had to – reluctantly – say goodbye.

Tommy and Michelle are excellent cooks and they talked about how fond they are of recipes that tell them to cover the pot and not peek while the food is cooking. They don't know this, but I've found that the same "don't peek" instructions can work pretty well for our investments, too. Here's why.

The fact that we're human works against many of us when it comes to investing. We bring an entire laundry list of bad behaviors to the table, including something called recency bias, which causes us to anchor investment decisions on an event that occurred in the recent past – such as a market downturn – that we think will continue forever. So, when the market goes down a lot, we sell, thinking that the end is near and things will never be better again. When things do actually get better, we buy back in (typically, much later), which sets up the infamous "sell low, buy high" pattern. This behavior is doomed to fail. My observations over many years of managing money for my clients is that the folks who stick with an investment plan that's designed to meet their own goals (not someone else's), who do not waver, and, in effect, who <u>don't peek</u>, actually experience more consistent overall portfolio performance over the long haul. Of course, we have to choose the portfolio that fits their goals best and re-balance it to keep the asset allocation in line, but that's about it. It really doesn't have to be any more complicated than that.

If you are the type of investor who prefers to do something other than stare with grim fixation at the daily moves of the stock market, I'd like to meet with you. Call me for a complimentary portfolio review.

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