
Timeless Lessons from My Decades in Finance



DAVID BOOTH
Chairman and Founder

The financial industry has made great strides toward offering better investment choices, but too many people keep falling into the same traps. David Booth shares what he wishes every investor knew.

01

Gambling Is Not Investing, and Investing Is Not Gambling

Gambling is a short-term bet. If you treat the market like a casino, and you're picking stocks or timing the market, you need to be right twice—in an aim to buy low and sell high. Investing, on the other hand, is long term. While all investments have risk, there are things you can do as a long-term investor to manage those risks and be prepared. Investing, to me, is buying a little bit of almost every company and holding them for a long time. The only bet you're making is on human ingenuity to find productive solutions to the world's problems.

02

Embrace Uncertainty

Over the past 100 years, the US stock market, as measured by the S&P 500, has returned a little over 10% on average per year but hardly ever close to 10% in any given year. Stock market behavior is uncertain. The way to deal with uncertainty is to prepare for it. Make the best-informed choices you can, then monitor performance and make portfolio adjustments as necessary. Come up with a plan to get back on track in case things don't go as expected. And remember, you can't control markets, so don't blame yourself for results outside your control.

03

Implementation Is the Art of Financial Science

There's general agreement on what financial science tells us, yet so much can be gained or lost in application. Just as some sports teams can consistently execute their strategies better than others, investment professionals can consistently add value by dealing better with market mechanics. Great implementation requires paying attention to detail, applying judgment, and being flexible.

04

Tune Out the Noise

When people ask me if I'm investing in the latest shiny investment idea, I tell them, "If I don't understand something, I don't invest in it." That's because I've seen a lot of fads come and go. TV pundits handing out stock tips? Friends letting friends in on their next big investment? I see these more as entertainment than information. There is no compelling evidence that professional stock pickers can consistently beat the markets.¹ Even after one outperforms, it's difficult to determine whether a manager was skillful or lucky. The good news is you can still do well without having to find what markets might have missed. Everybody can have access to the expected returns that a diversified, low-cost portfolio can generate.

05

Have a Philosophy You Can Stick With

It can be difficult to stay the investment course during periods of extreme market volatility. At the end of March 2020, the S&P 500 was down nearly 20% for the year.² Record amounts of money exited from equity mutual funds and went into money market accounts. Those investors who stayed out of the equity market missed out on the subsequent 56% gain in the S&P 500 over the next 12 months. Learning to embrace uncertainty allows you to focus on controlling what you can control. Discipline applied over a lifetime can have a powerful impact.

1. For details, see Dimensional Fund Advisors' *Mutual Fund Landscape* report.

2. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Decrease of 19.6% was from January 1, 2020–March 31, 2020. Increase of 56.35% was from March 31, 2020–March 31, 2021.

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