

# Most Investors Fail to Learn This One Thing

Through more than half a century of guiding investors in their efforts, the greatest failure I have seen is an inability to learn from history. Repeatedly market participants set unrealistic goals, use overly complex strategies in an attempt to achieve those goals, and inevitably fail. In February of 2013 I explained this phenomenon, writing:

## *The Needy Investor*

*Most investors, I'm sorry to say, are greedy, lack perspective and even a modicum of patience, and simply will not embrace the ultimate power of compound interest. I have found that too many investors fail to learn from history and attempt to use projected portfolio appreciation to make up for past beatings or to meet unrealistic spending targets. These investors are what I refer to as needy, and hope is used as their strategy. They eschew common sense and reality, and are always reaching and grasping at thin air. I have found it impossible to influence this group of investors and have long since given up the effort. Both a former Harley mechanic and my current Harley mechanic have told me that they were breaking down Harleys since they were little guys. I have watched what they do with amazement, much as I do with the many jazz musicians I have studied over the decades. Whether a Harley mechanic or a jazz musician, it's an aptitude one is born with. The same is true for the intuitive investor. Investors like you have the propensity to do the right thing. Investors who are needy will never get on the right track.*

## *Keep It Simple, Stupid*

*Your next step is on the fixed-income front. You want short*

*maturities and short portfolio duration. On the equities side, you want solid, blue-chip dividend payers with a propensity for increasing dividends. You want entrenched blue chips featuring a high barrier to entry. You never deviate from such companies. You do not guess market swings and market-time. You swear you will be patient and not greedy. Am I clear here? You may be a genius or know a genius that has a better master plan than mine. Great. But four decades ago, Ron Hoenig hired me to work at his institutional research and trading firm where he told me that he specialized in the KISS (Keep It Simple, Stupid) principle. Ron turns out to have been correct at every turn, and today, on your behalf and mine, I continue to stick with the SIMPLE approach.*

In your efforts to invest successfully, I can give you no greater advice than to 1) don't be a needy investor who sets unrealistic goals, and 2) keep your investing strategies simple and understandable. It should not be difficult for you to explain your investment strategy to your 10-year-old grandchild, let alone your spouse.