The Best Investment Strategy is Simple, Like Analog Music

UPDATE 6.28.22: In the last week, cryptocurrency funds have recorded record-breaking outflows over twice as large as any week ever before. This comes after speculators began fleeing from crypto in response to Federal Reserve monetary tightening and other events in markets. Forbes reports:

> *Cryptocurrency funds posted net outflows of $423 million last week, eclipsing the prior record of $198 million set as crypto markets tumbled in January and bringing total assets down to $36.2 billion, according to a Monday report by CoinShares.*
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> *Cash transferred out of bitcoin funds drove the record activity, with net outflows of $453 million—virtually erasing all inflows this year and pushing assets in such funds down to $24.5 billion, the lowest level since the beginning of last year, CoinShares reported.*
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> *CoinShares' James Butterfill notes the selling occurred on June 17 (but was reflected in last week's figures due to trade-reporting lags) and was likely responsible for bitcoin's steep plunge that weekend, when prices fell below $18,000 as the crypto market grappled with a wave of job cuts, rumors about impending insolvency at major firms and a steep interest rate hike by the U.S. Federal Reserve.*

Investors keeping things simple will appreciate not being subject to the whims of the wild gyrations in prices for cryptocurrencies.
UPDATE 5.17.22: Since I wrote the post below back in 2018. Since then, investors have watched as millions of people across the globe piled into speculative cryptocurrency trades. For some that has worked out well, but for many, it has turned into a bloodbath. In light of the recent cryptocurrency collapse, it's a good time to reread the post below on the value of

simplicity.

Originally posted on November 7, 2018.

Four years ago, I told readers the story of David L. Stone, the manager of Beacon Hill Fund. The point of my story then, as it is now, was to encourage investors like you to avoid speculation, and instead to be patient with your money. Use simple strategies you can stick to in good times and in bad. Here's what I wrote then:

> *As I write to you, I am listening to 1960s "Soul Station" by Hank Mobley, Wynton Kelly, Paul Chambers, and Art Blakey. It is an excellent remastered LP edition of the original on a stereo system that includes a Denon quartz lock turntable from the mid-'80s, a real basic NAD receiver that must be 20 years old, and a set of more than 10-year-old EPOS desktop speakers. Strictly low tech. Nonetheless, the sound in my office is quite pleasing. And vinyl records and their associated LP dust jackets offer a listening experience that CDs could never capture. In the case of Soul Station, the cover design by Reid Miles and Francis Wolfe are part of the Blue Note legend. Downloading? No thanks.*
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> ***Complexity Destroying Value***
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> *So I am enjoying a musical experience today that I duplicated decades ago. And the foundation of this enjoyment is simplicity. On the investment front, the same simplicity prevails today as it has for decades. Jack Bogle, Vanguard's founder, wrote in the WSJ recently that "hyperactive trading strategies offer incomprehensible complexity that ultimately destroys value."*
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> ***A Decision to Do Nothing***
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> *Over two decades ago, I read a Forbes article that I have kept and often refer to investors. The article was about the*

manager of the tiny Beacon Hill Fund. "David L. Stone, the 70-year-old manager of the Beacon Hill Mutual Fund, arrives early at his Federal Street office in Boston every day. He reads the newspapers, opens his mail and waits for a call from State Street Bank, the fund's custodian, with the previous day's closing price and cash position. He scribbles those down. Than he reads some more. Then he packs his briefcase and leaves." Talk about simplicity. Stone commented, "People ask me what I do all day. Well a decision to do nothing is still a decision. It takes effort, psychological effort mainly. People get itchy. They trade too much, enriching their brokers and the tax collector in the process."

Allowing Interest & Dividends to Work

Most investors do not have the patience of David L. Stone, and it is a pity, as investors would be well ahead of the game by holding costs and transaction activity to the minimum while allowing interest and dividends to work for them through the mathematical miracle of compounding. In my own accounts, I have not recorded a sale this year, nor did I record a sale for investment reasons last year. Thus, I have not turned over one red cent, due to trading, to the profligate government in Washington.