How smart investing behavior will help you worry less

Eric Barker has the rare combination of a keen, analytical mind (he has an MBA from Boston College) and the wit of a storyteller (he's also a former Hollywood screenwriter who's worked with Walt Disney Pictures and Twentieth Century Fox).

Now a successful blogger and author with several best-sellers to his credit, Barker writes about what separates extremely successful people from "the rest of us," and what we can learn from how they do things. Using research, statistics, and surprising anecdotes, his goal is to help people to stop guessing and figure out the plan that will help them live the life they want.

Behavior beats investing acumen

In a post on how to be smarter with money, Barker points out that if you want to make money over the *long haul*, the evidence shows that you should concern yourself less with picking the best performing investments and concentrate more on being the best behaving investor.[1]

He says, "When studies compare how well *investments* perform to how well *investors* perform, there's always a gap. Investors almost invariably do worse than the investments do."

For example, he observes that many people "buy high" by acting on hot stock tips, "sell low" by cashing out during downturns, and counteract their investing gains with high consumer debt.

Barker says that it's important to recognize that there are a lot of strong feelings that surround the topic of money, and that this is exactly why you need to follow a detailed plan.

A plan to counteract emotions

First, you and your spouse or partner need a plan so you can be sure you're on the same page about what you want to accomplish with your money. Because of your unique situation and goals, you need to come up with a roadmap that's been tailored exactly for you. A general, cookie-cutter plan probably won't be as effective as one that's specific and customized to your unique situation.

Second, a plan will help you resist the urge to simply follow your feelings based on short-term events. This includes selling at low points, but also includes speculating with the hope of immediate big gains. Barker says that people trade stocks unnecessarily because it's fun, a terrible reason for possibly derailing your retirement plans.

"Investing is not entertainment," he says. "Base your decisions on goals and principles, not on your feelings about what's going to happen." He adds that people who try to "play" the stock market are the ones who end up getting played.

Finally, Barker advises people to be "ignorant and lazy" with their investing. Like a good storyteller, he's using a little hyperbole to make his point. He means that A) a good investor has no obligation to keep up on the daily financial news, especially if it's encouraging him to abandon his plan. And B) there's no virtue in "working the market" by speculating on stocks versus taking a hands-off approach that acknowledges that you can't predict the future.

The reason that Barker chose to write on this topic is that most people don't do these things on their own. And this is why your trusted advisor can help you in two major ways: coming up with the plan that fits you best, and helping you stick with it when your short-term feelings can lead you astray.

Sources:

1. https://www.bakadesuyo.com/2018/07/smarter-with-money/

Important note: