THINKING OUT LOUD #3

By: Albert W. Ray, III
Financial Advisor
Vice President, Winter Park Wealth Group
28 April 2020

More Than Just A Brand - Ray Behavioral Wealth

Over the last quarter century, we have devoted more than a little time to researching and thoughtfully considering why investors succeed … and also why some don't. Traditional thinking leads us to many factors, from asset allocation, to market timing, to asset selection.

However, after almost 50 years of industry experience between us, all the evidence points to something hardly anyone ever addresses: investor behavior. In fact, we agree that:

> ***"The DOMINANT determinant of long-term, real-life investment returns is the behavior of the investor himself. Note that I did not suggest behavior is the "predominant" determinant, since that would merely mean that it is more important than any other determinant. I said - and now say again - that behavior is the DOMINANT determinant. That is … it is more important than all the other determinants put together."***
>
> Nick Murray on Managing Investor Behavior, 2007

Skeptical? Imagine for a moment that Warren Buffet, Peter Lynch, Benjamin Graham, Ray Dalio, and a host of other mega-successful investors collaborated in the design of a portfolio just for you. This portfolio would have academically supported asset allocation, perfect market timing, and world-class quality holdings. All the "traditional" boxes are checked. This would certainly seem like a formula for success.

Then, out of the blue a severe market correction hits your portfolio … and you decide to sell. What difference did it make that you checked all the right boxes? You will NEVER participate in the wonderful returns that portfolio will surely generate BECAUSE YOU DON'T OWN IT ANY MORE. This is not a market issue … it's a behavior issue, a deliberate decision.

Peter Lynch, the phenomenally successful manager at Fidelity Investments from 1977 to 1990, has written extensively that despite materially above-market returns for his portfolio, many of his investors did not make money. Why? Because, the investors who owned the portfolio when Peter Lynch began his tenure, were not the same investors when he retired … they panicked out during one of MANY, cyclical pullbacks.

If you adopt the belief that behavior is the dominant factor in investor success, you then will also start to believe that you - not the markets - control your investment destiny. A great feeling indeed!

All of this represents why you now see our logo as **"Ray Behavioral Wealth"**. We have amazing research and portfolio management resources at our disposal through Raymond James … all designed for you. But in the end, the relationship, trust and candor we enjoy with you is what will allow us to use these resources in a behaviorally wise manner. Our greatest value to our clients has often been the times we've motivated them to NOT do what everyone else was doing.