

Ponderings and Musings – June 2018

“I can calculate the movement of heavenly bodies,
but not the madness of men.”
- Sir Isaac Newton

“If investing is entertaining, if you’re having fun,
you’re probably not making any money.
Good investing is boring.”
- George Soros

Jeff Bezos and Warren Buffett had been friends for a while and, according to Bezos, one day they got to talking about Buffett’s strategy. “You are the second richest man in the world and yet you have the simplest investment thesis. How come others didn’t follow this?” the Amazon founder asked.

Buffett replied “because no one wants to get rich slowly.”

“The individual has always struggled to keep from being overwhelmed by the tribe.
If you try it, you will be lonely often, and sometimes frightened.
But no price is too high to pay for the privilege of owning yourself.”
- Rudyard Kipling

It’s Difficult to Stay on Your Own Personal Finance and Investing Path

Daniel Crosby PhD is a behavioral finance expert. He has written “The Laws of Wealth: Psychology and the Secrets to Investing Success,” and he hosts the highly recommended “Money, Mind and Meaning” podcast.

In a number of written and audio segments, Dr. Crosby addresses the pitfalls of comparison. He states, “We are social creatures, and therefore are always comparing ourselves to each other.” Particularly in America among “higher socio-economic classes, people tend to look to others to determine whether they are successful rather than looking within. This has the potential to mire us,” holding us back from our full potential as thriving, growing adults. In the realm of personal finance and wealth creation, Crosby says that the ugly side of comparison “becomes a contest where your gains are tantamount to my losses and vice versa.”

Another angle on comparison is crowd behavior, where collective emotions of a group intensify and morph “with a mind of their own,” sometimes leading individuals to beliefs and actions astray from their core personal values and goals. The Bitcoin craze exhibited earlier this year may prove, in hindsight, to be a poignant example, as some investors possessed by FOMO (fear-of-missing-out) and greed, jumped into the trade, often without doing much homework on the crypto-currency. Nobel Prize winning psychologist Dr. Daniel Kahneman attributes partial blame on our “System 2” cognitive and logical brain, which is always looking for shortcuts, trying to conserve energy. What better way to preserve resources than to copy or follow others, especially when our “System 1” instinctive and emotional brain is continually and insidiously evaluating (and comparing) the external?

The brilliant thought leader Morgan Housel crystallizes this in context for individuals, planning and investing to reach long-term goals and dreams. In a recent blog, he cautions investors of their “tendency to be overly influenced by the actions of others who are playing a different game.” He uses the example of Cisco stock, which tripled in 1999 to a \$600 billion valuation, ultimately leading many “long-term investors” to incur great losses from which they still have yet to recover. Morgan says that individual investors can be lulled into “failing to see that traders, moving the marginal price, are playing a totally different game than you are. And if you start taking cues from people playing a different game than you are, you are bound to be fooled and will eventually become lost, since different games have different rules and different goals.”

Keeping clients focused on “their game” is VWG Wealth Management’s most important role. This entails helping them set goals, creating and regularly updating their financial plan, and structuring and monitoring an investment portfolio commensurate to their goals, risk tolerance, and tax sensitivity. It encompasses advising clients on most other financial topics, including family wealth transfers, home purchases, asset protection, and charitable gifting – all in the proper context of “their game.” And it includes our attempting to help act as filters from the waves of noise and confusion, dissuading them from pursuing hot fads, chasing recent performance, and “buying high or selling low.”

Housel concludes his lesson with wonderful clarity:

“Few things matter more with money than understanding your own time horizon and not being persuaded by the actions and behaviors of people playing different games. This goes beyond investing. How you save, how you spend, what your business strategy is, how you think about money, when you retire, and how you think about risk, may all be influenced by the actions and behaviors of people who are playing different games than you are.”

Personal finance is deeply personal. One of the hardest parts is learning from others, while realizing that their goals and actions might be miles removed from what's relevant to your own life."

Know Thyself

If staying on our own personal finance and investing paths are difficult enough, it is further complicated by our shortfalls in self-knowledge. Modern psychologists contend that "the self is not a 'thing' but rather a process of continual adaptation to changing circumstances." Chasing this adaptive process, and attempting to separate one's truth from our inherent internal and external deceptions, is an ongoing challenge. Experts conclude that "*we probably do not understand ourselves as well as we think we do*"

[10 Things You Don't Know About Yourself](#)

VWG Exclusive Identity Theft Webinar Follow Up

Christina and Amanda led a live VWG webinar on May 22. Steve Weisman, a recognized expert in scams, identity theft and cybersecurity, presented "Identity Theft Alert: Self Defense in a Digital Age." The lively hour long session covered a variety of topics including: identity theft and your email, router safety, child and medical identity theft, the dark web, and more. Over 80 of our clients and friends joined the webinar. A number of them provided valuable questions and insightful comments. It was very well received. One attendee told us, "Thank you for providing this valuable webinar. Steve opened my eyes to the many ways I am potentially compromising my identity. He gave me several tips on actions I can take to help prevent becoming a victim."

Please call or contact Amanda Burkard (aburkard@hightoweradvisors.com) if you would like access to the webinar replay. And stay tuned for the next event in our quarterly series of events and content focused on enhancing our client's overall financial and personal well-being. If you have any particular topics you would like to learn about, please let us know. Thank you!

VWG Summer Reading

As our team grows and becomes more diverse in its interest and backgrounds, so does the oeuvre of the titles we read. Here's a summer reading recommendation from each of us. Surely all are not your cup of tea, and some may be a bit too heavy for the special times of leisure you've planned. Hopefully you'll discover something new and different here. In turn, we'd love to get your suggestions.



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- Suzanne* - "It Takes Two: Our Story" by Jonathan and Drew Scott
- Ashley* - "The Husband's Secret" by Liane Moriarity
- Lynette* - "Grandma Gatewood's Walk: The Inspiring Story of the Woman Who Saved the Appalachian Trail" by Ben Montgomery
- Michelle* - "Dark Matter: A Novel" by Blake Crouch
- Sarah* - "High Performance Habits: How Extraordinary People Became That Way" by Brendon Burchard
- Rashmi* - "What Alice Forgot" by Liane Moriarity
- Christina* - Option B: Facing Adversity, Building Resilience, and Finding Joy" by Sheryl Sandburg
- Justin* - "Storm in a Teacup: The Physics of Everyday Life" by Helen Czerski
- Amanda* - "Windows on the World Complete Wine Course" by Kevin Zraly
- Patricia* - "Behave: The Biology of Humans at Our Best and Worst" by Robert Sapolsky
- John* - "Finish Big: How Great Entrepreneurs Exit Their Company on Top" by Bo Burlingham
- Rick* - "Bill Graham Presents: My Life Inside Rock and Out" by Bill Graham
- Jeff* - "The Last Days of Night: A Novel" by Graham Moore

If these gems don't completely satiate your palette, here are some recommendations from legendary entrepreneur and philanthropist Bill Gates:

[Bill Gate's Summer Reading List](#)

Unintended Consequences

As with so many of today's complex issues, solutions to reducing hydrocarbon emissions are nowhere as simple as they might appear. Take in point a recent finding made in the International Energy Agency's (IEA) annual report on electric vehicles. Under their most ambitious scenarios, 30% of all new car and truck sales will be electric vehicles by the year 2030. If this happens, the IEA predicts that governments around the world will face a \$92 billion shortfall in (gasoline and diesel) fuel taxes. In many countries these taxes are used to repair and upgrade transportation infrastructure including roads and bridges. So it appears that under current structures, solving for one problem – cleaner sources of energy, could add pressure on another problem – aging infrastructure.

Furthermore, hitting the 30% new electric vehicle figure, which would displace 4.8 million barrels of gasoline and diesel fuel a day, equates to only 5% of current global oil demand.

Keep Your Cool This Summer

We suppose no seasonal note would be complete without a comment on the weather. Especially after so many in the Northeast experienced an unseasonably cool April, followed by some very wet weeks at the end of May. The summer heat will quickly be upon us, but many across the country have already been suffering. This May was the warmest in U.S. history, eclipsing the 1934 Dust Bowl record:

[The Warmest May in U.S. History](#)

Best wishes to all for a warm (but not too hot) summer, filled with fun, family, and some time to relax and to read.

Take care,

VWG Wealth Management

HighTower Advisors

Suzanne, Ashley, Lynette, Michelle, Rashmi, Christina, Justin, Sarah, Amanda, Patricia, John, Rick and Jeff

** Index Data Sourced from FactSet Research and Strategas Research*

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