

Client's Corner

On Behalf of Your Financial Advisor: A Polite Request

AS NOTED OFTEN IN THE PAST, THE FINANCIAL ADVISOR who sends you these essays from time to time has access to them because they're a subscriber to my newsletter for investment professionals. There's no other way to get them.

Most often, I'm attempting to flesh out a philosophical or strategic point about investing that I hope will resonate with you because your advisor has (perhaps often) made that same or a very similar point. I make no attempt to break new ground, not least of all because in successful long-term investing there is no new ground to be broken: the critical investment truths are genuinely timeless. I'm just trying to frame them in a way you may find helpful.

Given the cornucopia of chaos now swirling around the economy and the markets (bad inflation numbers, almost daily new and different tariff proposals, and lots more), I thought I might step just slightly out of character this month and make a polite but deeply felt request on your advisor's behalf.

Simply stated, my request is: please cease asking your advisor to analyze the economic and/or market situation. I ask this for two good and compelling reasons.

(1) Your advisor has no more idea how these multiple dramas will play out than you and I do—because nobody does. And I do mean nobody. The newly installed president of the United States seems to be generating fresh chaos daily. The chair of the Federal Reserve may wish he had those last two rate cuts back, given the flaring January inflation numbers. And one can't help but wonder if the new Secretary of the Treasury might be asking himself why he ever wanted this job.

(2) These issues have nothing to do with your advisor, nor the way they interact with you. You see, your advisor isn't an economic forecaster nor a market prognosticator. They're a very long-term (as in: the rest of your life) planner. And neither the twists and turns of the economy nor the gyrations of the market have anything to do with them—because those

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things have nothing to do with whether your long-term plan succeeds or not. A top quality advisor doesn't *predict*; they *plan*. And regardless of what else is going on in the world, if your goals haven't changed, your advisor will (quite correctly) tell you *not to change your plan*.

We observe, therefore, that the real reason your advisor politely pleads ignorance in the face of your economic/market questions isn't just that the answers are unknowable before the fact. It's that those concerns are, in the long run, irrelevant to the success or failure of your plan.

Thus my plea to you becomes: *let your advisor be good at what they're good at—charting a long-term course which has always succeeded over time—rather than asking them to be good at what nobody is good at: foretelling the immediate future.*

Already in this still young century, the broad equity market essentially halved in the implosion of the dot-com bubble, Enron and the accounting scandals. It halved again in a Global Financial Crisis, during which the world's credit system at one point ceased to function altogether. The market declined by a third in barely a month when a deadly hundred-year plague enveloped the world in 2020. It went down 25% in ten months during 2022 when hyperinflation briefly threatened and the Fed engineered the fastest, steepest rate hike in its history.

Yet a \$10,000 investment in the S&P 500 at year-end

1999—right before the bubble popped—and left to compound had grown to over \$66,000 at the end of 2024. At no time during any of these very real crises could your advisor—or anyone else—have told you when and how the situation would be resolved, much less when and where the market would bottom. It was the wrong question then, and it's the wrong question now.

These last two paragraphs may appear to be contradictory, but in fact they're complementary. They

tell us that even the most existential crises have historically been completely overwhelmed by the great American companies—innovating relentlessly, and increasing their earnings, dividends and share values in the long run.

These are the trends your advisor is focused on—and working to keep you focused on as well.

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Source: Compound return of the S&P 500 2000-24: Historical Return Calculator on the website "Of Dollars and Data." Underlying data from the Nobel laureate Robert Shiller.