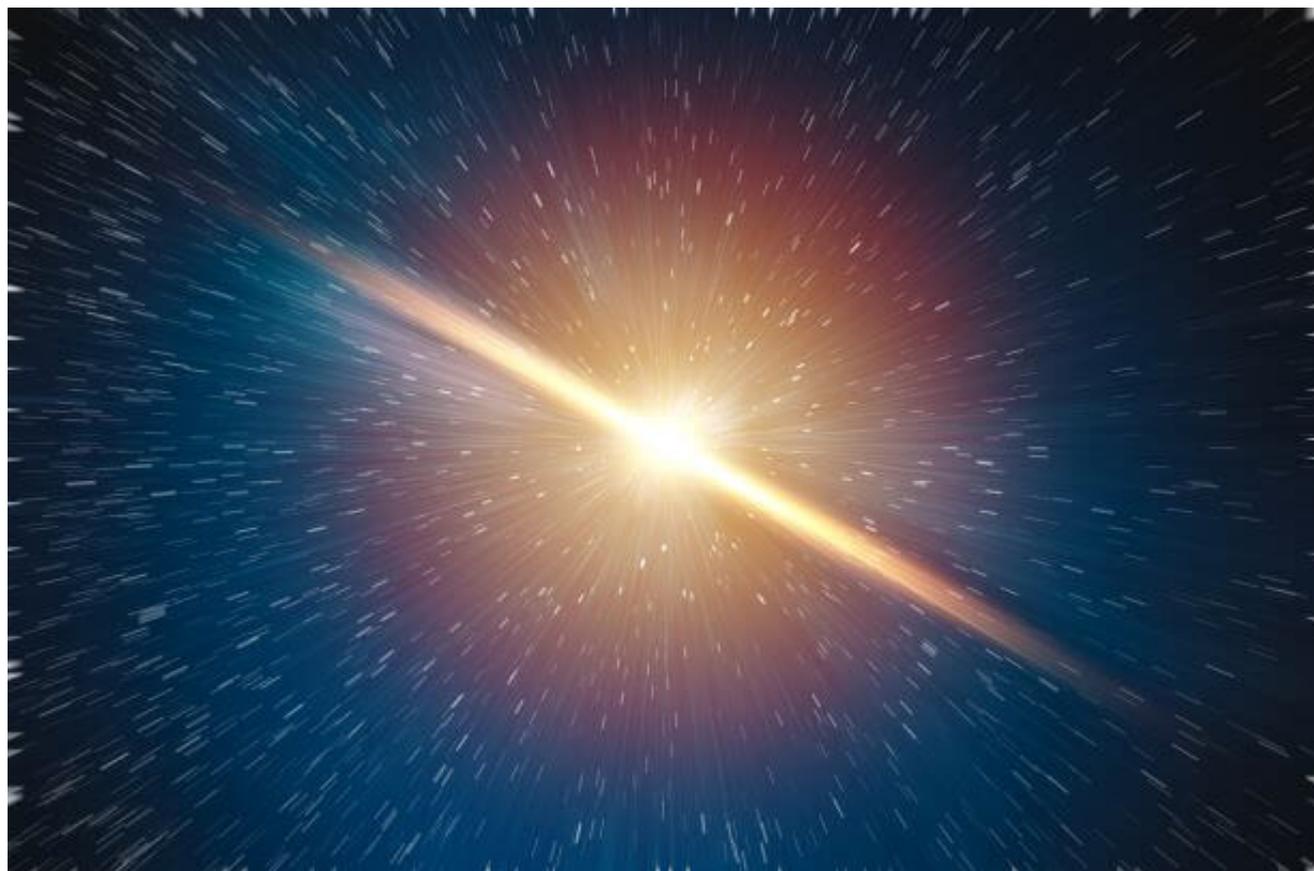


## Big Bang Theory and Financial Market Truths



**David Andrew**

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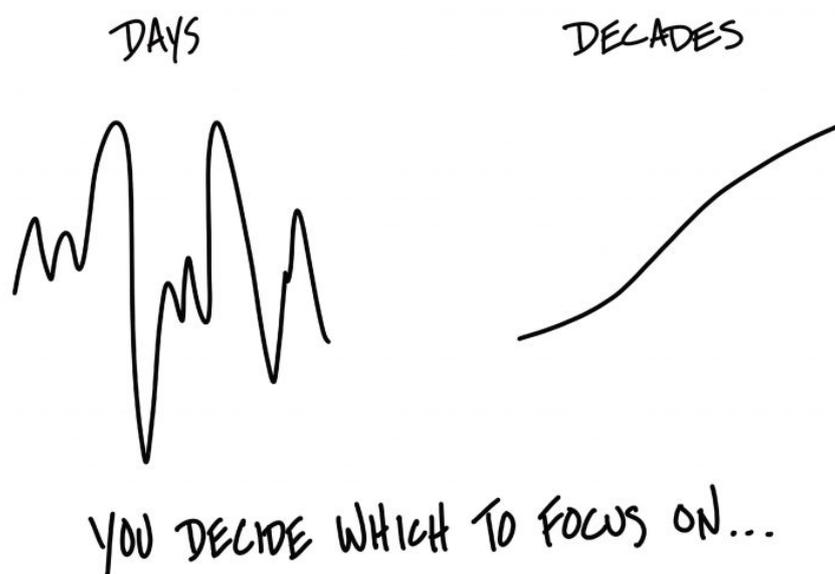
**I have been reflecting a lot over the past month on why some investors are moderately calm during a market crisis while others are panicked, so I set about seeking to understand financial market truths.**

I have had hundreds of these conversations with investors over 30 years, so it was high time I looked a little closer at some financial market truths.

During the week I had the opportunity to speak with Dave Goetsch. He was the executive producer of

[The Big Bang Theory](#) – a hugely successful Hollywood sitcom. The show ran for 12 seasons, so Dave has become a big name in the US.

He told me that “one of the greatest gifts in my life has been learning to invest without needing to know what’s going to happen tomorrow” – because he is a long-term investor and is willing to take some short-term discomfort in return for a long-term reward.



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Life wasn't always like this for Dave. He said of the current crisis “all the recent headlines took me back to 2009 when I was close to despair. It’s striking how different I feel now.” Back in the GFC when the markets were down by about 50% from the high, everyone seemed to feel like the sky was falling.

“I was familiar with this state of panic because my relationship to the financial markets was that I didn’t understand or trust them.” The markets always seem to go up and down in ways no one could predict and “so when the market went down, I went down with it – sinking into a depression, knowing there was nothing I could do.”

He now considers himself a transformed investor, and he credits this to a new understanding of how markets work. “I’ve learned I can have a great market experience if I just accept a few simple truths.”

I thought hard about Dave’s views and compared them with the behaviours of our most successful investors. I have condensed his insight and my experience into some very simple truths.

## Truth 1 – Understand What You’re Up Against

The enemy of any long-term investor is uncertainty, and the stock market is inherently uncertain. The US market has returned on average about 10 per cent over the past 90 years, but rarely did it produce that neat 10 per cent number. In 40 of those years the market was either up by more than 20 per cent or was down by more than 20 per cent. That's amazing. It is only when we understand these swings that we can understand markets. We quickly learn that we can only consider share market returns in terms of decades, not years, months or weeks, and certainly not days. Having this understanding enables us to treat the short-term crisis news as exactly what it is – noise.

## Truth 2 – Having a Plan Helps

A robust financial plan gives investors something to anchor to, especially if it is a real plan that factors in contingencies like good times, bad times and a crisis here and there.

Having a plan that is refreshed each year keeps everything up to date and on track. If your time horizon is right, your spending is in control and you are clear about your destination, you can weather any storm. When things change in your life, the plan changes. When long-term investors are on plan, and stand strong in the face of uncertainty, the results can be superb.

## Truth 3 – Focus on What You Can Control

When things get hot in investment markets its sometimes hard not to be sucked into the feelings of uncertainty, loss and fear. The one thing you can control is your behaviour and your responses to the news. If in doubt, check Truth 1 and remind yourself of the financial market truth, that market uncertainty (sometimes the extreme type), isn't that unusual.

If you are still in doubt, check Truth 2 and remind yourself that you have a plan, built on evidence-based principles that is updated regularly and designed to get you through.

The markets won't change; they will continue to go up and down. Your investment experience will be shaped by whether you choose to go up and down with them.



"One of the greatest gifts in my life has been learning to invest without needing to know what's going to happen tomorrow."

Dave Goetsch, executive producer of The Big Bang Theory.

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*Founder and CEO of Capital Partners, and author of Wealth with Purpose, David firmly believes that sound, objective financial advice can transform peoples' lives and wellbeing. Find out more about how our evidence-based approach to wealth planning, investment management, legacy planning and insurance distinguishes our award-winning team, our results and our clients' lives.*

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