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Let's connect

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Quarter 4, 2019: Investors

Gottesman Wealth Advisory Team Newsletter

One would normally reserve the commentary this time of the year for the year in review along with predictions for the next year but I feel that there is more than enough (probably too much) information out there for anyone who is interested in knowing the performance of the various indexes or sectors. Having said that, if you would like to obtain that information, feel free to reach out to us at any time. As for economic predictions, I will leave you with a quote of Ruppert Murdoch, “Economists were created to make weather forecasters look good.” Enough said.

Instead, I would like to share with you an article that I came across in The Globe and Mail that arguably had the best headline of any article I have ever read. The title of the article was: “Check in, freak out: Real-time portfolio tracking can be ‘a double-edge sword’. While of course it is imperative for there to be transparency and investors have the right to know how their money is allocated and how those investments are doing, but having the luxury of seeing one’s portfolio can be detrimental for one’s financial health. As the article states, “with immediate access to their holdings through online investment platforms and mobile apps, retail investors have the ability to continually track fluctuations in their personal wealth. That’s a temptation many long-term investors see unable to resist”.

Staying disciplined appears to be more difficult for investors who check in on their accounts more frequently. Research shows that higher login rates are associated with reduced risk appetite, higher levels of trading and lower long-term returns. A study conducted by U.S. robo-adviser SigFig found that its investors who checked in their portfolios every day earned 0.2 per cent less each year in return than the average. Twice-a-day logins doubled the performance gap!

One should never forget that the nature of the stock market is such that it delivers a fairly reliable return over the very long-term – over close to a century, the S&P 500 has returned, on average, nearly 10 per cent annually before inflation – but with a whole lot of noise and volatility in between. However, the more often investors log in, the more likely they are to observe a material loss, providing the impetus for the kind of trading that erodes long-term performance. As the famous money manager Barton Biggs wrote: “Continual performance monitoring is not good for your mental health or for your portfolio’s well-being.”