

PERSPECTIVE *With* JEFF SARTI



Build your knowledge as a better investor

In my last *Perspective* newsletter ([link](#)), I made the case that, as humans, we have a unique ability to forego short-term satisfaction for long-term rewards, and that you cannot become a Better Investor without this mindset. But when it comes to investing, there's also a second, vital component to the Better Investor formula that I want to focus on in this newsletter: the Right Strategy.



A successful investment strategy can be broken down into two broad buckets: 1) building a financial plan that clearly defines your long-term goals (e.g. retirement, charitable planning, supporting loved ones) and 2) developing an investment strategy to make that financial plan a reality. In future newsletters, I'll revisit strategies around developing a durable financial plan. But for the purpose of this letter, given the uncertainties in the financial markets and concerns around inflation and interest rates, I'm going to focus on how to craft a resilient investment strategy.

“...investing takes patience, discipline and, ultimately, knowledge to achieve the right long-term results.”

Build knowledge by investing in yourself

We have a saying at Morton Wealth: “Investing starts with investing in yourself.” We all wish that there was a “silver bullet” to becoming a better investor. But we all know that it's not so simple, that investing takes patience, discipline and, ultimately, knowledge to achieve the right long-term results. Many financial advisors seek out clients who are delegators who will fully hand over the reins of their investment decisions to them, the advisor. However, at Morton Wealth, we have found that the

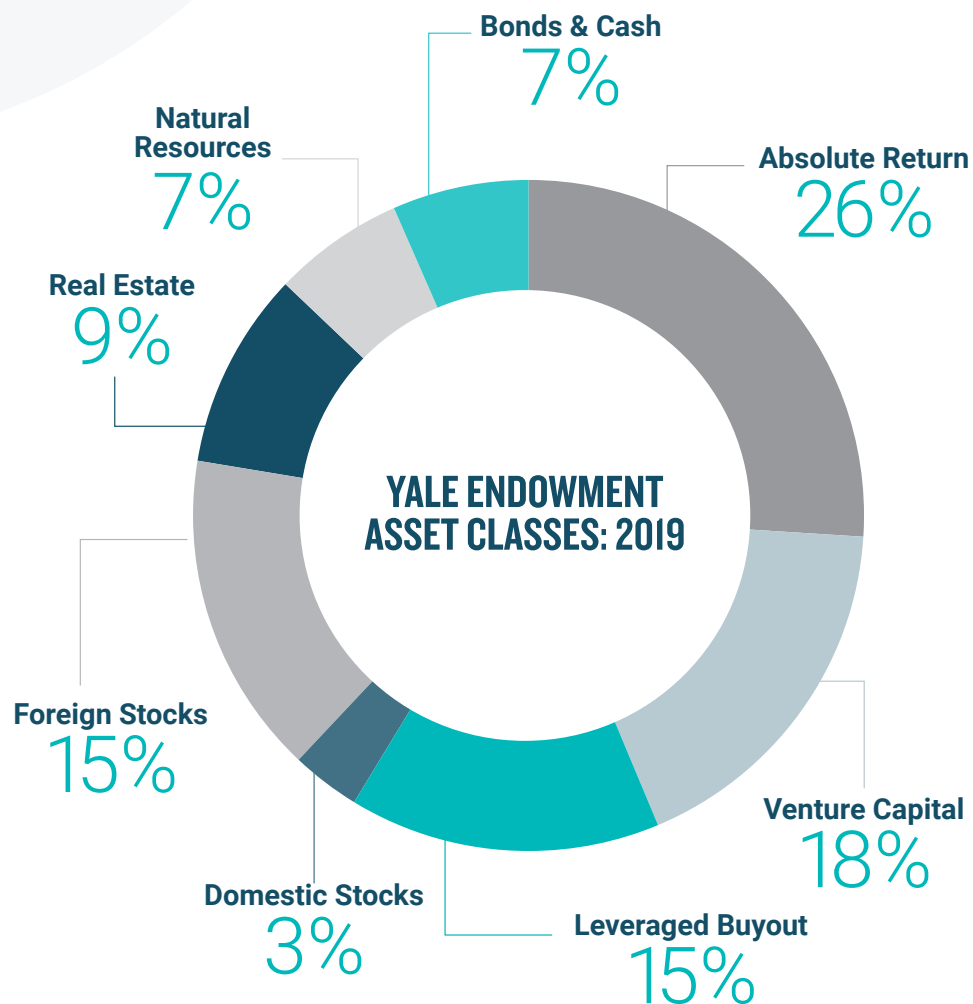
most successful clients are engaged and confident in the decisions we make with them, together, in partnership.

This confidence is built over time through developing your investment knowledge. This is why we focus so much on education during our one-on-one meetings with you and through our webinars and live events.

We are not asking you to become an expert in the details of every investment decision we make. That's our job and expertise as your

advisor. But we do believe it is critical that you understand the “why” or the rationale behind our investment recommendations. Through this enhanced understanding, you won't just be a passenger along for the ride, fearful of the unexpected twists and turns that naturally arise. Instead, you'll be an informed investor, a co-pilot with much more clarity regarding the path ahead. Our mission is to empower better investors and the old cliché “knowledge is power” is especially true when it comes to investing.

Better investors aren't afraid to look different



In my previous *Perspective* newsletter, I highlighted college endowments as an example of a Better Investor, one who embraces a long-term mindset as opposed to succumbing to short-term emotions. Not surprisingly, many endowments pursue the Right Strategy when it comes to investing as well. These endowments are brilliant organizations that, through their knowledge and experience, build sophisticated and resilient portfolios.

Let's look at how these endowments actually invest. To the left, you'll see a pie chart that shows how Yale diversifies its endowment portfolio.

To say that endowments invest differently than the typical stock-and-bond investor would be an understatement. It's almost as if they are playing by a different set of rules or playing a different game altogether. They craft portfolios that are unique to them, portfolios that are customized and align with their long-term purpose.

The same applies to you as an individual investor. Being different is critical—client portfolios should by definition look different than their friends' portfolios or an arbitrary benchmark. All clients have unique goals, risk tolerances and financial planning complexities (cash flow needs, liquidity constraints, etc.). So of course your portfolio should look like no one else's. But it's only through knowledge and the confidence that blossoms from that knowledge that you'll be willing to look different and play your own game, which takes us to the next step.

If you don't like the rules, change the game

There is a misconception that there is only one way to play the investing game; that there is a clearly defined set of rules and boundaries that are in place to protect us all as investors. The clearest example is how most investors stick to the artificial boundaries of only investing in stocks and bonds, very different than how endowments invest. However, these artificial boundaries are not protections but rather restrictions. They confine you to a narrow set of choices even if those choices are not attractive. But investors do have other choices. They just need the confidence to change the game, to create their own rules that support the goals that are unique to them.

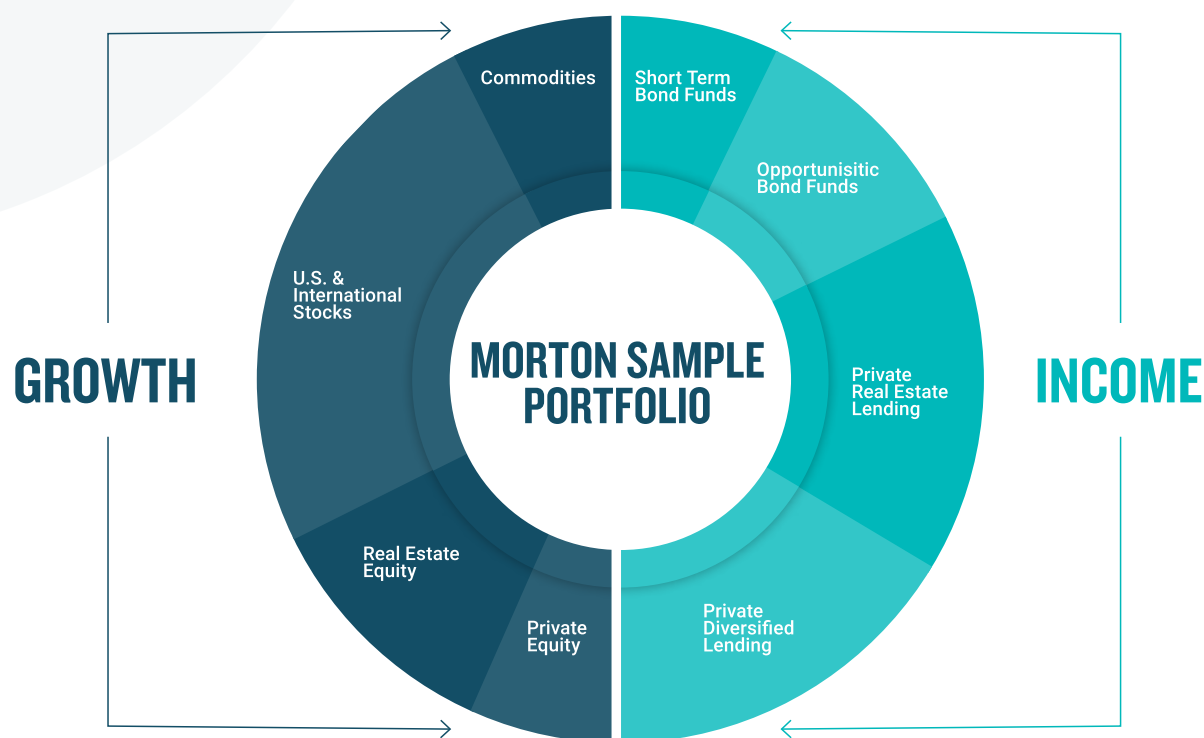
For instance, if you sit in front of a game of checkers, there are only a handful of moves at your disposal. Given the limited choices, your perspective is narrow, so you are not open-minded in your thinking. What if those artificial rules could be pushed outwards? What if you had more tools at your disposal so that instead of being limited to the simple moves of the round checker pieces (stocks and bonds), you had other instruments, like a full chessboard, at your disposal?

The advantages you now have as compared to other players on the board are endless.



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At Morton Wealth, how do we change the rules of the game and expand our investment choices? Similar to endowments, we utilize a variety of investment types to build more resilient portfolios.



“ shouldn’t investors evaluate success against a measuring stick that is truly relevant to them? ”

“...illiquidity can be very valuable for meaningful components of a client portfolio to improve diversification and resiliency”

Question arbitrary rules

Let’s look at some other examples of arbitrary “rules” that should be shunned in the pursuit of developing as a better investor. Our industry hammers into our psyche that illiquidity is bad and should be avoided at all costs. I would counter that illiquidity can be very valuable for meaningful components of a client portfolio to improve diversification and resiliency. By no means are we saying that liquid stocks and bonds should be avoided—these asset classes play a key role in our client portfolios. But illiquid, long-term investments reinforce healthy and disciplined long-term investing behavior.

Think about investing in an apartment building, for instance. You’re not tortured with the daily decision of whether or not to sell the building, different than with a stock, where a lot of misplaced energy is spent on trying to perfectly time when to sell that stock. Real estate is a truly long-term investment that is meant to be resilient through ups and downs in the economy and is designed to build wealth over time.

Another “rule” that many non-Morton investors adhere to is benchmarking or measuring the performance of their investment portfolio against U.S. stocks,

either the Dow Jones or S&P 500 Index. For instance, if the S&P 500 was up 10% in a given year, many would look at their own portfolio and evaluate success as being up more than 10% or failure as being up less 10%. But the S&P 500 is a completely arbitrary index. It has absolutely nothing to do with your long-term goals. Also, in a year like 2022, when this index was down 18%, it would be foolish to benchmark your portfolio against this disappointing return. Instead, shouldn’t investors evaluate success against a measuring stick that is truly relevant to them?

Now that you know the formula for becoming a Better Investor—Right Mindset + Right Strategy—you can turn off CNBC and ignore the flashing ticker highlighting if the S&P 500, an irrelevant benchmark for you, is in the green or red. While traditional investors can agonize over how stocks perform on a daily basis and overreact to every stock market correction, you can embrace a long-term mindset with the understanding, and confidence, that your portfolio is more resilient and marches to the beat of a different drummer. ■