

Hello Everyone,

Charlie Munger is Warren Buffet's right-hand man. He often quips about the advantages of "sit-on-your-(backside) investing." No, he didn't really say backside. And, yes, it's a little crude. Still, his point is once you have determined an asset is undervalued...and you have taken your position...then, just wait. Your reward will come.

In today's missive, I quote James Grant who relays Munger's thoughts a little more elegantly.

I hope you find today's two-minute read helpful to your financial future.

Signed, Your New-Mexico-Has-A-Really-Nice-State-Fair-And-You-Should-Go-Before-It's-Over
Financial Advisor,

Greg

KKOB 09.14.2018 Having Everyone Agree With You

Bob: So, Greg, my understanding is you want to give me investment advice today. I must admit, I have mixed feelings about that. I have been doing this show for 15 years, and it seems like everyone wants to give me advice. Some of it is even conflicting. I think I need more money more than I need more advice.

Greg: I get that. I probably worded my topic wrong. So, relax. I'm not going to tell you to diversify, or "stay in it for the long run," or fund your IRA early. I am, however, going to give you tip about how to become a better investor. I learned this from longtime analyst and financial writer, James Grant. For 35 years, he has written a publication called, **Grant's Interest Rate Observer.**

He recently wrote, "***The key to successful investing is having everyone agree with you....LATER.***"

Bob: Uhhhh, OK. That's kind of anti-climactic. So, the way for me to make more money is making sure everyone agrees with what I did....but not now. I'm not I sure I get that.

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Greg: When I read it, I laughed; because I have a very personal memory of Jim (James Grant), because about 20 years ago, he taught me the meaning of what he recently wrote. Let me explain.

Back in 1998, Jim wrote a commentary piece for the *Wall Street Journal*. He basically said this: dot com stocks are overpriced, the companies aren't making any money, and this whole dot com thing is going to end in tears.

Now, back then, I was young, dumb, and, worst of all, possessed a generational arrogance. I'd been an investment advisor since 1986, and all I had ever seen was a bull market. I believed my generation was young, smart, and sophisticated. This was, after all, a new era. We had the Internet and superior knowledge. The older guys--like James Grant-- were trapped in an unenlightened past.

Bob: But, of course he was right. The dot com bubble did crash. And, I know it took about 15 years for the tech sector to get back to where it was before the crash in 2000.

Greg: Right...and 15 years is a long time wait to get back to even. So, here is the memory. Back in '98, for whatever reason, I felt compelled to cut Jim's article out of the paper. I don't know why. I never did stuff like that. Anyway, I put it on the credenza in my office and occasionally I'd reread it. I kind of knew he was right; but the market kept going up, which reinforced my biases. And, for the remainder of '98, and all of '99, I was right....and, Jim was wrong.

Jim later wrote that during that time he would go to lunch in New York and people would laugh at him. "Nice call Jim! Great article. The dot com stocks are up another 25%! How many clients have you lost?! Ha ha ha ha ha!!"

Then, like you said, in early 2000 the bubble popped, and the NASDAQ fell 80%. Think about that. 100 grand became \$20,000. The dreams of millions were crushed. And, James Grant was famously right. His clients and subscribers were saved.

Then, came the twist. Suddenly, all those people who mocked him were publicly (!) saying things like, *“Yeah I saw it coming. It was obvious the sector was too high. Yup, yup, I even saw Jim at lunch and talked to him about it.”* Everyone now agreed with him. The hypocrisy was unbelievable. All of which brings us back to today’s premise. ***The key to successful investing is having everyone agree with you...LATER.*** Does it make more sense now?

Bob: It does. But, it’s holding on while you wait for “LATER”, that makes it so hard. Right?

Greg: Right---and it’s one reason why most people don’t make money in the markets. In fact, let’s expand on this theme come Monday. I think if your listeners understand why we as humans do what we do, they’ll become better investors.

Bob: Looking forward to it. How do people reach you?

Greg: My number is 508-5550, 508, triple 5 zero. Or, go my website zanettifinancial.com.

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