

Hello Everyone,

We back on the subject of human-nature and why we (as humans) do what we do. We would like to think we are all rational creatures given over to occasional emotional outbursts. With investments, however, we seem to be the opposite. We are emotional creatures given to over to occasional outbursts of reason! :->)

Our goal is to stay on the side of reason—even when it is hard.

The theologian Thomas Aquinas helps us address this conundrum today. I hope you like it.

Signed, Your Agrees-With- Socrates-“The-unexamined-life-is-not-worth-living” Financial Advisor,

Greg

KKOB 09.17.2018 Thomas Aquinas Natural Law & Investing

Bob: It’s not often we talk about Thomas Aquinas and the Natural Law during a business report, but that is where you want to go today, right?

Greg: I do. And, I know it seems weird, but hang with me. As you know Thomas Aquinas was a theological giant. And, yes, he put forth the idea of the Natural Law & the Common Good....meaning that man finds within himself certain inclinations imprinted by God. This is how we innately know what is good or evil. It’s also how we reconcile faith and reason, the mind vs. the will, and so on.

Central to Aquinas’s Common Good ideal is the struggle between the interests of the individual and the interests of the community.

Obviously, we all have self-interests, which can be good. But, we are also pack animals who instinctively look out for the good of the community. Often though, these interests can be in conflict.

Bob: OK. I’m following you---- but, what does this have to do with investing?

Greg: My take is this-- it’s that struggle between the individual and the community that tends to make people lousy investors. For example, on Friday, we said the best investments you’ll ever make are those that

Friday, we said the best investments you'll ever make are those that everyone agrees with...LATER. Well, while you wait for that "later" to arrive, you are outside the pack.

For example, you may be buying stocks when the pack hates them. Or, you're selling stocks when everyone loves them. In times like that, you're acting in your own self-interest. You are outside the pack. It's then, things may not go as you think.

For instance, imagine it's early 1999. You believe most dot com stocks are a joke, and you've sold out. Or, it's 2007, and you know people on welfare shouldn't be living in half million-dollar homes, but they are. Feeling uneasy then, you reject the loan for your own McMansion. Or, the reverse, it's 1981, and stocks haven't moved in 17 years. The pack hates stocks...but, by historical measures they're dirt cheap, so you buy as Reagan takes office.

In each case, you've separated from the pack--- but , you done it early. The dot com and housing bubbles will go on for another year and the stock rally you expect in '81 won't start until mid-'82. In that interim, the pack is howling at you--- and you start questioning your reasoning.

Most people think, "I'm strong. I can handle being a loner knowing eventually I'll be proven right." Most people, however, underestimate the courage it takes to first separate from the pack ---and then to stay the course.

Bob: But, the counter to that is the guys who are always doom-and-gloom----- or, the guys who are always rah-rah. The doom-and-gloomers are like the broken clock that's right twice a day. When they finally get it right, they say, "See, I told you so." Meanwhile, the rah-rah guys never warn you about the cliff that lies ahead.

Greg: You're right. There is shelf life to every prediction. The best investors have a special instinct (usually honed by lots of study) that tells them when a cycle is about to hit a top or a bottom.

It's then, the battle between Aquinas's "emotions vs. reason" kicks in. Your reason says, "Stay the course, change is coming." Meanwhile, your emotions scream, "Get back in the pack, it's safer there."

Bob: But, it's not always safer in the pack. Nor is it always safer being a loner. The key seems to be the timing.

So, where are we now? Is the cycle changing? Are we near a top, or is there room to run?

Greg: After nine straight years of up, we are likely closer to a market top than bottom. Conversely, there are markets that have been neglected for a long time. That's your "everyone will agree with you...LATER" opportunity. So, let's talk about where I think those opportunities are on Friday.

Bob: Sounds good. Too bad we can't get Thomas Aquinas to participate. I think he'd like to contribute. How do people reach you?

Greg: Heavenly advice is always welcome. My number is 508-5550, 508-triple 5 zero. Or, go my website at zanettifinancial.com.

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