KEEN ON
RETIREMENT

These 4 Behavioral Investing Mistakes Could Damage Your Nest Egg

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Steve Sanduski: Hello everybody and welcome back to another episode of Keen On Retirement. I'm your co-host, Steve Sanduski and with me today, of course as always, Bill Keen. Bill, how you are doing today?

Bill Keen: We're doing good, Steve. It's nice to be moving forward into 2019.

Steve Sanduski: It certainly is and we have a special guest with us today so we're very excited about our guest, is Dr. Daniel Crosby. Dr. Crosby is the chief behavioral officer at Brinker Capital. He's also a psychologist and a behavioral finance expert who really understands what's happening at the intersection of our mind in the financial markets. Bill, as you know, this is the second time Dr. Crosby's been on the show.

Bill Keen: It is. This is seminal work that he's done and it's wisdom that works and it's the wisdom that I believe will never change. That's why we wanted to have Dr. Crosby back on the show a second time. The first podcast he did with us was very well received and listened to quite often. Some of Daniel's work, especially the new behavioral investor book that he has out, is required reading here, Steve, for my financial planners in the firm.

Steve Sanduski: Yeah, I think there's tremendous wisdom in there and just taking about the behavioral and psychological aspects of how our brain works and how sometimes that can cause us to make less than optimal decisions and so it's going to be a lot of fun. Dan, here we are talking about you as if you're not here.

Bill Keen: Are you feeling good about that, Dan? So far, so good.

Steve Sanduski: Let's give a big old welcome to the show.

Daniel Crosby: No, we could just sit here for half an hour and hear you talk about how great my work is and I'd be quite happy, thanks. Thanks for having me back.

Bill Keen: Excellent. Well, you're welcome and thank you for taking time out of your schedule because I do know you're in high demand and your time is valuable so thank you for coming back on the show, Daniel.

Daniel Crosby: Of course.

Bill Keen: Let me ask you a quick question to set the stage. When we talk about this concept of a behavioral investor, what do you mean by that?

Daniel Crosby: Yeah, so it's a great question and believe it or not, not one I've ever been asked. To me, a behavioral investor is someone who views people and human behavior as the fundamental components of capital markets. I talk in the book about how our ideas about molecules and atoms have evolved over time and early scientists conceptualize atoms but they conceptualize them as planets with tinier planets inside of them.

They looked out into the world, they found these forms and figures and hypothesized, they projected these forms onto the things that they couldn't see with the naked eye. It was only as we got an accurate understanding of the real makeup of an atom, that we began to harness the power of the atom to either power a city or to level a city. I make the case in the book that something similar is afoot with human behavior and as investors, it's only as we understand a) That people are the fundamental units of capital markets and b) What people are all about, that we're able to maximize our ability to profit in financial markets.

Bill Keen: You mean that the markets and investors are not rational?

Daniel Crosby: My dad is a financial advisor and I remember being, in my early 20s and considering a career in business, a career in investment management and saying to him, "Dad, but I'm a people person and I just like to study human behavior and you just think about math." He laughed and said, "Read these books and tell me if you don't think that emotion and human behavior plays into this," and there was no turning back after that.

Bill Keen: That's quite a commitment of your life to pursue a doctorate degree and pursue this direction? Was that something new early on or when did that come about for you?

Daniel Crosby: Yeah, I was passionate about it. I started my doctoral degree when I was 23 and at the time, I was the youngest intern ever into my doctoral program. I have since been dethroned but I was, at the time, the youngest person they had ever let into the program. I'm glad that I did it then because when I think about having to do it now at 39 with three children and a spouse, it would be a much different ball game. Yeah, I always knew that I wanted to get a doctoral degree and I'm lucky that I had supportive parents and that I got started on it early.

Bill Keen: Did you always that you wanted your doctorate degree in psychology to be focused on investing and the financial markets or did that come later?

Daniel Crosby: No, that actually came later. I mean, I trained to be a clinician. I trained to sit people down on my chaise lounge and talk to them about their parents, that's my educational background but about three years into my doctoral program, I was tired of doing clinical work. Candidly, I was just taking it home. When you talk to 40 or 50 people who are having the worst day of their life for your job, it's important work but it was heavy work and I was having a hard time leaving it at the office. I said effectively, "Look, I love the study of human behavior but I need to find a non-clinical application of it," and that's really when I had this conversation with my dad who was an advisor. I had grown up steeped in these ideas and always learning about investing and the stock market and so it came very naturally when I got pointed in a good direction.

Bill Keen: Isn't it amazing though when you sat down and started looking at what delivers the results for investors? Like what the factors are that actually deliver the end result at the end of the day, is it the technical analysis, the fundamental analysis? Is it some complicated formula with, if you could imagine, analysts in New York somewhere?

I can imagine this and think about these teams of people making economic predictions, political predictions, all these very complicated things happening and we sat back and we look and if you look at the data that you've put out over the course of your years, I've been following you for some time, that it's primarily investor behavior that delivers the end of the day result well over and above all those other complexities that I think Wall Street almost wants us to think that it's way more complex than it is. It's not that the financial planning and the tax planning and the things around Social Security and Medicare and all the things that go in a wink and I retire and how much can I spend, all those things need to be technically accurate and correct and up to date but the actual investment piece of it, I think that Wall Street way over complicates it the public. Do you agree with that?

Daniel Crosby: Well, I'll give the example from it's actually from my last book. It's one of my favorite studies ever and I think it'll answer the question and so when they looked at the highest performing mutual fund of the 2000s, so from 2000 to 2010, there was this concentrated stock fund that had returned over 18% per year for 10 years. Just jaw dropping performance. You would've doubled and tripled your money over those 10 years.

Then they looked at the performance of the average investor in that fund so that the fund did 18% per year and the average investor did -11% per year. What happened was any time the fund would have a lot of success, it would get in the news, people would hear about it, they would pile in, then it would go through a rough patch, which all strategies do, even the best strategies go through tough times, and people would all go, "Whoa, that was a mistake," and jump out and then it would go on the tear again, people would pile back in, rinse and repeat.

Even if we grant that there is some, the fundamentals and the technical pieces and applying machine learning and all these things, the complexity that Wall Street tries to sell us, even if we grant that at some level, that stuff works. It's only our ability to actualize that working is limited by our ability to take the ride. It really is all about investor behavior and even if you've got the greatest fund in the world in your portfolio, if you can't hang on then it's no good to you. In fact, as we've found in this case, it might be very, very bad for you. The best portfolio is the one you can stick with.

Bill Keen: That's right. When you are asked to come on shows like CNBC or Fox Business or any of the ones that you may have been asked to come on. They probably don't like hearing this. They're not looking to appeal to an audience that wants to hear this type of information, are they?

Daniel Crosby: I give an example in the behavioral investor of going on one of these major news networks, I can't remember if I outed the actual news network or not in the book so I won't here, maybe I did in the book. I go on this major cable news network to do my thing and you've got this ear piece in and you can hear what's being said on the TV, like you can hear what the viewing audience is saying but you can also hear the producer in the background and they're going, "You're on in 10 seconds," or whatever, "Straighten your tie."

They're chirping in my ear and they're counting me down, "Three, two, one," and right before we get to one, the producer says to me, "You're going on, don't be a nerd. I wrote about that in the book because it was such a baffling instruction to me and it gives you a sense of how the sausage gets made because ideally, what the producer would say is, "Give our viewers balanced and nuanced academic reasoning that they can apply for their benefit," but they don't say that. I'm wearing tortoise shell glasses and a pink bow tie and they're like, "Oh God, here comes this academic type to burst our bubble." They want you to spice it up and that's all you need to know about financial news right there.

Bill Keen: I don't know what it means don't be a nerd, do you? That would be confusing as three, two, one happens.

Daniel Crosby: Well, being a nerd is so deeply who I am that I'm not sure I was able to deliver.

Bill Keen: They should've told you that before three, two, one happened.

Daniel Crosby: Yeah, if I have known that nerds weren't allowed, I would've never agreed.

Bill Keen: In 27 years of practicing with real families, real lives, real assets, going through things like 2001, '02, '08, '09 with clients and seeing this play out. I've had a lot of years, I've seen how this happens in the real world what is it in our makeup that makes it hard for us or for the human race to be a good investor? What is it in the makeup? What's the science behind it and I know there's science behind it, right?

Daniel Crosby: Yeah. I'm going to give you the somewhat unsatisfying answer that it's everything. Like everything. I make the point in the book in some detail that everything from your brain to your body to the very society that we live in, all of these conspires and is wired to make you bad with money.

To give a couple of quick scientific examples, your brain has not developed, your brain has not evolved in 200,000 years and so you are working with the same brain that's some very, very primitive people were working with and capital markets are less than 500 years old.

Your brain is wired for immediacy, your brain is wired for action, your brain is wired to avoid loss. These things make you a good hunter on the plains of Africa but these things make you a very poor investor. Almost the very way that our brain is wired conspires to make us bad at this.

I talk, in the book a lot, about the body and how influenced the body is by subtle cues like lack of rest or hunger, just little things that all of us experience on a daily basis in some form or another. I give a number of examples in the book of how even something like needing a snack can fundamentally alter the way you make big decisions about things in your life.

Then finally, society. I give examples in the book of how we are not wired to think in black and white rationalistic terms, that we are actually wired to think in terms of a herd. This is what allows us to build great civilizations and churches and governments but it's also what makes us herd-driven poor investors.

I cite examples in the book of how peer pressure can actually change the way you perceive shapes and colors. Like people disagreeing with your opinion can actually change the way that your eyes and your mind work. It's truly baffling.

If a deer hears a rustling in the brush and is trying to decide if they should run or not, they just think, "Oh, that might be a snake, I should run," but if we're trying to make a decision, the first thing we're going to do is go, "Well, what will my co-workers think," and "How will this look?" and "What will my mom think?" We are wired to think in communal terms and it's good for building civilizations, it's bad for building wealth.

Bill Keen: I think I heard you say one time, in one of your podcast that you did or maybe it was in the book, that when we're under stress, we lose some very significant portion of our IQ in those moments.

Daniel Crosby: Yeah, it's 13% which is a ton. When you think that the average IQ is 100 and a developmental disability would be 75, you'd be halfway there just by being under stress. It's a very, very big deal.

Bill Keen: You're making decisions potentially about your life savings in those moments. I've worked with a lot of people over the years, a lot of clients over the years and I constantly tried to bring perspective to the objective of long term asset management especially for folks that are retired and living on the asset, so they're not receiving their paycheck anymore. That in and of itself can create anxiety and stress, at least, initially and then now they're not saving money but they're spending their assets. It's a whole different paradigm to get someone's mind around but the question I have for you is have you seen, and I'll tell you my answer after you answer, have you seen folks that maybe initially didn't have the education or perspective or maybe they'd inherited money so they didn't have wisdom from a journey of wealth building I would say, so they've had to get educated and brought up to speed.

Once they have the perspective, they're actually able to be pretty good long term investors and able to experience corrections as opportunities and opportunities for rebalancing and corrections as temporary decline as opposed to permanent losses of capital, have you seen people be able to go from fearful, and I would call it uneducated respectfully, to educated perspective and faithful in the future with their investments, to make that change or have you seen folks that have been one way and you could never change a certain segment of the population?

Daniel Crosby: I'll give two answers. First, I want to speak to the inherited versus earned piece because the way that you acquire your money has everything to do with the way that you spend it. We look at people gambling, provides us some good insights into how people make decisions with wealth. One of the things that we see is that if you take $100 to a casino and you win another $100, you tend to play differently with the "house money" 100 that you won and the original 100 that you brought.

We see that with people who have inherited wealth too, they, frankly, just do not treat it with the same respect that people who earned those dollars and know the blood, sweat and tears that went into them did. This is why you get things like shirt sleeves to shirt sleeves in three generations and you see wealth as hard to earn and even harder to hold on to sometimes. Yeah, that's one point I'd make there.

The second point is one that nobody really wants to hear and this is the point that education is necessary but not sufficient for you to be a good steward of your wealth. There are things you need to learn, right? There are fundaments of how capital markets work and how investing works and you should read books and you should educate yourself and you should know how to do these things.

Thinking that because you know these facts, you will make good decisions in times of stress is a totally, totally unscientifically backed up opinion. This is something that we don't see. I give the example of nutrition labels in the US. In the early '90s, we started labeling all our foods and now, within a small percentage, you know the fat, the protein, the calories, anything you could ever want to know about your food and we have for nigh on to 30 years now.

Over that time, the average Americans gotten twice as fat and we have three times the rate of morbid obesity. It's because people don't act, people don't behave based on knowledge, they behave in a moment of stress based on greed and fear and emotion. It helps. I would never say that we shouldn't have more robust financial literacy initiatives because it helps, but a lot of what it helps you to do is it helps you to know how to hire the right advisor, the right coach because having someone there to hold your hand through this whole thing is, at least, as important as knowing what you ought to do.

Bill Keen: It's funny you say that because I wrote a blog, probably within the last year or so, and the title of it, Daniel, was Are You Too Smart to be Good Long Term Investor? We'll link back to it in the show notes but I think that perspective is one thing and perspective can be good and someone who's built their wealth over a long period of time of saving and being disciplined and living within their means and has experienced the market's temporary declines overtime, has a whole different probability of success going forward in these areas we're talking about today than someone who hasn't had to do that, to your point.

Daniel Crosby: I'll roast myself here. A couple of years ago, we moved to Atlanta from Alabama where I grew up and we moved to Atlanta and we bought this really big house because we could. Like we could afford it, we could afford it comfortably so we bought this really big house and houses in the south are affordable by national standards. I have written three books on why buying a big house is a stupid idea.

It's a bad idea for building wealth, like it's not a great investment for someone who's young like me and trying to maximize their returns and it's not a good happiness booster.

All the research says if you want happiness, spend your money on time with the people you love and spend your money on getting out of stuff you hate like get a maid or get someone to cut your yard. Spend time with the people you love and do less of the stuff you don't love and buying a house is literally the worst way that you can buy happiness and it's a terrible investment. I wrote three books about this and then I did it. I needed someone to slap me and say, "Hey, practice what you preach." Knowing is such a weak predictor of doing and the sooner people can embrace that paradox, the better off they'll be.

Bill Keen: Well, you've written about, I think four and there might be more, but I saw four primary psychological tendencies that impact investor behavior and are you able to share those with us?

Daniel Crosby: Yeah, for sure. We'll talk about maybe one at a time, the first of these is ego which is broadly our tendency to be overconfident and this takes a number of forms. It takes the form of thinking that we're better than others, that we're more skilled investors than others. It takes the form of thinking that we can be more precise about the future than we actually can and it also takes the form of thinking that we're luckier than other people.

When I speak, I give the example of go to someone on their wedding day if you want to be popular. Go to someone on their wedding day and ask the happy couple what's their likelihood of divorce and if they tell you anything less than 50%, they're not being honest with themselves. We think that cancer happens to other people and big losses in the market happen to other people and so because we have these various shades of overconfidence, we don't manage risk well, like we get over concentrated, we make any number of mistakes. That's the first one, is this proneness to ego.

Bill Keen: Okay. Ego can be good and it can be bad, can it?

Daniel Crosby: Well, a big theme of the book is that all of these things have upside and that all of these things have served us well evolutionarily because ego, thinking that I'm better than average, thinking that I'm more skilled than average is the same thing that led me to start a business 10 years ago. Because the average business fails awfully fast but you and I went and did it anyway because we thought we were different. Society benefits because of entrepreneurs and job creators and business builders. Most restaurants fail but I'm glad some people make restaurants. Yeah, it has some really benefits to us but you got to leave it aside when you're investing.

Bill Keen: Yes. What's the second one?

Daniel Crosby: The second one is another E, it's emotion. I make the case in the book that emotion is our earliest form of risk tolerance questionnaire for a very long time. Our ancient ancestors could go with their gut and it was the best game in town, going with your gut was all they had but in a world of deep analytics and big data and machine learning, we have a lot more expansive view of the world now. I really wrote the book because of the chapters on emotion because I was hearing a lot of misinformation out in the world about how emotion can be tapped into as this sixth sense that will give us premonitions about what to do in the stock market. I hope people buy the book but spoiler alert, no, it doesn't. Extreme emotion is almost universally the enemy of good decision making.

Bill Keen: You don't have any emotion when you invest, do you Steve?

Steve Sanduski: Well, I'll you what guys, I am just loving this so I'm just sitting back here and listening to you guys talk. Bill, you've got such great questions here and Daniel, you're just dropping some real great knowledge bombs here.

If I could take just a second here, I've got two things that I wrote down, Daniel, that you said that I think are just genius. The first one was people don't behave based on knowledge and that, to me, I think sums up a lot of what you talk about here is that so much of this is based on our emotions and we may know what we should do, we have that knowledge, but our emotions and our evolution gets in the way of us making those good decisions. I'm going to go back and listen to this recording as I want to hear the rest of what you said after that but I thought that was just such a key piece.

Then the second thing that you said here just a few moments ago is you said knowledge is such a weak predictor of doing. I think both of those really work synergistically with each other and I think maybe, and I'd love to hear your thought on this, is the fact that people don't behave based on knowledge and the fact that knowledge is such a weak predictor of doing. Is that one of the reasons why it's helpful to have, in the case here that we're talking about financial advise, that it's helpful to have a third party person like a financial advisor who can step out and help you see the blind spots that each of us, as individual investors, have, having that unbiased third party who can help you even though you may have the knowledge but you're not doing the right behavior to help you have the right behavior. Is that one of the benefits that you see of a financial advisor to help people who may feel like they've got the knowledge but again, knowledge is a weak predictor of doing?

Daniel Crosby: Yeah. For me, it's, and I'm making this up, I just had this thought, it's a three-legged stool. Good behavior is a three-legged stool. One leg of the stool is knowledge, so this is where the education comes in. You have to even know what you should do, right? That's a necessary first leg of the stool.

The second leg of the stool is what I'll call context. There's an immense amount of research on how driven by context people are. I mean the easiest example is you have a problem with drinking, you should avoid bars.

It's putting yourself in the right context, putting yourself in the right place and investors would be wise to ignore financial news, turn off the cable news network, turn off the politics, not trying to bring the politics into the world of finance and just basically do what I do and shred your statements.

When your statements come, just don't even look at them. Then the final piece is what we'll call this just in time advice. We know that people are not making decisions based on what they're reading on this nutrition labels, that's the knowledge piece.

Even though they have the knowledge and in many cases they aren't acting on it, they need an advisor to walk around with them and take the Twinkies out of their cart. That's what an advisor does. The advisor allows you to have that just in time advice to say, "Hey, I'm thinking of buying a big house," and the advisor can go, "Whoa, whoa, let's think this through. Let's talk it through." Because that is a crucial third leg of the stool, that relationship. Know what you ought to do, put yourself in the best position to do it and then have a relationship with some who's going to ensure that you do it. Those are the three most powerful things.

Steve Sanduski: Yeah, I think that's great advice and you gave your example of buying the big house when you've written three books that basically would say, "That's not a good idea." I'm thinking to myself the exact same thing, not about a house but I think I've got a lot of knowledge about the investment business and I think I'm a great buyer of investments but I am a horrible seller of investments. Because I let those emotions takeover, so you're exactly right. Knowledge is not enough for sure.

Bill Keen: You know what I really honor and respect about a good portion of the clients, if not all the clients of Keen Wealth, is, and we've talked in prior podcasts, we work with a lot of professional engineers and employees of engineering firms so they're very thoughtful, they're very methodically, they're process driven, they're relationship driven.

They sold their brains, so to speak, for a fee in their life so they respect that arrangement and they know that they're not outside their field of expertise, they need help.

A lot of the people that I've worked with over the years, have made these behavioral mistakes early in life when it didn't cost them as much as it would now if they made one of these behavioral mistakes. I honor them because they know they need a disciplined employee so that they won't make those mistakes at this point in their life when they don't have 40 more years to make their assets back if they repeated something they did when they were younger.

Daniel Crosby: Investing is weird because one of the worst things that can happen to you is early success. If you start investing in the middle of a roaring bull market and you perhaps confuse an upward tilted market with brains or know how, you can set yourself up for a lifetime of hurt thinking you're junior Warren Buffet by having some success early. I wish some non-disastrous failures early in the game on just about everyone I meet.

Bill Keen: And people ask me too, relatively, regularly, they say, "Bill, you're the founder of this firm," and I think they have a perception that I have access to all these information that maybe no one else has or something along those lines and they say, "Now, what do you do with your own money? Yeah, great, you talk about long term diversity and re-balancing and discipline and repeatable processes but what do you with yours?"

They think that I have something that I'm doing, maybe bitcoin or I've identified the hot new marijuana stock or whatever the craze is at the moment and the reality is, early in my career in the first three or four years, Daniel, you'll laugh at this.

It was funny but I started at Dean Witter in the early '90s and all the trainees in the bull pen, everybody, the first thing they would do is open up their options account because everybody thought that they could speculate in the options market and finally, I think the manager had to close all those down and basically say, "No. Okay, that's over."

Everybody had to learn their lesson with a small amount of money up front. There was a couple of times that I way over concentrated in securities I can just tell you today, over the last decade and a half or maybe even two decades, I have my assets in virtually the same thing that I have our client assets in.

It's process driven, systematized asset allocated. I'm mostly equities at this point in my life because I believe in equities and I'm not going to retire for quite some time but I'm not out there doing anything different than I'm recommending that our clients do. I'll tell you part of it is because of some pain that occurred by being over concentrated in things that I really didn't know what I was doing early in my career.

Daniel Crosby: Yeah, Nassim Taleb who wrote The Black Swan has this great quote that I'm about to butcher but it says, "Never ask a professional their opinion, just ask to see their portfolio." I think that's great advice and I think clients are wise to ask that question. It's probably because they think you have some secret keys to the kingdom that we know we don't but I think it is reassuring to say, "Okay, this person's eating their own cooking," and it's actually a really good predictor or how mutual fund managers do. Mutual fund managers who are heavily invested in their own mutual funds tend to do much better than those who are not so eating your own cooking is, I think, a sign of integrity and something clients are wise to consider.

Steve Sanduski: Daniel, I think you talked about the psychology tendencies, you mentioned a couple, ego and emotion. Were there anymore?

Daniel Crosby: Yeah, there's a couple more. The third of these is attention which is our tendency to confuse how lurid or sensational something is with how likely it is. I give the example in the book of 9/11 and how we know that in the tragedy of 9/11 3,000 people lost their lives at the Pentagon and in the Twin Towers but another 1,600 people lost their life in the months right after 9/11 because they made the decision to stop flying and start driving.

People were so scared to fly because of this singular high impact memorable terrorist incident that people stopped flying and they started driving everywhere. Well, probabilistically speaking, driving is far more dangerous than flying. All of these 1,600 people who died right after 9/11 because people took to the roads trying to avoid this high impact low likelihood event.

There's all kinds of examples of that in investing. There's a million things that are road performance and people want to worry about the next pot stock or the next bitcoin, to your earlier point, and don't want to worry about staying the course and being internationally diversified, things like that.

Yeah, that's not letting these big improbably worries get in the way of blocking and tackling. Then the last one is just conservatism which is our tendency to confuse what we know with what's good. I cite example in the book of how people all over the world are over invested in the stocks of their home country.

People, even within geographies of the US, people in the northeast tend to be overweight financial stocks, people in the Midwest tend to be overweight agricultural stocks and so forth. We have this real tendency to confuse things we've heard of with things that are good or safe. I talk a lot about breaking this chain and overcoming this in that section.

Bill Keen: That really probably speaks to having way too much money in your own company shares as well, doesn't it?

Daniel Crosby: Yeah, absolutely. I mean, we see that. I live here in Atlanta and we've got a number of Fortune 500 companies here and we got a lot of AFLAC money in Coke and UPS money. You'll see people who are approaching retirement with 85% of their wealth in UPS stock and it's just a nightmare.

It's a combination of two things I find usually. First, it's a sense of loyalty like this company was good to me and I need to stick with them and be good to them. Then the second thing is just this familiarity like, "Oh, I don't want to put my money in a stock market. Who knows what's going to happen there? At least, here at UPS I can see what's going on." Well, unless you're the CEO of UPS, you probably don't know quite what's going on and even if you are the CEO, you can't trade on it and not go to jail. Just spread the wealth around.

Bill Keen: Right and even CEOs might not see things happening inside their own firm that were potentially fraudulent or misreported, even folks at the highest level in those firms might not have all of the information. Imagine working at a firm, you have all your assets tied up in the company stock but also have your income, is coming from that firm, your benefits, everything.

Daniel Crosby: Yeah, I'll say two words, GE and Enron. That should suffice.

Bill Keen: We have a company in town called Sprint that's just a stone's throw away from where our office here is as well and in the late '90s, they were going to be bought by WorldCom and their stock had rallied. I had folks that I was talking to at that time that were not only 100% invested in the stock, they were deferring their income and buying options in the security and living on credit cards. The WorldCom thing didn't go through and it was bad. Folks in Kansas City can relate to that one as well which is where we're headquartered here.

When I started in the business, Daniel, clients got a statement once a quarter so they would see the mail would go out, the mail would go out, folks would get a statement once a quarter, you might receive a few calls. If someone wanted to know their balance between the quarter, they'd have to call and get their balance. It didn't happen very often and today, folks are checking their account balances all the time in some cases, multiple times per day and that's not what's in their best interest, is it? Then, I'll follow up with this, only because I listen to your work, I heard you mention the term brain mapping and that you've done some work around what fires in a person's brain, someone who checks their accounts multiple times a day, their brain is firing like someone who is a, do you know what I'm getting ready to say?

Daniel Crosby: A drug addict?

Bill Keen: A crack addict, yeah. I think I heard you say that. Isn't that crazy that that's the part of the brain that's stimulating?

Daniel Crosby: Yes. Yeah, absolutely. It's called dope because it plays on the dopamine centers, the dopaminergic centers of your brain. That's why they call drugs dope and day trading, looking at your account all the time, that plays on a lot of the same things.

Here's the way that I think about it and I'll tell you how I've got my account setup. The way that I think about it is on any given day, the market is up about 55% of the time and down about 45% of the time. The average human hates loss two and a half times as much as they appreciate a gain.

If you've got the market down 45% of the time and that feels like twice that number, it feels like it's always down. If you're checking it once a month, it's 60-40, if you're checking it once a year, it's slightly better than that. If you're checking it every 10 years, you've only had one or two times in the history of a 10 year period, where you had a loss.

The less you can check it, the better off you'll be and so again, in the service of showing my portfolio here, I do not have an online brokerage account. Like I work with my dad as an advisor so I have my money with him so he can take the Twinkies out of my cart so to speak.

My money is with my dad and his company keeps bugging me to setup an online account and I will not do it because I know that I'll check it 15 times a day if I can. I purposely stay in the Stone Age and I mail him, this is crazy, I mail him paper checks when I want to make a deposit. Because I don't want to see it. Like I know myself, I know I would be the person who looked at it too much and freaked out and I don't want to see it so I don't.

Bill Keen: As we start to think about the rubber meets the road, what do you see as the role that a good financial advisor will play in working with clients to help them really obtain the return that I would say they deserve and sift through all these that we've talked about today?

Daniel Crosby: Yeah, going back to our stool there, I think the first piece of a good advisory relationship is education. I think that advisors should be on the front lines of demystifying finance to people because there's power in that. I'm always surprised, like you and I are in this industry so we take for granted what we know but people will come to me with questions and I think like, "Oh wow, that's right, the average person does not know this."

That should be an advisor's front-line job is demystifying it and simplifying the world of finance. I think a secondary role is to be a bit of a life coach and like help them have a robust conversation about what do they want out of life? Like what is this all for?

I think money made for its own sake is profoundly ungratifying and so a good advisor is going to help that person articulate what their version of the good life looks like and then talk about how money can fund that good life. Finally, I think they need to be a crisis manager to keep them from their own worst impulses.

All the research suggests that if your advisor can save you from four or five bad decisions over an investment lifetime, they've made you a ton of money. You think about how many people wanted to sell out in March of 2009. If you had a million bucks and you wanted to sell out in the March of 2009, your advisors made you a ton of money if they've kept you in your seat there. That's the other role of the advisor is to provide that just in time advise that keeps you from making a catastrophic mistake.

Bill Keen: I have a personal rule that anytime I have something that I want to respond to and there's a motion around it, I have what I call either the 24-hour rule or the sleep on it rule. Especially in the day of e-mail, you can't get e-mails back. You sent an e-mail to someone emotionally, it's like, "You know what? Go ahead and type the e-mail, send it to yourself and re-evaluate it the next day or two." I think that's what a good advisor does too for clients is they help them not make knee jerk reactions.

Really step back and think about things and evaluate that maybe for someone, the new house is what they want to do and they'll enjoy it but not falling prey to making a knee jerk reaction or decision. Maybe someone needs a different asset allocation and it really is in their best interest to have a different asset allocation but not jumping in and out and all around. I think a good advisor would help folks provide that pause, don't you think and that's what you said? You said it better then I said it so ...

Daniel Crosby: No, absolutely and I give some scientific backing to that very intuitive thing in the book so yeah, I'm right with you.

Steve Sanduski: Well, fantastic guys. I think this might be a good place to wrap. Bill, any final closing thoughts here?

Bill Keen: We had talked a little bit about the way we were going to roll through our questions to Daniel and from about the one minute in, I just got way off. I just went all around because I had Daniel's expertise here on the program and I just really wanted to use that as an opportunity to just ask him questions that came to my mind. Thanks for pivoting with me there but I think that it just makes total sense to keep bringing this type of information back to the investing public and to our listeners and our clients.

To just drive home that, at the end of the day, we're just trying to help folks maximize their resources, do the very best they can, sleep well at night and have the perspective to enjoy their resources, whatever that looks like for each person.

I appreciate you being on the program always, Steve. We're on our fourth year here of Keen On Retirement and Dr. Crosby, don't be surprised if you get another call from us here asking you to be a third time guest on the program at some point in the future.

Daniel Crosby: That would make like the Alec Baldwin or the Justin Timberlake of this show, that would be great.

Bill Keen: Absolutely. I would recommend to our clients as well to pickup a copy of Daniel's book, The Behavioral Investor.

Steve Sanduski: Yeah, so we will definitely link to that in the show notes as well so you can get all the details by going to Keenonretirement.com and Dr. Crosby, yes, thank you for coming on again. Tremendous information, I learned a lot and we appreciate it so we look forward to having you back at some point in the future and thanks everyone for listening to today's episode of Keen On Retirement.

Bill Keen: All right, thank you.