RICHARDSON Wealth

# TOUCHSTONE Newsletter

Richmond | Goodman Wealth Management

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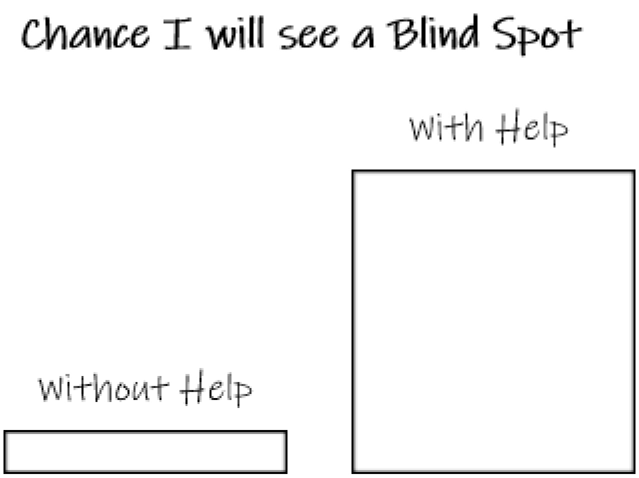
A good Friend recently said – ***It's probably best that I get rid of my ladder and my chainsaw.  I've defied the odds of a fall or accident up to now – and my spouse reminds me that I'm not as young as I used to be.***

Such Self-understanding, candor and acceptance of feedback is a rarity in human beings, with good evidence that we are all hard wired for blind spots.




We firmly believe that constructive reflection should be a mainstay in an advisor's "toolbox".

Done well, it requires brutal honesty - especially when it comes to *blind spots.* One doesn't change lanes *safely* without first checking what they cannot see in the mirror. Any driver needs to get feedback from their own eyes and not just a mirror before making the final move. Doing otherwise can lead to catastrophic results.

We feel the same about investing. However, many do not. They rely on confirmation bias, momentum and hope.

How do we know this? The blind spots in 2022 are self-evident and measurable – at least by those that have a process that includes feedback from other sources of contrasting analysis. Even before Covid (with nearly 20:20 vision!) we observed speculative froth born out of free money policies by the Central banks. All it took was the extension of the zero interest rate policy to launch the following:

- **Theme investing:** Covid Stocks (Peloton/Zoom…),
- **Meme Stocks**: (AMC, GameStop…)
- **New Sectors:** (Crypto, Cannabis, NFT's…)
- **New 'Different this time' Structures**: SPACs.
- **Chasing Gurus** – Cathie Woods, David Portnoy, Roaring Kitty…

If you still own any of the above (or sold after taking steep losses) – then well, you just may have a blind spot in your analysis.

Each of the above has generated catastrophic double-digit losses – from which recovery in mathematical terms is possible – but is unlikely in the short term.
If you lost 75% on Peloton shares – you need a 300% return just to be made whole. If you bought just the stationary bike and not the shares – well you have your heath, and your wealth.

The source of tips that lead to these problematic blind spots, were as usual overzealous, biased persons – whose message was amplified by rumour and social media. As many sat in their own Covid vacuums the clarity of hindsight exposes *only their own* reflection in the mirror, or that of a 'friend' (small 'f'), or a celebrity who shockingly doesn't really get the risk. Where are they now?

**Richmond | Goodman Wealth** relies on four key tools to avoid blind spots:

- We read and consume perspectives – extensively, critically, and diversely.
- We seek feedback and varying points of view; with each other and from 'experts'. (Let's talk, debate, and discuss.)
- We synthesize what we learn into a process – that is rational, stress-tested, and reliable. (Plan. Observe. Adapt – repeat)
- We validate our process results using third parties.

***"The person who can do the average thing when everyone else around them is losing their mind."***

- ➢ *Napoleon's definition of a military genius. It works for investors too.*

The current market environment is chaotic in spots. We have responded as always with tactical measures to protect our clients' hard-earned capital.
Our investment process, which we think is above average - is doing what it is designed to do. Our statistical track record shows that we protect capital
when it counts. This remains our enduring focus.