

The Urge to do Something.

A while back, my wife and I took our kids on a road trip to Lake Tahoe. We made several stops along the way to get out and appreciate the many natural features and historical landmarks California has to offer. The lessons I remember the most, however, were the ones I learned while in the car such as “no one feels like they are going to get car sick when they are the one driving.”

Different Attitudes, But Similar Behaviors

My wife is a much more aggressive driver than I am. Full speed ahead is too slow for her, yet during the sections of the drive that were boring and straight, our behaviors were nearly identical. It didn't matter if it was me with my two-hands-on-the wheel personality in the passenger seat or her and her lead foot. Our behaviors were similarly relaxed and included resting, listening to music, or talking with the kids. A nearly identical experience took place once we hit the mountains. It didn't matter who was driving, the curvier the road got, the more the passenger was nervous, tense, and experiencing a near constant urge to do something and take control of the vehicle.

Words vs. Actions

After being married for over 25 years I've learned body language carries more weight than vocal language and this trip was no exception. If the kids said they were “okay” but their body language looked like they were fighting to keep their lunch down, then we might be taking those mountain curves a bit too sharp.

Crash Ahead...

The lake was almost 500 miles from our house and even though we studied traffic and weather conditions daily, we also knew it was unlikely we could drive nearly 1,000 miles and not run into some unexpected accident, construction, or other delay. Yes, we could have driven side streets the entire way and likely avoid the few unexpected issues, but it would have taken MUCH longer than taking the freeway.

What Does This Have to do With Investing?

Sometimes investing is smooth and uneventful and sometimes, like now, it seems full of twists, turns, and people on TV screaming “crash ahead!” The latest headline I've seen highlighted as to why you should financially panic is people are charging more on their credit cards than ever before. Other scary sounding stories I've read recently have focused on mortgage rates, gas prices, and inflation.

The Urge to Do Something

I completely understand the urge to do something when uncertainty and fear increase as a way to regain the feeling of control. For the most skittish investor, this means immediately selling what feels aggressive and buying what feels safe. For me, this means doing three things: First, looking to see if the words match the actions such as: consumer confidence survey results saying people are afraid (words) yet cruise and airline companies are reporting record number of travelers, restaurant sales are healthy and the amount of dollars as well as the number of people donating to charities is at record highs (actions). If the two don't line up, I prefer to listen to the body language (aka how the money is being spent) rather than words.

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