

The Biggest Myths in Investing

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Investing is Hard



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**Amazon chief:
National Enquirer
boss tried to
blackmail me
with nude pics**

BEZOS EXPOSES PECKER



Amazon CEO Jeff Bezos says that the National Enquirer threatened to publish X-rated images of him and mistress Lauren Sanchez unless he publicly retracted claims that the David Pecker-run tabloid's investigation into Bezos was politically motivated.

SEE PAGES 6-7

Myth #1 - The “Investment” Myth

- *Investing - Spending, not consumed, for future production.*
- *Saving - Income not consumed.*

Myth #2 - The Stock Market is Where you Get Rich

- The stock market isn't your personal casino.
- The stock market is one of several markets where we allocate our savings.

Myth # 3 - You Need to “Beat the Market”

- The Cost Matters Hypothesis shows that, in the aggregate, we don't beat the market.
- In fact, trying to beat the market might result in worse performance.
- For the allocation of savings, it's better to target the *appropriate* portfolio as opposed to the *optimal* portfolio.

Myth #4 - Indexing is Average

- 85% of active managers can't beat the market
- The arithmetic of “the market” - the less active average investor outperforms the more active average investor.
- Why does Indexing win? Because it controls what we can actually control!

Myth # 5 - Bonds Lose Value if Rates Rise

- Correction: Bonds lose money in the short-term when rates rise.
- Bonds might lose money in real terms, but bonds aren't in your portfolio to provide inflation protection.
- The patient bond investor enjoys pay increases as rates rise.

Myth # 6 - Gold is a Good Portfolio Hedge

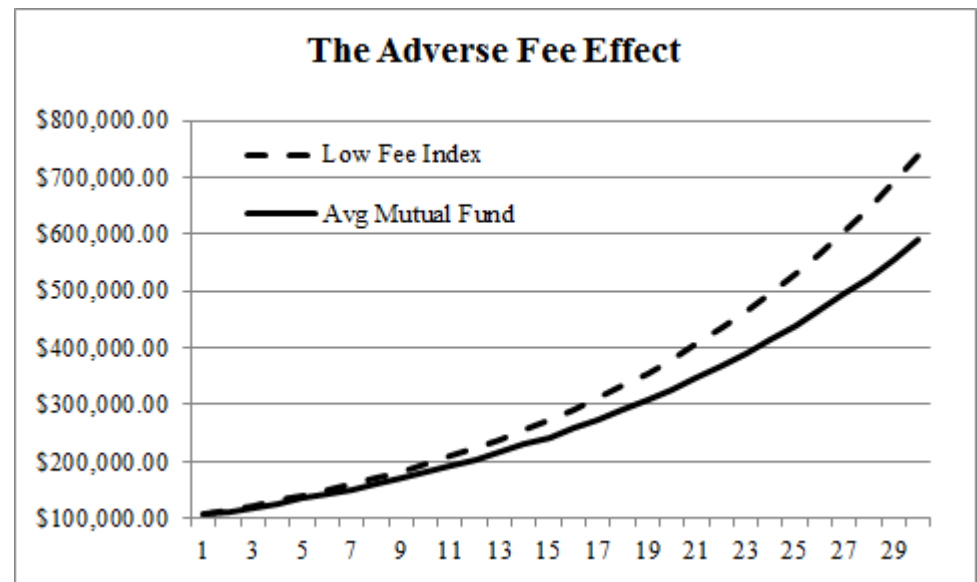
- What is gold? Gold is just a commodity with a “faith put”.
- A portfolio with gold does not provide beneficial hedging, but guarantees higher taxes and fees.

Portfolio Allocation	CAGR (1970-2016)	Standard Deviation
50% Stocks/Bonds	9.62%	10.5
33% Stocks/Bonds/Gold	9.77%	10.2
Gold	7.40%	28.18

Myth # 7 - High Fees are a Small Price to Pay

- Remember, most active high fee managers don't beat the market.

- You Get what you DON'T Pay for!
- The difference between a 0.9% fee and a 0.1% fee on \$100,000 compounding at 7% per year is \$125,000.



Myth # 8 - More Info Means Better Informed

- More information means more behavioral risk.
- The patient investor lets the market do what the markets will do, the impatient investor tries to force the market to do something they can't.
- Patience is the intelligent investor's greatest strength.

Thank you!

- Parting tip - If you become a billionaire, don't take nude photos of yourself. Also, if you become a billionaire give me a call so I can manage your money.

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