



2 Superpowers Clients Believe We Possess (And 2 We Actually Do)



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For thousands of years mankind has been obsessed with extraordinary abilities that, absent fictitious elements, are indeed extremely rare in this world. It is not just a modern-era, Western-only phenomenon—the Chinese culture has long had saints, gods and goddesses, and the like with unique, jaw-dropping abilities.¹

This love for superpowers is ubiquitous and wished for every day in our lives. As parents, we wish we could teleport to the countless activities and events our children and family have. As children, many of us wish we could fly like Superman. As students, we wish for photographic memory. As part of the workforce, we wish for never-ending energy (or eternal youth).

Oddly enough, even though we are completely aware that superpowers merely exist in movies and science fiction, certain professionals such as investment advisers get mistakenly assumed to possess them.

Don't Have: Precognition

This one is obvious and easy for anyone, ourselves included, to have committed, both on cognitive and unintentional basis. Clients, friends, family, strangers—you name it—are all eager to pick the next “Google” or “Amazon.”

We, being fully aware of our own shortcomings, have a fair share of “tell-me-about-the-future” incidents as well. Market experts, economists and strategists are constantly giving out their “forecasts” of the market and reasons to back them up. Here is a shortlist of what pundits had predicted for 2016:

- Mark Faber: U.S. recession and stock market falling in 2016.²
- Sam Zell in December 2015: U.S. recession likely in next 12 months.³
- Tom Lee on July 26, 2016: S&P 500 to end the year at 2,325.⁴ (S&P 500 finished the year at 2,238, within four percent of his prediction.)
- Jeffrey Gundlach on gold (amongst his many predictions): will hit \$1,400 per oz (currently at \$1,181).⁵
- Hillary Clinton would win the presidential election.

We have neither a (working) crystal ball nor an unbroken mirror on the wall. The funny thing is, even if we did, chances are we would still lose our job because investors could not withstand the volatility associated with the stock market. (Read: [Even God would get fired as an active investor](#))

¹ <http://www.godchecker.com/pantheon/chinese-mythology.php>

² <http://bloom.bg/1mmWPBR>

³ <http://bloom.bg/1QsrhHj>

⁴ <http://cnb.cx/2ae4bF5>

⁵ <http://reut.rs/1V6wR1b>

Can't Do: Win-Only

As humans, we dislike losing. While it is perfectly reasonable when a client says, "I don't want to lose money," the same client is also subconsciously demanding a "reasonable" return of investments, i.e. at least as good as the S&P 500 if it *is* up (if the market is down, it will not matter). You see, this is like wanting to lose weight without controlling one's diet or having a diligent work-out routine. If we did possess this win-only power, the gambling industry would be out of business!

One of the factors we, as investment advisers and asset allocators, consider when building a client's investment portfolio is pairing up investments (or asset classes) that have little or negative correlation to one another, in order to reduce the potential volatility (risk). Empirical studies have shown that both potential return can be enhanced and risk dampened, but avoiding any risk altogether is like chasing after a unicorn.

Do Have: Humility

A beautiful trait of humans is our emotions: Our feelings, personalities, and sensations contribute immensely to our decisions and actions. As we all know, our strengths also happen to be our weaknesses, and they could not be more evident when it comes to investing. Timing the market, buying the latest and best performing stocks or funds, pursuing the next miracle stocks...all lead to disappointing results.

However, if you stay humble and learn from mistakes and history, there are profits to be made. For example, while "past performance does not indicate or predict future results," it does tend to show us a certain pattern or cycle of an investment or economy. Some gauging measures (such as the P/E ratio) provide a yardstick of an investment's relative attractiveness compared to its historical ranges. When market conditions are at extreme levels such as those during the 2008-09 Great Recession, we could often refer to history, assimilate it with experience, and be "greedy when others are fearful," one of Warren Buffett's investing rules. Although we do not have the ability to accurately predict the future, history has been known to repeat itself and offers so many valuable lessons.

Can Count On: Dependability

I admit these are not "cool" superpowers that you were expecting, but if you can be relied upon on a consistent basis, it may seem like a superpower! We understand you are entrusting us with one of the most important assets in your life. In return, we want to make sure that we are doing our job right, being dependable and available, and giving you the best advice possible.

We appreciate your understanding that we, just like you, are but ordinary folks and are not perfect. That is the very reason why we exist, to complement each other.

"...if you can be relied upon on a consistent basis, it may seem like a superpower!"