**FOMO ’24 – Revisiting Lessons Learned**

Merriam Webster’s dictionary defines FOMO (fear of missing out) as the fear of not being included in something (such as an interesting or enjoyable activity) that others are experiencing.

Fear is among the most powerful of all human emotions. Fears emanate from life experience as well as education. Fears are logical and can be essential (like not touching a stove eye that’s hot). As investors, fear most often manifests itself in one of two primary ways: fear of loss or fear of missing out.

The fear of loss is what causes some investors to draw a straight line from the 1920’s to the 2008 financial crisis to say “see…look what could happen!” Such a realization about potential losses can be healthy in helping guide an investor to avoid foolish levels of risk. On the other hand, it can also create a sea of missed opportunity. As legendary manager of the Fidelity Magellan Fund remarked, ***“Far more money has been lost by investors preparing for corrections than has been lost in the corrections themselves.”***

By cherry picking the worst of times, an investor can convince oneself that the risks of owning risk assets is too great. A 5% money market yield feels really good in a lot of ways. That was also the case 14 months ago as we entered 2023! Money markets lagged equities by 20% and a balanced stock/bond blend by nearly 10% in 2023. Most investors cannot afford to *entirely* miss the growth opportunity of years like 2023. That isn’t to suggest one throw caution to the wind either…

After all, how often do the markets go up from all-time highs (hint: it’s nearly 7% of all trading days over the last 75 years)? One could easily argue that the stock market in March 2024 is expensive. Some even draw parallels to the late 1990’s (though our team views these as unwarranted). That same argument has been made countless times throughout history, only to be accurate a handful of times.

So, if markets are arguably expensive (at least to some) and we just experienced a monumental rally over the last 5-6 months, what are we to do? ***Investing is never risk-free. Investing should never be all or none. Investing rewards the patient, the disciplined, and the prudent.*** Investing is rarely about tomorrow or next week, but about compounding over time. But those reading this know these things (however, it never hurts to reinforce good behaviors). The answer to us is rather simple: constantly evaluate and manage risk, rebalance, manage expenses and taxes, and avoid the temptation to become greedy. **FOMO can be quite the temptress!**

***And what if an investor reading this has been overly cautious for the last year or two?*** How do you catch up? How do you avoid being left behind? The reason you became cautious was to avoid principal loss and now you’re faced with higher costs of living and a portfolio that barely is keeping up…what now?

Our recommendation would NOT be to jump in head-first, but rather start course-correcting. If your allocation to equities is well below where it “normally” would be, let’s begin working our way back into equities. Rather than the highest octane solutions available, let’s introduce strategies intentionally designed to participate less in the downside of the markets.

**Fear of Missing Out (FOMO) can best be avoided by pinpointing what you define as success.** If your “bogey” is 8% per year, garnering a +14% in 2023 would have been an exceptional success. If your goal is simply “beat the markets”, a +14% would have been incredibly disappointing and could lead one to take on more risk to try to make up ground. In the late 1990’s investors who profiled as moderate risk investors found themselves with a 90% equity portfolio if they failed to check their emotions. After all, everyone seemed to be getting 40-50% per annum for a strech of time back then. In hindsight this seems foolish and those lessons learned by many were quite severe.

Don’t get us wrong, outpacing the markets and peers can be exhillerating. Who doesn’t want to see a +30% on that year end statement? The critical element is preserving gains when the markets swing the other direction.

The illustration below offers a simplistic view of the risks of too little and too much risk-taking. Nancy garners minimal gains but never loses. FOMO Fred chases every hot trend then pays the price. Disciplined Dan gets his fair share (70% of Fred) of the good and the bad. While only an illustration, it’s representative of how discipline pays off.



Consider the emotional tax pay by both Nancy and Fred. Nancy never “wins” while Fred’s on top of the world and then isn’t. For him, staying disciplined will be extremely challenging. Dan certainly never wanteed to lose, but recognized that he was positioned appropriately based on his goals. Dan can live to fight another day!

***We feel certain 2024 will throw us some curveballs before all is said and done. Let us help you avoid the temptations of both fear and greed as we navigate the leap/olympic/election year that is 2024!***

Not only have US markets bounced back following major geopolitical events throughout history, but so too have non-US markets. During each of these events, it seemed that things would never calm, but in each instance they did. As we reflect on the past few weeks, we concede the uniqueness of the Russian invasion and maintain a watchful eye on the situation.