

# Does evidence really matter in investing?

BY BRENT BRODESKI



## SAVANT CAPITAL MANAGEMENT

200 South Wacker Drive, Suite 3100, Chicago, IL 60605

312.225.0300

### FEATURED ADVISOR

**Brent Brodeski**, AIFA®, CFA®, CFP®, CPA, Chief Executive Officer, Principal, Financial Advisor

### ASSETS UNDER MANAGEMENT

\$4.2 billion

### PRIMARY CUSTODIANS FOR INVESTOR ASSETS

TD Ameritrade, Charles Schwab, Fidelity

### MINIMUM FEE FOR INITIAL MEETING

None required

### COMPENSATION METHOD

Asset-based and fixed fees (planning services); Asset-based fees (investment services)

### FINANCIAL SERVICES EXPERIENCE

25 years

### PROFESSIONAL SERVICES PROVIDED

Planning, investment advisory services, tax management, private trusts, wealth transfer and corporate retirement plans

### ASSOCIATION MEMBERSHIPS

ARIA, CFA Institute, FPA, World Presidents' Organization, Young Presidents' Organization, Zero Alpha Group

### LOCATIONS

**Illinois:** Rockford (headquarters), Chicago, Freeport, Geneva, Hoffman Estates, Naperville, Peoria, Sterling, Willmette; **Wisconsin:** Madison and Park Falls; **Virginia:** McLean

### EMAIL

bbrodeski@savantcapital.com

### WEBSITE

www.savantcapital.com

# W

hen deciding what is in our best interest, we have a tendency to default to decisions based on greed and fear. We can trace this back as far as the caveman days—when greed motivated early humans to keep hunting even when they had enough food, and fear kept them from danger. In this way, “survival of the fittest” assured that greed and fear became hard-wired into our DNA.

Fast-forward hundreds of thousands of years, and while much has changed, those instincts have not. In the investment world, greed and fear have inspired investors to follow some faulty investment logic. For example, the media, and most advisors, would have you believe that the “smart money” beats the market by predicting the future—meaning that you should buy the best stocks and avoid the losers.

In short, despite overwhelming evidence that it is impossible to beat the indexes on a risk-adjusted basis, greed still entices investors to reach for above-market returns, a choice that ends up hurting them long-term.

Fear also plays a role. The natural inclination during times of crisis is to desert

your long-term plan and exit the market to avoid possible declines. The problem is that, just as with security selection, investors are unable to predict the future and cannot consistently time the market correctly.

It is easy to understand why investors give in: Focusing on beating the market (i.e., greed), or aspiring to be above average (i.e., fear of failure), is a great sport.

The problem is that, in the “sport of investing,” attempting to pick hot stocks, time markets or bet on top investment managers does not typically result in above-average

- keep costs low;
- tilt to small and value stocks;
- avoid risky and long-term bonds;
- manage taxes so as to not pay more than is absolutely required;
- maintain a strict discipline;
- rebalance regularly in a tax-optimized fashion;
- focus on building a portfolio that accomplishes your goals—not one focused just on maximizing returns;
- recognize that over time, markets work and are efficient.

“

The goal should be to grow your wealth in a manner that allows you to achieve your long-term goals.

”

returns. Instead, the evidence shows that in contrast to top athletes, who tend to win over and over again, top investment managers can't be assessed by their past performance; it's simply not indicative of their future returns.

In contrast, learning from academia and studying industry data provides a map to what actually does and does not work over time. The evidence is clear that investors should not speculate by timing the direction of markets, nor should they engage in investment manager or stock picking. These activities do not work and can hurt returns, add unnecessary risk and result in investors paying too much in taxes.

However, the evidence is, likewise, very clear that investors can be successful by considering some well-supported strategies:

- build a well-balanced portfolio of stocks, bonds and alternatives;
- diversify globally;

**Bottom line:** Evidence-based investing, grounded on facts instead of emotion, can seem rather boring. But, the goal should not be to have exciting and sexy investments that are cocktail party topics; it should be to grow your wealth in a manner that allows you to achieve your long-term goals.

By avoiding the media hype, focusing on the evidence and not succumbing to our natural instincts of greed and fear, investors have a greater chance of long-term success by taking a more deliberate, simple and consistent approach to investing. To learn more about Savant's evidence-based investing approach, visit [savantcapital.com](http://savantcapital.com) and download the “Evidence-Based Investing” white paper. ●

*Savant Capital Management is a Registered Investment Advisor. This announcement is only intended for interested investors residing in states in which Savant is qualified to provide investment advisory services. Please contact Savant to find out if the firm is qualified to provide investment advisory services in the state where you reside. Savant's marketing material should not be construed by any existing or prospective clients as a guarantee that they will experience a certain level of results if they engage Savant's services, and includes lists or rankings published by magazines and other sources which are generally based exclusively on information prepared and submitted by Savant. Please note: "Ideal" is not intended to give assurance as to achieving successful results. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Savant Capital Management), will be profitable for a client's portfolio.*

## ABOUT US

**S**AVANT CAPITAL MANAGEMENT IS A NATIONALLY RECOGNIZED, INDEPENDENT, FEE-ONLY WEALTH MANAGEMENT FIRM SERVING CLIENTS SINCE 1986. We do not sell products, and thus are able to deliver objective fiduciary advice and fully transparent service to our clients. Savant offers integrative investment management and financial planning solutions to individuals, families, foundations, trust funds, retirement plans and nonprofit organizations. Using a time-tested, evidence-based and common sense approach, we provide investors access to an ideal portfolio option and proactive, customized planning advice, all while considering the tax implications over a lifetime. ●