IFB272: Bear Market Therapy

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Dave

0:00

All right, folks, welcome to investing for beginners Podcast. Today we have episode 272. Before we dive into the show, I need to pass along little information for you. So we for the next few months at the investing for beginners podcast are going to conduct a listener survey to help us get to know you your interests and what you guys think of the show. So please support the podcast by taking our short questionnaire, you can find it at survey monkey.com backslash, our backslash airwave.

And yes, I will put that in the show notes, it only takes a few minutes. And your feedback will help us improve our show as well as find new sponsors who are actually interested in you. There's even a place at the end of telling you anything that you want. So as a cool little box, and as a way of saying thank you, our sponsor will include you in an entrance to a $500 gift card from Amazon if you take the survey. So again, that's surveymonkey.com backslash R, backslash airwave to find the survey or look at our show notes. So with that, we will go ahead and segue into our show for today. So Andrew, and I thought that this will actually Andrew thought this would be a great idea to talk about some bear markets therapy, maybe we could talk a little bit about how some people may be struggling with losses, the market being down and kind of how you can deal with that. And the last thing is Andrew is back.

So yay, we have Andrew back. So he's back today, back from his adventures. So he's here with us today. So Andrew, thanks for coming back to us, we appreciate it. And guess let's dive in and talk about bear market therapy.

Andrew

1:33

Happy to be here. Thanks for the warm welcome to me, you know, when I look at investing, and you zoom out, and you look at what's really important with investing, it's probably 80% behavior, and maybe 20% numbers or formulas or anything else that you want to think investing is about.

So for me, I mean, I use numbers a lot. And so for me, numbers are like 100%, because the numbers will drive my behavior. But obviously, that's not everybody. And so when we have a bear market, we really need to look at our behavior, and figure out ways to make our behavior better, so that we'll have better results. And I know coming from experience that when you see losses in your portfolio can be very discouraging. And so to respond to those losses, I think you need to be able to kind of show that, Hey, it's okay, this stuff happens.

And if you can pull yourself out of feeling disappointed or feeling afraid of you don't know what's gonna happen with your portfolio. If you can do that, you'll be a much better investor, rather than being somebody who feels depressed about their portfolio. And it's easy to feel that way. If you're looking at your portfolio and everything's red.

Dave

2:49

Yeah, exactly. So how, like, when you think about your portfolio, is that something that you check on a regular basis? Like? Do you check it daily, weekly, monthly, every six months? Like, how often do you kind of update your portfolio or where it is?

Andrew

3:04

I check in pretty much every day. Okay. But I don't struggle with feeling bad if I see it down. But I can relate with feeling bad if you do see it down to you. How often do you look at your portfolio? And do you feel bad when you see red?

Dave

3:23

Eye check in? Boy, you know, it goes in spurts, some days or some weeks, I may check it every day. And other times, I may check it once a week or even maybe over a couple of weeks. Sometimes I get so wrapped up and other things that I'm doing that I kind of forget about it. And I don't check in. And mostly it's because I just don't really care about the inner day goings on of what's going on?

And no, I don't really get bummed when I look at it. But I see it and I see maybe the you know, the portfolio is down or the markets down? Or maybe the companies that I own are down. And I don't like it, of course, but I don't I guess I'm able to kind of detach from it. I think that's kind of what we were talking about earlier, is we both of us seem to have this ability to kind of act from that. Do you feel like that's something that you do?

Andrew

4:14

I do. But I've had times in my life where I was not to detach very well. And so that's kind of one of the reasons why I wanted to talk about this because especially if you're first starting now, like if you're an investor, and you're like, hey, let me check out the stock market in late 2021. That's a really bad time to check out the stock market.

And so if you start picking stocks, or you start buying an index fund or whatever you are doing to buy the market and you see that hail. I thought when you invest, it's supposed to go up not down. You might start to think that you're not good enough or you don't know enough and that's not necessarily the case because of the cycles of the market. Have you been in a situation where Are you felt like you weren't able to detach? Or was it something you kind of picked up?

Dave

5:04

Immediately, I think a little both. When I first started investing, I remember when I first bought my first stock, Microsoft, I literally looked at it probably five or six times a day for many weeks. And then when I started buying other companies, I noticed that I would still look at it daily, maybe twice daily, but I started lessening the amount that I'd look at it. And I also noticed that at the beginning, I would notice that my moods would kind of sway with how well the first few companies that I bought were doing versus not doing. And then gradually, I guess over time, I just kind of detached myself from it.

Because I was for the A large part of it. I wasn't really, I guess I had this mindset or mentality that I really wasn't going to sell it unless I really absolutely had to. And so I guess my, my detachment came from my mental idea of that, hey, I'm, I bought Microsoft, I'm not giving it up. And I'm just gonna hold this, despite what happens. And I guess the more I learned, the more I felt like that was probably the right way to go. But at first, I did experience the ups and downs for sure.

Andrew

6:18

Have you ever felt disappointed about your results in the market? Well, yeah. Do you want to quit?

Dave

6:26

No, it never made me want to quit. But yeah, of course, I was disappointed. When I first started out, I chosen some companies. And let's just say it chosen poorly. With some of the other investments that I had made. Microsoft did really well. The second company I bought was, it was Activision. And that actually went went up to the right. Like immediately after I bought it, I bought it like, I want to say 26 bucks a share.

And within a month or two, it was over 50 or 60 bucks, it was just huge. But the other two companies that I bought, were not so great. One was Sierra wireless. I don't even know if they're even still public. And the other one was less port, I think it was, it was a hydrogen container. It was like a hydrogen company, a company that made hydrogen engines for trucks, and did terrible. So did Sierra wireless did terrible, like, you know, 80% drops kind of bad. And I remember thinking that at first that, hey, the stock market thing is super easy.

And then once those other companies started, and that's do so well. And Activision kind of came back to Earth rather quickly, that really kind of not soured me, but made me think, Okay, this isn't as easy as I thought it was going to be. And I'm actually going to have to do some work here to make sense.

Andrew

7:46

I mean, if I look back, there's definitely been times where I felt disappointed. And sometimes that can be good, because it can lead you to what you're saying exactly where you're, basically, you recognize, hey, I need to do some more work on this, I need to learn more about this. I feel like that's a good, healthy way to look at it. On the flip side, you know, maybe I'm standing on an island here.

But I think sometimes you can get wrapped up in the whole game of the stock market, and maybe not even realize you're doing it. And I wonder if during a bear market, and what's great is we're recording this, and it won't go live for a couple of months. So for all we know, we'll be away Mark, this will be more stale than the milk of my fridge.

Dave

8:38

That's pretty stale.

Andrew

8:41

But I think sometimes you can get attached to what's going on, and they can affect your moods. So when I had some extra income, we were talking about this, I think on Jordans show, I was like, Okay, well, this is way more money than I'm used to. So why don't I you know, use it to make more money in the short term, kind of like a cash management. So I looked into Options trading.

And I started depending on how you look at it, it's either the best time or the worst time to start options trading, that was March 2020. And you don't have to be a historian, I don't think to realize why that would be a really good or bad time. But the market crashed. And that was a terrible time to be selling theta and being long those positions. So that's what that was. And I remember being wrapped up in it. And knowing like kind of as I was in it, like knowing that this isn't productive.

This isn't doing much for me. And yet, you know, still participating because it's such a exciting thing to see, you know, if the stock market goes up one or 2% These options are going up or down 1050 100% Like it's crazy. And it's can be I just have like a really big time sink. So I remember not being able to sleep at night because something will come up is like what was the big news event this night? And then how is that going to affect the pre market trading the next day?

So I was literally losing sleep getting wrapped up in this. And eventually I learned the lesson. Okay? Obviously, this isn't for me. And I think to kind of catch yourself if you're in a position like that, especially during a bear market, especially where if you're checking every day, and you're thinking, Well, I'm putting all this effort, then, but it's continuing to go against me, then there's, I think, better ways to manage it. And I don't know if we've talked about like detaching yourself from the stock market. But that could be very useful for somebody who maybe feels attached.

And I think it's only natural, when you're learning something new, they get really excited about it. And you can get really wrapped up in it. But if you're wrapped up in it, and associating that with, I'm losing money, every time I'm wrapped up in this, then it can become unhealthy. And maybe that's something you can manage. And that doesn't mean the stock market's a bad thing.

Dave

10:49

No, it definitely is not a bad thing. And I think one of the hardest parts of investing and warning, investing is learning how to manage your emotions. And I think you you said early on in our conversation that emotions play such a big part in what and how we invest. And so as somebody that maybe struggled with that, especially during your options phase, like how did you learn to I guess, detach?

Like, was there some trigger that caused you to go okay, I have to detach from this? Or is that something that's just more of a, a way that you're built? And so you just worn to something that you just kind of do naturally

Andrew

11:33

pronounce a good question. I mean, it's hard to look back with hindsight, exactly. And like, what was that moment? Right? But definitely having lost, you know, 1000s of dollars and being like, okay, I get to write this off for taxes. But

Dave

11:54

what it was looking forward to a couple of

Andrew

11:57

years, why I was like, wow, I could have, you know, gone on vacation or put it towards student loan, like, that can really suck. I don't remember if there was like a particular moment, but I do know, there are a few things that I would tell my former self, and maybe it's not a complete thing, because for me, I, I eventually realized, like options is just not for me. And it's like you almost remember why Oh, yeah, this is why I invest in the long term, because this provides me with positive feelings.

And this other thing really sucks. But you know, if you're buying and selling stocks for the long term, and you're still dealing with not being able to detach from it, I think there's a couple of things that you can do that I've written down, that maybe can help you. Because you do want to still be in the market, you don't want to quit the market, like I quit options trading. But you still might struggle with getting down, sucked down these rabbit holes, that really aren't doing anything for you, if anything, are draining your energy and draining your well being which will lead you to be a bad investor, if it leads you to make bad decisions.

So the first one I have here is deleting any bookmarks that are not letting you detach. So a good example would be if you are like using the watch list on Yahoo Finance, and you use a bookmark to go click on that and see how your stocks are doing second by second minute by minute. Or if it's the stocks app on your phone, whatever that is for you. Just delete the bookmark, it's not to say I'm never going to go on there again. But it's to give you that you don't have this quick reflex to hit the bookmark. And then find yourself sucked up in this time sink that's really not helping you do anything. That would be I guess the first thing I would do,

Dave

13:44

I would probably throw out there. In addition to that, if you have a running stock ticker on your computer at work, I can make that go away.

Andrew

13:52

That sounds like some of the experience doing that. Yep, that'd be

Dave

13:57

Yeah, make that go away. That will be super distracting. And that will not help your mood, if that is something that you struggle with.

Andrew

14:06

So I won't do that. And then this one might sound kind of counterintuitive, or, you know, well, why would they do that. But any, anything that's getting you sucked into that news cycle about finance investing. So that could be even like I love the Wall Street Journal.

But if it's if you have a bookmark to The Wall Street Journal, and you're finding yourself sucked in and reading a lot of bluff instead of something that's of substance create a barrier to that to, you know, whether that's even it could be something like Facebook to where sometimes if you're on Facebook and people are publishing about politics or money or the Fed or the economy, whatever, we should know that stuff isn't necessarily helpful for you making decisions for your investments for the long term.

So if you're again finding yourself super emotionally attached to check In upon what's going on around, you just don't just cut the noise out and put those barriers up. So you can still every once awhile go in there, but it's not easy to do it. And I think that can help. I can think that can really help a lot of beginning investors. Yeah, absolutely.

Dave

15:13

Those are great ideas. And I think if you look at Uncle Charlie, Uncle Charlie and Uncle Warren, that's in essence, what they've done by living where they are, and doing what they do, because they've detached themselves from Wall Street. You know, Warren is in Omaha, Nebraska, that's about as far away as Wall Street get in.

I think he did that for a reason, because he learned to seclude himself from the rat race and everything that could distract him from investing, he comes across as a very sane, rational person, but maybe he's not. And maybe that's what he realized about himself, because he did with there for a period of time. And so maybe that's what he decided was better for his investing career. And his sanity was to move to a place like Omaha, to remove some of those temptations from himself. I think, you know, the ideas that you're, you're talking about are a great way to do it, some people are going to be more naturally inclined to be able to detach themselves, but there's going to be other people that may struggle with this.

And I think figuring out tricks and tools to help you detach from that will help you stay in the market longer, because the worst thing that can happen is you get you get depressed and bummed out about how things are going, that you sell out. And you just never partaken in one of the best ways to grow your wealth for you and your family. And that would be a shame. Everybody has losses.

Even Warren Buffett has companies that don't do well. And he seemed drawdowns in Berkshire Hathaway over 50%, I think three or four times in his career. And it's, it's a normal part of the process. And you're, we're not all going to a we're all not going to hit it right with every single company that we pick. And number two, they're not all going to go up to the right, some may go down, some may go down a lot, some may go sideways, some may go up a little bit, and then come down. I mean, there's just so many ways to do it. And I think that understanding your mental frame of mind, and your decision making can be really, really, really helpful.

And I guess also understanding your weaknesses and why you can how you can try to create, you know, in essence, barriers or speed bumps I, our friend, Andy, he doesn't put a trading app on his phone. So he can't make impulsive decisions, I do the same thing I have, you know, I can only buy and sell stocks on my computer. And it just makes it easier to resist that temptation, you see something on CNBC and go, Oh, I gotta buy this, you know, or Oh, my God, I gotta sell.

And you can resist that a lot easier. If you have barriers to yourself, I think the idea of understanding yourself and wanting to step away from things, if it's not something that comes naturally to you, I think is very, very smart way to go about doing it. And I think the two ways you mentioned I think are great,

Andrew

17:54

I'll throw out so we throw out some speed bumps, let's throw out a different route to. So again, if you're new to a hobby or passion, I feel like it's easy to get wrapped up in it. So why not, instead of checking, you know, Doom scrolling your portfolio, why not create bookmarks to, like, let's say like a Google sheet where maybe you have like a to do list of, I'm gonna learn about these five companies, you know, I'm gonna read these five annual reports, I'm gonna do a super deep industry dive on these three industries, stuff that's actually gonna help you as an investor, that's actually you'll feel good after you do it, you'll become smarter after you do it.

And that information is evergreen. So you can use that maybe you do find a good investment in there, or maybe you don't, but maybe you have that information, and later on, it becomes a good investment. So instead of wasting however much time you did on feeling bad about stocks being down, you can use that instead and use all that new passion and energy towards things that will actually make you a better investor. And they'll give you all the dopamine you want without any of the negative side effects of, you know, feeling bad, and it kind of shifts your mindset away from what happened in the market today to what can the market do for me in the next 10 years, 15 years, 20 years.

And you know, maybe even add a couple books on like a to do list to be like, I'm gonna use this time I'm gonna use a bear market, I'm going to use a red day to make myself better instead of feel bad about losing 1000s of dollars.

Dave

19:38

I think that's a great insight. And I love that idea of maybe turning the doom and gloom into something that could be more positive than more productive. And I think that's a great way to think and, you know, one of the things I like about the market is there's always something new to learn. And there's always something new to embrace. I was picking look at a dev ops company for Twitter. called Data dog.

And when I first started reading about it, I'm like, I have no idea what this is. And but instead of getting depressed about it, I just made a list of like all the different terms that they talked about in their financials. And then I started literally Googling them. And trying to figure out what these mean, what does this mean? I don't know what this means. And because that's just not something I normally do.

So instead of being negative about it, I just tried to learn something about it. And will I ever invest in a company? Probably not. But it's more information I can use in the future. And it's like Andrew said, it's evergreen. And it's something that will compound upon something else that I may be interested in, in in the future.

And it's, you know, that, to me, I think that's one of the things that I like about the stock market is it's endlessly fascinating. And you just look at the history of it, you just look at all the characters that are involved, and all the different companies are involved, and everything that goes into it, there's a lot to learn. And it's a never ending learning experience. And I take some solace from guys like Charlie and Warren, that are 99 and 9192, respectively, and they're still trying to learn, and you know, me at 56, I'm still I got a long way to go.

Andrew

21:12

That's really a great mindset to have this learning to treat it like a learning experience instead of treat it like I'm winning or losing. You know, we've been doing this for so long. It's been, what, six, seven years on the podcast? Yeah, over 10 years of investing for me. So having the curious mindset makes a lot of sense to me.

But I don't think it's necessarily natural. So if you're facing losses, if you're facing this feeling that like, Man, I just can't figure the stock market stuff out. If you're feeling overwhelmed or intimidated. I would just encourage you that the more you learn, the better you'll get. Having the right mindset and doing some practical things can help you turn the negativity of stocks other down into something that's more positive. Over the long term. I just wanted to share this since it is therapy.

It's a quote says, lift up your eyes discouraged, one, when you feel like giving up when they say it can't be done. It's up to you to show them why they're wrong. That's actually from the great bands called Memphis. It's actually Memphis may fire. Cool. So take that with you. And don't get discouraged. And don't be intimidated. You can do it.

Dave

22:36

Yep, you absolutely could. All right, no great, great words of wisdom. Thank you for sharing those. All right. Well, with that, we will go ahead and wrap up our conversation for today. I hope you enjoyed our bear market therapy. And like Andrew said, if it's a bull market, just keep in mind at some point, it will be a bear market again.

So you can use all these, use all these ideas in different strategies to help you whether the market is up or down. Because we will have, we will have days where we're discouraged. And you can work through them. So the things that Andrew was sharing with us, I think are great insights.

So with that, we will go ahead and wrap our show. Last thing I wanted to say was once again, I guess please support the podcast. By taking our short listener questionnaire, you can find that at survey monkey.com backslash, our backslash airwave or you can click on the link in the Episode Notes. That'll help us out a lot. We would appreciate it if you take a few minutes to take a look at that. And with that, I will go ahead and wrap us up. You guys go out there and invest with a margin of safety, emphasis on the safety. Have a great week, and we'll talk to you all next week.

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