

The Optimistic Investor[®]

Focus on What Really Matters



Pick Your Poison – Discipline Today or Regret Tomorrow

The United States and Israel have been at war with Iran for almost a month, but there are still many questions that don't have clear answers. Some of those are geopolitical, like how this will reshape Iran's government and what that will mean for the future of the volatile Middle East. Many others bear directly on financial matters, such as how this conflict will impact global energy supplies, inflation, and broad equity markets.

The situation in Iran reminds us how uncomfortable uncertainty can be. It's hard not to feel anxious as hostilities commence and the possibility of escalation looms. Earlier this month we provided encouraging data on how global equity markets have performed in the aftermath of past military conflicts. But historical context doesn't always overcome fear of the present.

In such moments, we must separate our emotions as compassionate human beings and global citizens from the task before us as investors. Our hearts

break for those suffering catastrophic loss, and we worry about what these events may mean for global security and order. But as investors, we must temper those emotions to make good decisions in uncertain times.

In a moment of true serendipity, just as the fighting in Iran began, we came across a quote from Jim Rohn that perfectly frames the challenge investors face. If you're not familiar with him, Rohn was an author and motivational speaker who played a major role in developing the self-help industry. He helped many people in their pursuit of better lives and served as a mentor to Tony Robbins. One of his most famous observations is: "We will all experience one pain or the other – the pain of discipline or the pain of regret."¹

¹ Jim Rohn, *The Five Major Pieces to the Life Puzzle: A Guide to Personal Success* (Jim Rohn International, 1991), 53.

Starting at the End - Two Possible Outcomes

When Rohn wrote those words, he was focused on personal development and the broader pursuit of success. He wasn't specifically talking about investing. Yet his words nevertheless cut straight to the essence of what it means to be a successful investor.

To fully appreciate their wisdom, we have to step back and frame the broader issue. In the end, most of us are investing for retirement – and retirement comes down to a simple truth: there are only two possible outcomes. Either your money outlives you, or you outlive your money.

If your money outlives you, that means you can maintain your standard of living, remain independent, and enjoy flexibility and financial stability for the rest of your life. That's what every client we work with wants, and we'll call that outcome Door #1.

In contrast, if you outlive your money, you don't have those luxuries. You may not actually spend your last penny, but your wealth deteriorates to the point that you must forgo things you want to do and adjust in ways you never intended. The comfort of flexibility is lost and you risk becoming dependent on others (or the government) to meet your needs as you age. That's Door #2.

Everyone who knocks on Door #2 ends up wishing they had made different choices. It's a terrible feeling to know that your wealth is running out, and the sadness and frustration that come with that knowledge are the "pain of regret" Jim Rohn described. We all want to avoid that, so let's talk about how we can end up at Door #1 instead.

In a way, we began charting the path to Door #1 in our September essay, [Illusion of "Safety"](#). That essay looked at the words "safe" and "risky" as they're frequently used to describe investments. We explored the corrosive effect of inflation over time, and how bonds and stocks have historically fared at generating the rising stream of income we need to fend off inflation through a multi-decade retirement. The clear conclusion was that bonds, which are often portrayed as "safe" investments, are actually quite risky because they can significantly increase the chance of running out of money later in life.

From the [Illusion of "Safety"](#) and other past essays, we know that owning diversified equities (stocks) is a key part of getting on track for Door #1. But getting on track and staying on track are two different things. As Jim Rohn suggested, once we're on the right path, we still have to endure the "pain of discipline" to stay there.

The Rocky Road to Door #1

To understand the "pain of discipline," we need to recognize and appreciate the inherent conflict between **emotional want** and **financial need**.

Emotional want is the desire for safety that's wired deep into our psyches. We crave stability and comfort and want to avoid feeling vulnerable and exposed to danger. An easy example is that we all prefer our warm, dry homes to living outside in the cold and snow of winter. Similarly, when it comes to investing, we have an intuitive preference for stability and more certain outcomes, and that can make us leery of more "volatile" investments that experience significant swings in value.

The concept of financial need is what [Illusion of "Safety"](#) was all about. It refers to the fact that we need to generate a rising stream of income throughout retirement to fend off inflation and live comfortably for several decades. And the best way to do that is with a diversified equity portfolio. Said another way, our financial need is that we have to be equity investors to end up at Door #1.

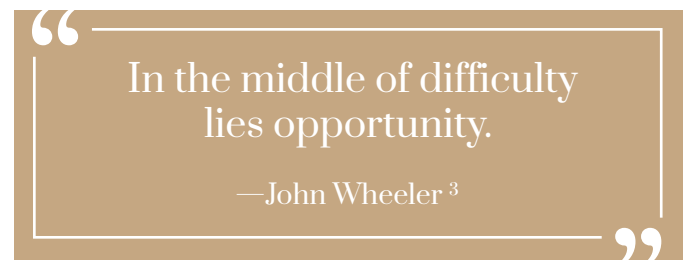
At this point, the conflict between emotional want and financial need is probably apparent. The more we indulge our desire for "safety" and "certainty" in the here and now, the less likely we are to be comfortable and have financial security in the long run. And the more we're willing to tolerate uncertainty and emotional discomfort in the present, the better our chances of stability and living comfortably in the future.

“Certainty” and return are inversely correlated. One value must always be traded away in order to secure an increase in the other.

—Nick Murray²

That brings us back to the “pain of discipline.” For our purposes, it’s the emotional discomfort that comes with knowing the future is uncertain—the internal struggle to resist reacting in fear when events like the Iran conflict occur. Maintaining the long-term focus that leads to Door #1 means accepting that we can’t predict how markets will respond to current events. It requires understanding that corrections and bear markets are an inevitable part of the process, and that we’re going to go through periods where our portfolios decline in value. We must trust in our long-term plans when tomorrow seems uncertain, and we must have faith in the future even when things look bleak. That’s a difficult path, but it’s the only one that reliably leads to Door #1 and lasting financial security.

Fortunately, you don’t have to walk that path alone. We’re here to help you chart your course to Door #1 **and** guide you through the difficult stretches when your resolve is tested. It might be tough, but we’re



confident that we can do it together. And if we do our job well, many years from now you’ll look back and agree with Jim Rohn that “the pain of discipline weighs only ounces while the pain of regret weighs tons.”⁴

² Nick Murray, *Around the Year With Nick Murray (The Nicholas Murray Company, Inc., 2016)*, 65-66.

³ Mirjana R. Gearhart, “FORUM: John A. Wheeler,” *Cosmic Search* 1, no. 4 (Fall 1979), <https://www.bigear.org/vol1no4/wheeler.htm>.

⁴ *The Five Major Pieces to the Life Puzzle*, 53.

Innovation and Good News

1. Earlier this month, the U.S. Nuclear Regulatory Commission (NRC) issued TerraPower a [permit to build a nuclear reactor](#) in Wyoming. This was the first commercial construction permit issued by the NRC since 2018, and it could be an important step in meeting our country’s increasing energy needs. Notably, the TerraPower reactor will be cooled by molten sodium instead of water, which is supposed to be safer and reduce generation costs.
2. A [self-driving truck company](#) called Aurora Innovation recently announced a significant expansion in the network it services. The expansion includes a 1,000-mile route between Fort Worth and Phoenix, and the company claims it can cut transit times “nearly in half” for such routes because it’s not subject to rules that require mandatory rest breaks for human drivers.
3. Artificial intelligence (AI) has tremendous potential to improve cancer screenings. In late January, researchers published the full results of a randomized trial in which AI was used to help radiologists read mammograms. Data showed that AI reduced the human workload by 44% while [detecting 29% more cancers without](#)
4. Merck and Moderna announced promising results from the ongoing clinical trial using their [mRNA cancer vaccine](#) to treat melanoma. The vaccine essentially trains the body’s immune system to seek out and destroy melanoma cells, and results showed that pairing the vaccine with Merck’s immunotherapy Keytruda reduced the risk of death or recurrence within five years by 49% compared with the immunotherapy alone.
5. And in more good news on the fight against cancer, the [American Cancer Society’s annual report](#) showed that the five-year survival rate for U.S. cancer patients has reached an all-time high of 70%.
6. Advances in health care are part of the reason that [life expectancy at birth](#) in the U.S. has reached a record high of 79 years old. Some of you are probably thinking: I told you I wasn’t going to live to 92! But life expectancy at birth is very different from life expectancy at retirement. The average non-smoking married couple retires at 62 and has a joint life expectancy of 30-plus years!

Team Kooman Corner

Back in October, Taylor Canole and her husband, Matt, welcomed a baby boy to their family! His name is Bruin and we're thrilled to welcome him to the Team Kooman family.



Our newest team member, Rob Krimmel, passed his Series 65 examination and is now a licensed financial advisor. We're excited to celebrate this initial milestone in what we're confident will be a very successful career. Congratulations, Rob!

Please note that our office will be closed on Friday afternoons from Memorial Day to Labor Day again this year. These "Summer Fridays" give our team some much-deserved extra time with their families, and we appreciate your support in providing them that opportunity.

KOOMAN & ASSOCIATES

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- If there are any changes in your personal/ financial situation or investment objectives, so we can review, evaluate and/or revise our previous recommendations as needed; or
- If you would like to impose, add or modify any reasonable restrictions on our investment advisory services.

Unless and until you notify us, in writing, to the contrary, we will continue to provide services as we do currently.

Please also remember to advise us if you have not been receiving account statements (at least quarterly) from your account custodian.