



(UBS)

Learning the new rules of investing

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When we first start investing, it often feels like walking through a complex field of landmines, where one misstep can lead to disaster. Few of us are taught the basics of how to save and invest, much less an understanding of various account types, investment vehicles, tax strategies, and sophisticated financial planning approaches.

Investing is not only complex, it is also counterintuitive. The mathematics of compounding growth—essential for evaluating the consequences of investment decisions—fundamentally elude the intuition of our primitive brains. To compensate, we often rely on mental shortcuts that our ancestors evolved to survive in a much simpler world—intuitions and instincts that can actively work against our best interests when it comes to investing.

As a result, we struggle with a range of behavioral and cognitive biases that lead us to misjudge trade-offs and make irrational decisions. We chase performance, overtrade our accounts, find patterns in random noise, and put our money into arbitrary “buckets.” Additionally, we suffer from a “fight or flight” response that often causes us to overreact. To put it bluntly, our brains are hard-wired with behavioral biases that lead us to make predictably irrational decisions.

How to avoid common mistakes

There are many strategies that you can employ to improve the quality of your investment decisions and avoid common pitfalls. For example:

- Discover and articulate your goals, values, and fears.

- Develop a comprehensive plan.
- Practice humility and avoid relying on predictions.
- Focus on things that you can control.
- Automate good decisions such as saving, rebalancing, and tax loss harvesting.
- Erect barriers to keep yourself disciplined.
- Regularly review and update your plan.

The UBS Wealth Way strategy is a robust framework for bringing these ideas together. By organizing your resources into the Liquidity. Longevity. Legacy. strategies, you can coordinate them to meet your goals. This approach provides a concrete way to view your investment progress and gauge your resilience against risks ranging such as market volatility and the possibility of outliving your life expectancy.

There is one additional strategy that may be even more valuable than those listed above: **Learn from the mistakes of others.**

Learning from your own mistakes can be costly and painful. Experience is a fickle teacher, often delivering harsh lessons. It's far more beneficial to learn from the mistakes of others. As Eleanor Roosevelt famously noted, you won't live long enough to make all the mistakes yourself.

One of the significant advantages of working with a financial advisor is their accumulated experience. Financial advisors have a treasure trove of cautionary tales and best practices to share, and they can help you evaluate decisions from a fresh perspective. While each family's circumstances and goals are unique, we've each encountered some of the same investment challenges and tried different approaches. A financial advisor can share these stories, perspectives, and philosophies for your consideration.

With this in mind, I want to recommend a new book, *The New Rules of Investing*, by Mark Haefele, the Global Chief Investment Officer for UBS Global Wealth Management. In each chapter, Mark—along with his co-author, Richard C. Morais—presents a rule that will help investors manage wealth in our rapidly changing world. These rules are interwoven with compelling stories about the successes and failures of investors and families, each seeking to articulate and achieve their own definitions of success.

One of my favorite chapters covers a bonus rule: **Understand that investing is an exercise in humility.** In this chapter, Mark shares a series of often-painful personal stories that have shaped his investment philosophy, ranging from training to be a paratrooper, to climbing the tallest mountain in the United States, to running a hedge fund at the peak of the Tech Bubble.

Stories like these are invaluable. They not only help us to learn from experiences that we'll never have; they also give perspective about how others measure their outcomes and define success and/or failure.

As Yoda once said, "The greatest teacher, failure is."

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For much more on "The New Rules of Investing" by Mark Haefele, UBS Global CIO, visit the [book's website](#) or watch the latest [UBS Trending video](#). This newly released publication positions UBS as a trusted partner and emphasizes the value of expert financial advice in navigating both the professional and emotional aspects of life's events. It highlights [UBS's Wealth Way approach](#), and serves as a unique tool that can help you hone in on your clients' portfolios to meet their goals with confidence, now and for generations to come.

UBS Wealth Way is an approach incorporating Liquidity. Longevity. Legacy. strategies that UBS Financial Services Inc. and our Financial Advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different time frames. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment.

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