

# RETIREMENT PLANS THAT “CLEARLY” WORK FOR YOU.



Prizant Group

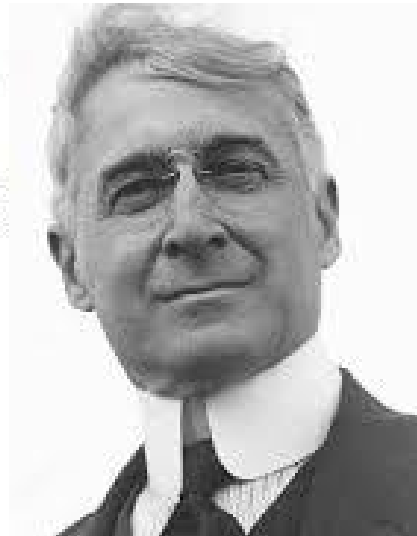
Show me the charts, and  
I'll tell you the news.

Have an opinion on what  
the market should do but  
don't decide what the  
market will do.

Be happy with a  
percentage of the move.

Bernard Baruch

@EdMatts



## NEVER FOLLOW THE CROWD: Bernard Baruch (American Financier/1870-1965)



*The definition of a bandwagon is a wagon which carries a band during the course*

of a parade, circus or other entertainment event. The phrase "jump on the bandwagon" first appeared in American politics in 1848 when Dan Rice, a famous and popular circus clown of the time, used his bandwagon and its music to gain attention for his political campaign appearances. As his campaign became more successful, other politicians strove for a seat on the bandwagon, hoping to be associated with his success. Later, during the time of William Jennings Bryan's 1900 presidential campaign, bandwagons had become standard in campaigns, and the phrase "jump on the bandwagon" was used as a derogatory term, implying that people were associating themselves with success without considering that with which they associated themselves [Bandwagon](#).

It has always been easier to go with the crowd than against it. Being an individualist, in a society that rewards conformity, is a difficult road to hoe. While Americans supposedly prize "**Rugged Individualism**," their daily actions reflect the 180 degree opposite. Taking the path of least resistance may make your life easier in some sense, but less fulfilling overall. I felt that the article below does an excellent job of explaining "Bandwagon" behavior. So, pay attention and take notes!



Imagine you are traveling to a new city. After the whole day of sightseeing, one of the most important decisions you need to make is which restaurant to dine in. You narrow it down to two restaurants located next to each other, which are quite similar in terms of cuisine and prices. One of them is empty and the other is crowded. Which one would you choose to dine in? While making a decision, most of us love the comfort of the crowd. We trust the wisdom of a large group to choose the right restaurant, movie, music or phone. And most of the time, this herd instinct or herding works well for us. Herd instinct is a mentality that is distinguished by a lack of individual decision-making, causing people to think and behave in a similar fashion to those around them. Unfortunately, this behavioral bias has some serious consequences in the investing world. One of the essential conditions of a well-functioning market is diversity of views. Investors making unbiased assessments of the securities and acting

independently cause efficient price discovery. This is because, even if their individual thinking is faulty, the mistakes would cancel each other out. This diversity is lost when investors follow what they perceive other investors are doing, rather than depending on their own analysis. In other words, an investor exhibiting herd instinct will gravitate towards the same or similar investments based almost solely on the fact that many others are buying the securities. Herd instinct has a history of starting large, unfounded market rallies and sell-offs that often lack fundamental support to justify either. Over time, this has been a significant driver of asset bubbles in the financial markets.

### **SOLOMON ASCH EXPERIMENT**

Solomon Asch, a Polish-American psychologist, conducted experiments to understand the degree to which a person's own opinions are influenced by those of groups. In one of the experiments, participants were called in groups of eight and shown two cards. One card had one straight line which had to be matched with the three lines shown in the other cards. Each participant was supposed to call out the answer in terms of A, B or C. Asch designed the group in such a way that there was only one test subject in the group, the others were confederates who were told to answer in a particular pattern. There were 18 trials and the confederates were asked to answer 12 of them incorrectly.

About 75% of the actual test subjects (excluding confederates) went with the majority at least once and 32% of the test subjects went with the opinion of the majority all the time. Privately, these subjects were able to give the correct answers, but they preferred to conform to the crowd during tests. Asch's experiments are important in understanding that people feel the need to fit into the group. In subsequent experiments, Asch was also able to prove that conformity increases if the group is large; conformity increases when the subject is faced with higher uncertainty (difficult task); and conformity also increases when members of the group are of a higher status.

All these observations are extremely important to stock market investing. The crowd is obviously much larger, and the media also contributes to providing a high-pitched broadcast of popular ideas. Intrinsic values of companies are uncertain and don't have a definite mathematical formula. Hence, it is a difficult task to estimate fundamental valuations of companies. The influence of experts (who are also vulnerable to herding) is also strong on individual investor's opinion.

### **CONTRARIAN THINKING DIFFICULT BUT NEEDED**

It is tempting to be part of the crowd and indeed, painful to avoid the herd

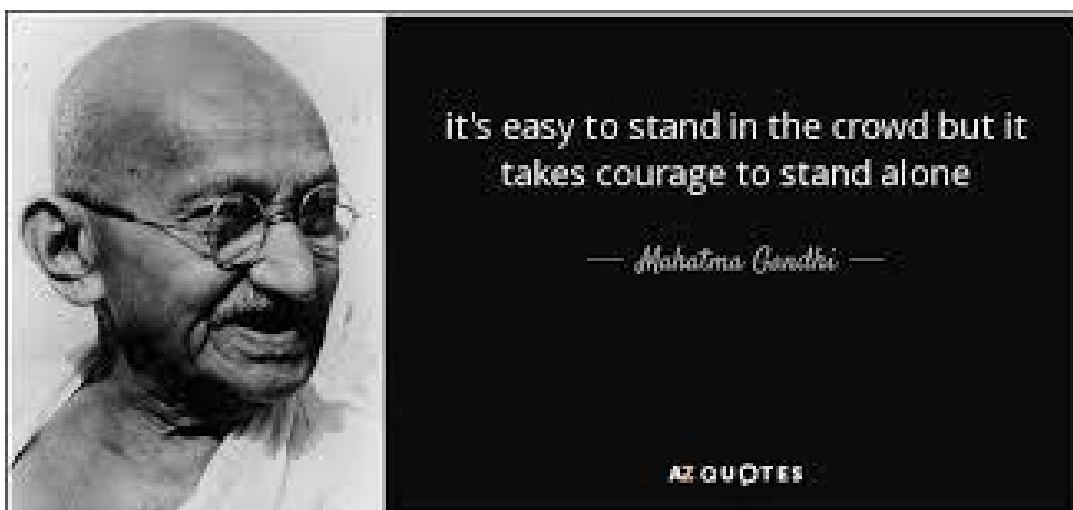
instinct. Contrarian investing (going against the crowd) is more about the emotional strength (behavioral edge) than knowledge (information edge). Neurologists have found that the parts of the brain that respond to exclusion were the same parts that responded to physical pain. In other words, the feeling of being excluded or rejected provokes the same sort of reaction in the brain that physical pain might cause. Standing against the crowd is, hence, extremely painful.

However, for successful investing, contrarian thinking is important. Swaying with the pendulum of market mood can compel the investor to buy during a bubble and sell during a crash. To take advantage of these market swings, an investor needs to design a good investment philosophy and process and follow it with discipline to generate superior returns compared to the crowd.

It is equally important to have the right team or right set of people to discuss investment ideas with. In the experiment, Asch found that having one of the confederates give the correct answer, while the rest of the confederates gave the incorrect answer, dramatically lowered the conformity of the test subject. It shows that most investors can improve their decision-making with the right support. [Crowd](#)

To keep you in the "Money Mode," let's listen to a little O'Jays singing "For the Love of Money"

[O'Jays](#)





Lo these many years, I have learned that if "Everybody Wants To Buy Something," then "Sell It To Them and Don't Look Back." Beanie Babies, McDonald's Happy Meal Toys, Baseball Cards, Gold, Silver, Houses, Equities, Diamonds, Rolexes, Tulip Bulbs, Farmland, Oil Wells, Antique Cars, Art, Bitcoin and the list goes on and on. I am profoundly worried that the recent increase in small investor stock trading (i.e. The Retail Trade) is going to end very badly. **Retail.** With many platforms dropping trading commissions and making equity buys/sells so easy; the perceived barrier to stock trading has rapidly come tumbling down. The investment world had pretty much given up on the retail investor buying individual stocks. It appeared that mutual funds and ETFs ruled the day. Alas, since the COVID-19 pandemic, this has not been the case.

#### Trading

I have toiled in this investment business for close to 35 years and some of the moves that I have seen recently in large capitalization stocks have been mind boggling! Are they warranted? Evidently, the investing public and financial analysts believe that the future is extremely bright for a small group of technology stars. **Tech**

My fear is that when all the **"rats head for the same hole"** when (not if) **"Fear overtakes Greed"** that this new generation of investor made forever be chastened. Historically, stock markets go down faster than they go up!

Though the dramatic rebound in stocks from the lows of March 23, 2020 has been a relief for my retirement plan participants; we continue to advise an investment course that aligns with each person's personal risk tolerance. Everybody **LOVES TO MAKE MONEY** but **NOBODY LIKES TO LOSE MONEY**

We, at **The Prizant Group** continually preach that **"WHAT GOES UP, MUST COME DOWN"** to our participants and they need to maintain an even keel. Investing for retirement is a long game and leading the Indy 500 with 100 laps to go **DON'T MEAN NOTHING!**

**REMEMBER: EVERYTHING IN MODERATION, INCLUDING MODERATION.**

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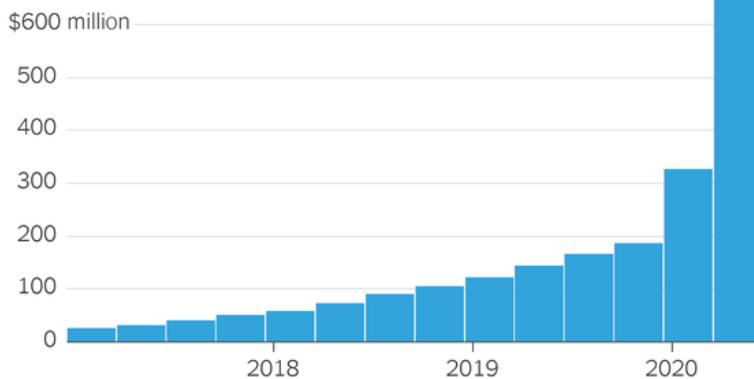
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Let's light  
this candle.  
—Alan Shepard

Zoom Video quarterly revenue



By The New York Times | Source: Senticio

### Tesla share price



By The New York Times | Source: Senticio



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