



## Keeping It Simple

***“Simplicity is the ultimate sophistication.”***

- Leonardo da Vinci

The engineers on Lockheed’s top secret “Skunk Works” team are responsible for designing and building technologically advanced aircraft for military applications. This is a highly complex undertaking involving knowledge and technology that are far beyond the grasp of the average layperson. Over the decades that Skunk works has applied its mastery of intricate physics and mechanics to developing its highly sophisticated aircraft, it has learned a valuable lesson which it has converted into a motto to guide its design process: KISS. *Keep It Simple, Stupid.*

These engineers are certainly not stupid, but they understand that unnecessary complexity certainly is. And like these engineers, most people claim to value simplicity in their lives. Yet for some reason when it comes to investing many insist on making this aspect of their lives far more complicated than it needs to be.

Investors often believe that they or their advisor should take action in response to the latest crisis or boom in the financial markets, and there is always a desire and an expectation to know where the market is headed. The media often has a complex answer and investors feel oddly comforted when their advisor provides them with one of those complex, jargon-laden explanations. The reality is that no investor,

amateur or professional, has the ability to consistently predict short-term market movements. Fortunately, investing doesn’t have to be a perpetual struggle where investors are constantly battling against the market in an attempt to enhance gains and avoid losses. In order to be a successful investor, you just need to stop fighting the market and allow it to work for you.

Over the past 50 years, US stocks have returned nearly 10.2% per year. Compounded over that 50-year period, this is a total return of over 12,500%<sup>1</sup>. Any investor could have entered the market in 1966, ignored his portfolio for 50 years, and seen his wealth increase by 125 times over that period. These returns were available without having to time the ups and downs of the market. The returns were there for the taking by anyone who had the discipline to sit back and allow the power of capitalism to do its work.

Given these fantastic results, why has investing proven to be so frustrating for so many people? Why have most investors failed to earn the returns that the market has generated? The fact is that earning these market returns is quite *simple*, but for most investors

*(continued on back)*

**H|I|G** HERITAGE  
INVESTMENT GROUP

it is not *easy*. Emotions, impatience, and lack of discipline always seem to get in the way. Wall Street and the financial media reinforce this behavior by encouraging investors to trade frequently, to chase hot investment trends, and to allow fear and greed to govern their actions. When you simply invest for the long-term, you can obtain the returns that the market is offering you. But when you engage in market timing or when fear and greed get the better of you, you risk losing money that should already be yours.

The engineers at Lockheed's Skunk Works are among the most highly regarded in the world, and their motto cautions against needless complication at the expense of success. This is a simple idea with simple works, yet it is incredibly difficult to abide by. The best investment strategy is to implement a disciplined long-term plan, ignore the media noise, stand firm in the face of short-term market volatility, and ultimately realize the profits that the market has offered. The sublime simplicity of this strategy tends to be met with skepticism, and sometimes disbelief, yet history demonstrates its effectiveness.

In the end, the smartest, most sophisticated approach is to keep it simple. And that's not stupid.

150-year returns of Dimensional US Market Index as of June 30, 2016, gross of fees. Source: Dimensional Fund Advisors



*Heritage Investment Group provides wealth management and investment guidance to high-net-worth individuals, families, charitable foundations and qualified plans. We provide seasoned financial guidance, with respect and integrity, backed by a disciplined investment process. Since 1993 we've built our firm on a strong foundation of family and friendships with guiding principles of ethics and integrity.*

*The original version of this article was written by Heritage for the Nov/Dec 2016 edition of The Light, a local magazine serving Broward County, Florida.*



**H|I|G** HERITAGE  
INVESTMENT GROUP

2480 N.E. 23rd Street, Pompano Beach, Florida 33062  
Phone: 954.785.5400 Fax: 954.933.0966

115 South Fielding Avenue, Tampa, Florida 33606  
Phone: 813.258.1759 Fax: 813.254.3756

[www.heritageinvestment.com](http://www.heritageinvestment.com)