
You Know More about Investing than You Think You Do

Sep 21, 2023

No matter how familiar we are with investing, we've all navigated uncertainty, weighed risks and rewards, and made carefully considered tradeoff decisions. Just by being human, we've been compelled to tackle the central challenges of life—which also happen to be the central challenges of investing.

At Dimensional, we believe that having a good investment experience is about more than returns. What matters just as much is how someone feels along their financial journey. And that's really what the investment business should be about: helping people live better, more fulfilling lives.

Investing better means living better. Not just because it can lead to having more money, but because many of the habits that serve us well as investors serve us well in life, too. By integrating our life and investment philosophies, we can see money as a tool that empowers our plans rather than as a goal in and of itself. Here are six principles that can help you in life and in investing.

UNCERTAINTY CREATES OPPORTUNITY

Uncertainty can be uncomfortable, but we often forget that, without it, there would be no opportunity. When we decide to move to a new city or change career paths, we don't know exactly what will happen. There's always a risk that things won't work out the way we had hoped, yet these experiences help us grow and can change our lives in amazing ways.

When you invest, returns are compensation for taking on uncertainty. Without risk, there would be no reward. But there's also risk in choosing not to invest, because if your money doesn't grow over time, it won't go as far in the future. Cash hidden under a mattress can't keep up with inflation.

As investors, it's easy to get caught up in worrying when markets drop. But when we realize that investing means getting paid for accepting risk, we can start to see uncertainty as a source of opportunity, even during times of market volatility.

Embracing uncertainty rather than trying to avoid it can help us live better. This approach to life and investing guides us through uncertain times and helps refocus our attention on the opportunities ahead.

*“The best antidote to uncertainty is educated optimism.”—
David Booth*

PLAN, DON'T PREDICT

We've all tried to predict what will happen in life, only to be disappointed when it didn't turn out the way we anticipated. But human beings develop strategies to deal with the fact that none of us has a crystal ball. We apply to a list of potential colleges, not just our first choice. We interview a series of job candidates, even when there's a clear front-runner. We wear a life jacket on a boat, even though we know how to swim.

Investing is just like life: For maximum peace of mind, we make plans that account for a broad range of possible outcomes. This way, you can feel empowered by the unknown instead of paralyzed by it.

Research has shown that stock pickers consistently underperform their benchmarks.¹ But you don't need to be able to predict winners to have a good investment experience. Over the past century, markets have returned, on average, about 10% a year.²

So don't try to outguess markets—go with them, even when that means tolerating and being prepared to live through some short-term disappointments. Odds are you'll have a better investment experience in the long run.

*“Plan for what can happen, rather than trying to predict what
will happen.”—David Booth*

FLEXIBILITY ADDS VALUE

When you're in the market for a new car, you probably know exactly what you want, down to the color of the interior trim. But it can be hard to locate the precise model and features you're after, and once you do find the car you want, you may have to pay a premium for it.

If you're willing to be flexible with your choices—maybe going with black instead of gray or sacrificing a sunroof—you can get that new car faster, and at a better price. Life rewards flexibility over rigidity.

Flexibility adds value in investing, too. Staying flexible around what stocks to hold and when to trade can give you an advantage. While index funds are a solid, low-cost solution for many investors, they are forced to trade on certain days to track their index. The funds may not get the best prices on the securities they hold, resulting in investors leaving returns on the table.

In life, as in investing, sound decisions are often grounded in research and implemented with flexibility.

“Flexibility adds value because it leaves space for judgment.”—David Booth

HARNESS THE POWER OF COMPOUNDING

Even the small, seemingly inconsequential decisions we make every day can have a big impact over time. Whether we’re trying to run a faster mile or master a foreign language, the best way to stay motivated is to keep reminding ourselves of the rewards that come from patience and commitment. Just a little bit of time every day can add up to a lot of progress.

The same is true of investing. A 10% return on your investment each year—similar to the stock market’s historical annualized average—would double your money every seven years. Having a lot of time can help an investor make up for not having a lot of money.

In both life and investing, compounding is a powerful force. You might say that the life equivalent of compound interest is wisdom. Learning from the past can help us make better decisions in the future, and those lessons build on one another over time.

“Your life is the result of the cumulative effects of the decisions you make every day.”—David Booth

CONTROL WHAT YOU CAN CONTROL

So much in life—good and bad—is out of our control. Sudden storms can pummel us in the middle of summertime. A sports team that seemed destined for a disappointing season can come out of nowhere to win a championship. While we can’t control everything that happens, we can take charge of how we prepare for and react to life’s curveballs.

As human beings and investors, all we can do is try to make the best decisions possible with the information we have available, plan for a range of outcomes, and relax knowing we’ve taken a sensible approach.

In investing, you can’t control the ups and downs of the market. What you can control is how much you save, the risk you take on, and the guidance you seek in putting together an investment plan that’s right for you.

The future is uncertain, but the quality of your decisions doesn’t have to be. When you make informed choices, you have the satisfaction of knowing you did everything within your control, even if things didn’t work out exactly the way you’d hoped.

“While you can’t control the world around you, you can control how much risk you take.”—David Booth

TUNE OUT THE NOISE

When you focus on an important goal, other people’s opinions can be distracting, even derailing. Who cares if a friend doesn’t agree with your new exercise plan, as long as it’s working for you? Once you’ve done the research and come up with a road map for success, rally your supporters and turn down the volume on your detractors.

This mindset is also key to being a successful long-term investor. Many of us are exposed to a barrage of investment commentary—for example, TV pundits handing out stock tips and friends touting the “next big investment.” As tempting as the ideas may sound, they’re potentially harmful distractions. Things that seem too good to be true usually are—and yielding to your “fear of missing out” can exact a deep price in the form of lower returns over a lifetime.

We all know that markets rise and fall—so we can be disappointed by downturns, but we shouldn’t be surprised by them. Reacting emotionally to recent market volatility may be more detrimental to your portfolio performance than the drawdown itself.

How do you tune out the noise? Working with a financial advisor, like working with a trainer or coach, can help you see past the headlines to cultivate discipline and the sense of security that comes from knowing you have a well-thought-out plan.

“When it comes to investing, a lot of things are interesting without being meaningful.”—David Booth

-
1. Eugene F. Fama and Kenneth R. French, “Luck versus Skill in the Cross-Section of Mutual Fund Returns,” *Journal of Finance* 65, no. 5 (2010): 1915–1947. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.
 2. In US dollars. Based on S&P 500 index annual returns, 1926–2022. S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

The information in this material is intended for the recipient’s background information and use only. It is provided in good faith and without any warranty or representation as to accuracy or completeness. Information and opinions presented in this material have been obtained or derived from sources believed by Dimensional Ireland and Dimensional UK, as applicable (each an “Issuing Entity, as the context requires), to be reliable and the Issuing Entity has reasonable grounds to believe that all factual information herein is true as at the date of this document. It does not constitute investment advice, recommendation or an offer of any services or products for sale and is not intended to provide a

sufficient basis on which to make an investment decision. It is the responsibility of any persons wishing to make a purchase to inform themselves of and observe all applicable laws and regulations. Unauthorised reproduction or transmitting of this material is strictly prohibited. The Issuing Entity does not accept responsibility for loss arising from the use of the information contained herein.

This material is not directed at any person in any jurisdiction where the availability of this material is prohibited or would subject Dimensional or its products or services to any registration, licensing, or other such legal requirements within the jurisdiction.

"Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd., and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

RISKS

Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.

UNITED STATES

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

Investment products: • Not FDIC Insured • Not Bank Guaranteed • May Lose Value

Dimensional Fund Advisors does not have any bank affiliates.

CANADA

These materials have been prepared by Dimensional Fund Advisors Canada ULC. The other Dimensional entities referenced herein are not registered resident investment fund managers or portfolio managers in Canada.

This material is not intended for Quebec residents.

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Unless otherwise noted, any indicated total rates of return reflect the historical annual compounded total returns, including changes in share or unit value and reinvestment of all dividends or other distributions, and do not take into account sales, redemption, distribution, or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

AUSTRALIA

This material is issued by DFA Australia Limited (AFS License No. 238093, ABN 46 065 937 671). This material is provided for information only. No account has been taken of the objectives, financial situation or needs of any particular person. Accordingly, to the extent this material constitutes general financial product advice, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to the investor's objectives, financial situation and needs. Investors should also consider the Product Disclosure Statement (PDS) and the target market determination (TMD) that have been made for each financial product either issued or distributed by

DFA Australia Limited prior to acquiring or continuing to hold any investment. Go to dimensional.com/funds to access a copy of the PDS or the relevant TMD. Any opinions expressed in this material reflect our judgement at the date of publication and are subject to change.

NEW ZEALAND

This material is issued by DFA Australia Limited (incorporated in Australia, AFS License No. 238093, ABN 46 065 937 671). This material is provided for information only. This material does not give any recommendation or opinion to acquire any financial product or any financial advice product, and is not financial advice to you or any other person. No account has been taken of the objectives, financial situation or needs of any particular person. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to the investor's objectives, financial situation and needs. Investors should also consider the Product Disclosure Statement (PDS) and for the Dimensional Wholesale Trusts the target market determination (TMD) that have been made for each financial product or financial advice product either issued or distributed by DFA Australia Limited prior to acquiring or continuing to hold any investment. Go to dimensional.com/funds to access a copy of the PDS or the relevant TMD. Any opinions expressed in this material reflect our judgement at the date of publication and are subject to change.

WHERE ISSUED BY DIMENSIONAL IRELAND LIMITED

Issued by Dimensional Ireland Limited (Dimensional Ireland), with registered office 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland. Dimensional Ireland is regulated by the Central Bank of Ireland (Registration No. C185067).

WHERE ISSUED BY DIMENSIONAL FUND ADVISORS LTD.

Issued by Dimensional Fund Advisors Ltd. (Dimensional UK), 20 Triton Street, Regent's Place, London, NW1 3BF. Dimensional UK is authorised and regulated by the Financial Conduct Authority (FCA) - Firm Reference No. 150100.

Dimensional UK and Dimensional Ireland do not give financial advice. You are responsible for deciding whether an investment is suitable for your personal circumstances, and we recommend that a financial adviser helps you with that decision.

Dimensional UK and Dimensional Ireland issue information and materials in English and may also issue information and materials in certain other languages. The recipient's continued acceptance of information and materials from Dimensional UK and Dimensional Ireland will constitute the recipient's consent to be provided with such information and materials, where relevant, in more than one language.

NOTICE TO INVESTORS IN SWITZERLAND: This is advertising material.

JAPAN

For Institutional Investors and Registered Financial Instruments Intermediary Service Providers.

This material is deemed to be issued by Dimensional Japan Ltd., which is regulated by the Financial Services Agency of Japan and is registered as a Financial Instruments Firm conducting Investment Management Business and Investment Advisory and Agency Business.

Dimensional Japan Ltd.

Director of Kanto Local Finance Bureau (FIBO) No. 2683

Membership: Japan Investment Advisers Association

SINGAPORE

This material is deemed to be issued by Dimensional Fund Advisors Pte. Ltd., which is regulated by the Monetary Authority of Singapore and holds a capital markets services license for fund management.

This advertisement has not been reviewed by the Monetary Authority of Singapore and should not be shown to prospective retail investors.
FOR PROFESSIONAL INVESTORS IN HONG KONG

This material is deemed to be issued by Dimensional Hong Kong Limited (CE No. BJE760) ("Dimensional Hong Kong"), which is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

This material should only be provided to "professional investors" (as defined in the Securities and Futures Ordinance [Chapter 571 of the Laws of Hong Kong] and its subsidiary legislation) and is not for use with the public. This material is not intended to constitute and does not constitute marketing of the services of Dimensional Hong Kong or its affiliates to the public of Hong Kong. When provided to prospective investors, this material forms part of, and must be provided together with, applicable fund offering materials. This material must not be provided to prospective investors on a standalone basis. Before acting on any information in this material, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice.

Neither Dimensional Hong Kong nor its affiliates shall be responsible or held responsible for any content prepared by financial advisors. Financial advisors in Hong Kong shall not actively market the services of Dimensional Hong Kong or its affiliates to the Hong Kong public.

dimensional.com



[https://my.dimensional.com/you-know-more-about-investing-than-you-think-you-do?_cldee=g2AvRyg3B19Vd](https://my.dimensional.com/you-know-more-about-investing-than-you-think-you-do?_cldee=g2AvRyg3B19Vd&esi)

[e8db17e79b7ae61180defc15b4281ce0-7d7a3e2d57c04c629a1046523a83f5e9&utm_campaign=CA%20Weekly%20D](https://my.dimensional.com/you-know-more-about-investing-than-you-think-you-do?_cldee=g2AvRyg3B19Vd&esi=e8db17e79b7ae61180defc15b4281ce0-7d7a3e2d57c04c629a1046523a83f5e9&utm_campaign=CA%20Weekly%20D)