Twitter Thread by Brian Feroldi



Brian Feroldi
@BrianFeroldi



Panic selling once can destroy years of good investment decisions in an instant

but keeping your head on straight when your portfolio is tanking is hard

Here are 13 investing tips/tricks/principles that I use to keep calm when my portfolio is in free fall:

1/ Know what you own and why you own it

You can borrow stock ideas from other investors, but you can't borrow conviction

You must understand the bull AND bear case upfront, otherwise you won't have the conviction to hold when the price is going down

Research builds conviction

Conviction enables patience

Patience builds wealth

If a 20% drop shakes your confidence in a business, you didn't do enough research

2/ Know what drives long-term stock returns

In the short-term, emotions & computer algorithms determine stock prices

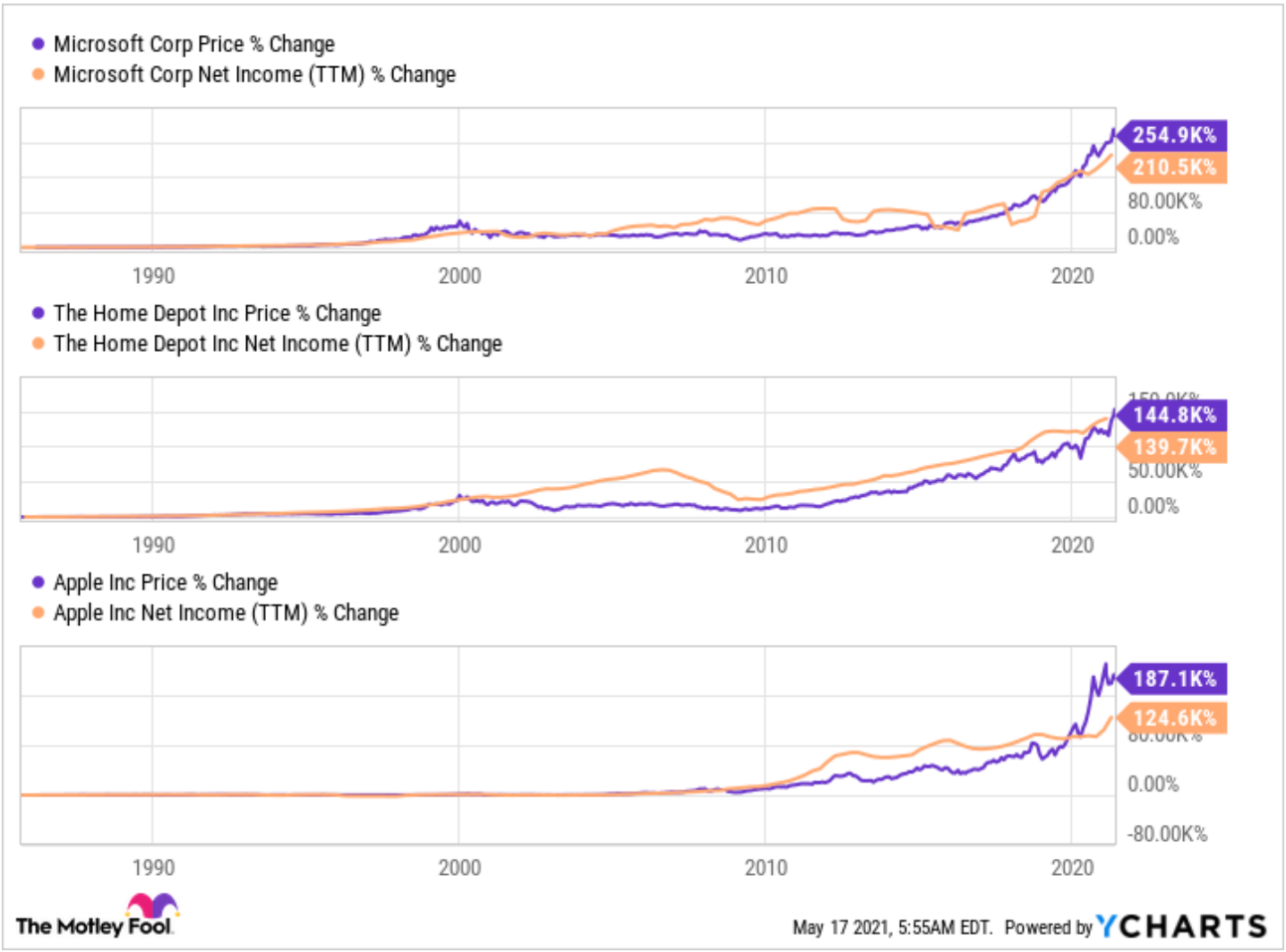
In the long-term, profit growth determine stock prices

This is a core investing principle that you must fully embrace

Look at these long-term charts of $MSFT, $HD, and $AAPL

Net income growth & stock price growth are closely linked in the long-term

That’s not a coincidence — profit growth IS WHAT DRIVES long-term value creation



3/ Buy in stages

It’s tempting to want to go “all-in” when you find an exciting new stock idea

But, what if you are wrong about the business or management?

Or, what if you are right about the business but wrong about the valuation?

Force yourself to scale into a stock over time

My personal process is to buy in 0.5% increments and add over months/years as my conviction builds

If I’m right, a little is all I need to do great

If I’m wrong, I won’t be hurt much

4/ Study market history

Every great stock — WITHOUT EXCEPTION! — will get killed at some point

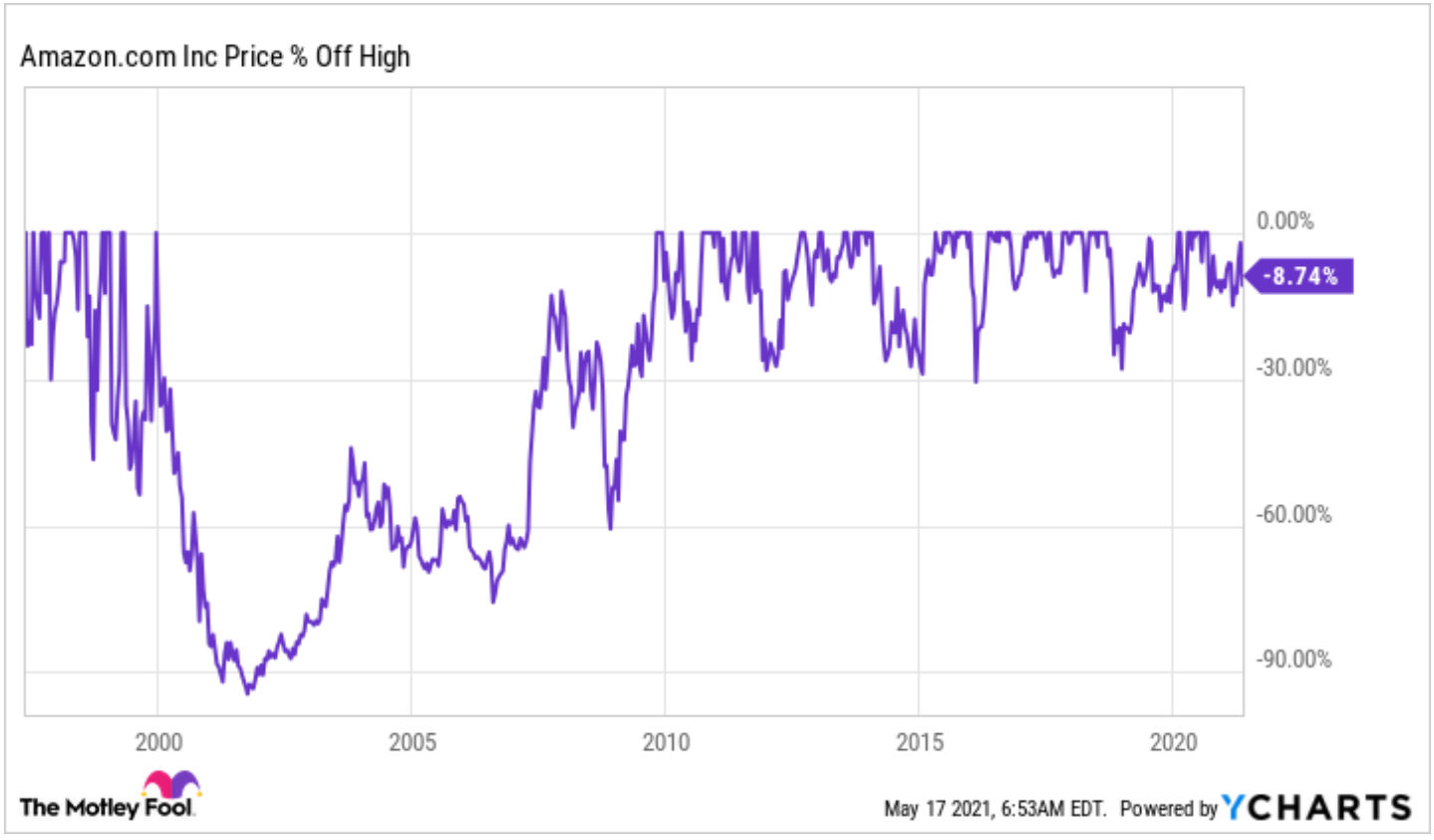
This isn't a bug — it's how investing works

You must embrace the fact that volatility is NORMAL

Consider $AMZN's history:

It has declined:
10% - 30 times
20% - 14 times
30% - 8 times
40% - 5 times
50% - 4 times
90% - 1 time

Returns since IPO: 164,400%



5/ Increase trading friction

Trading is tempting when it's on your phone & easy to do

My broker is Interactive Brokers

It's a PAIN to log in

It's a PAIN to place a trade

I love the friction -- I have to really want it to trade

6/ Keep some cash on the sidelines

Cash is a drag on returns during bull markets

Cash is the raw material of superior returns in bear markets

Create a cash deployment strategy and follow it!

Or, steal from @morganhousel

Say I have $1,000 cash set aside to invest (in addition to an emergency fund). It's opportunistic money. Here's my roadmap for deploying it:

Market falls by this much	I invest this much	Historical frequency
10%	$100	Every 11 months
15%	$220	Every 24 months
20%	$300	Every four years
30%	$130	Every decade
40%	$125	Every few decades
50%	$125	2-3 times per century

7/ Avoid margin & options

Handling the emotional swings of common stock ownership is hard

Those swings get much, much wilder when you use margin and/or options

Compounding interest is all the leverage you need!

8/ Connect with other long-term investors

Never invest alone!

A good community is worth its weight in gold

Ask: Does your social media feed make you calmer or stressed out?

If it is stressed out, upgrade your feed!

These FinTwit follows will make you calmer:
@awealthofcs
@dmuthuk
@iancassel
@michaelbatnick
@orangebook_
@TMFStoffel

These podcasts can help:

https://t.co/PBRmYEopNd

> I have an MBA in finance
>
> But I\u2019ve learned 10x more about investing from listening to podcasts than I did in school
>
> Here are 24 podcasts that I regularly listen to that will make you a better investor\u2b07\ufe0f
>
> — Brian Feroldi (@BrianFeroldi) April 8, 2021

9/ Keep your personal finances conservative

Markets are volatile during economic downturns

Economic downturns are also when your job is most at risk

That's A LOT to deal with if you have debt & 1 source of income

Eliminate debt, build cash, & create new sources of income

10/ Force yourself to journal BEFORE you transact

I keep a simple investing journal

Before I buy/sell, I have to write down WHY

It slows me down, but forces me to think things through

11) Make your investment decisions on the weekend

The weekday is full of distractions

Eliminate that factor by making all your important financial decisions on the weekend

12) Stop watching the news

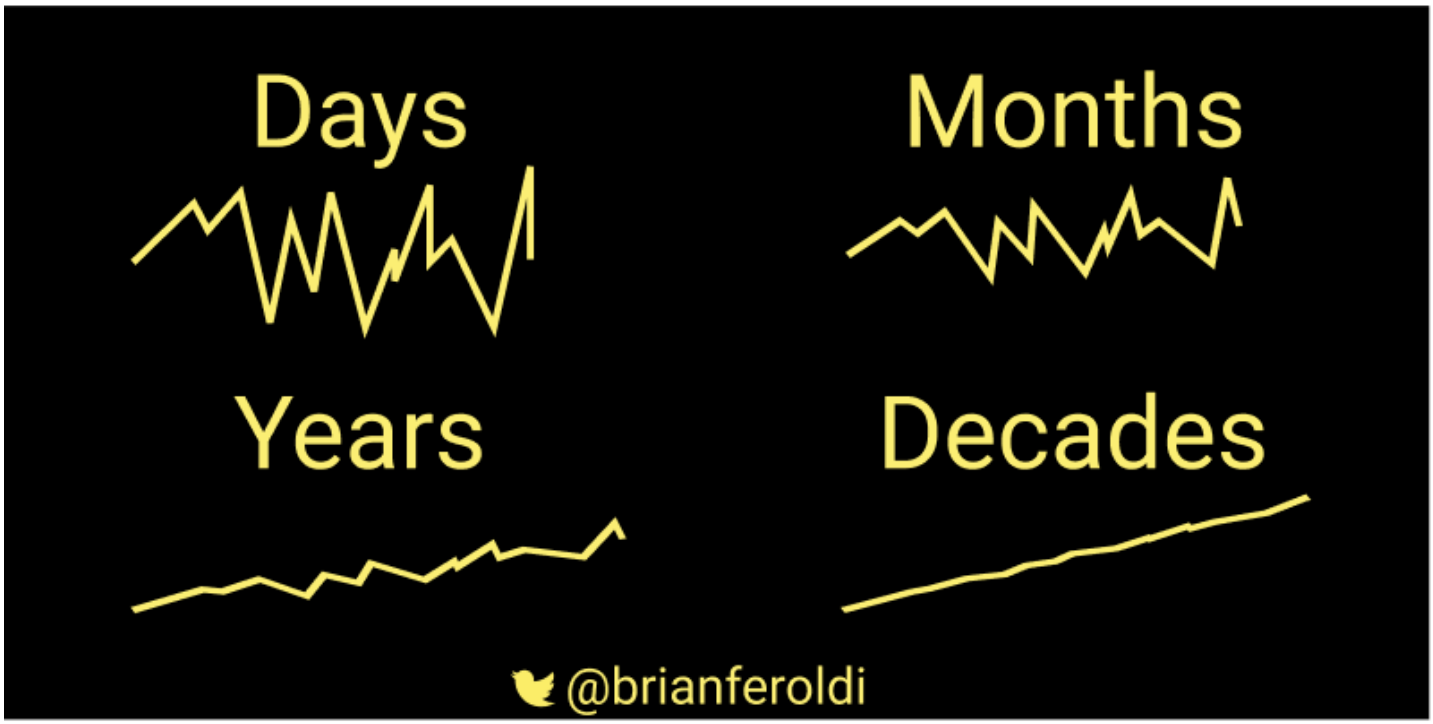
Voluntarily watching the news is like inviting Debbie Downer into your home and asking her to talk non-stop

If the news is really that important, it will find you!

13/ Zoom out

Whenever I feel bad about my near-term returns, I zoom out and look at my long-term returns

It always makes me feel better

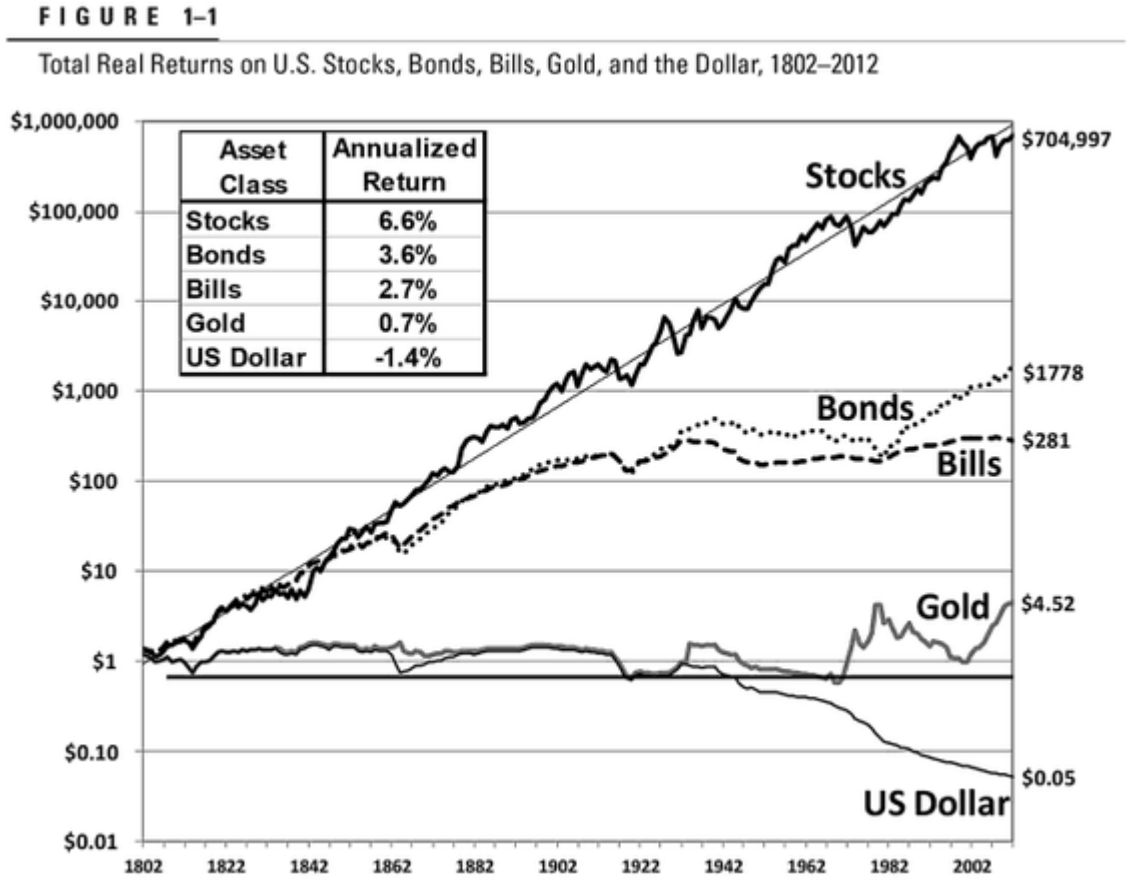


Stocks are the best asset class over the long-term

But the price of that returns is:

1■Perpetual Short-term Volatility
2■Perpetual Uncertainty

PAY IT!



Enjoy this thread?

I regularly tweet about money, investing, and self-improvement

If those topics interest you, follow me @brianferoldi

You may enjoy all the other threads that I've written

https://t.co/9zUKu1NhAl

> MEGA THREAD\U0001f9f5
>
> My Mission: To Spread Financial Wellness
>
> All of my best threads on money, investing, and self-improvement can be found below
>
> *This list will be continually updated \u2b07\ufe0f
>
> — Brian Feroldi (@BrianFeroldi) April 25, 2021

If you want to learn more about investing,

I teach beginners how to researching investments on my YouTube Channel

https://t.co/VRHp4ZtRcz

Summary:

1: Know what you own
2: Know what drives returns
3: Buy in stages
4: Study history
5: Increase trading friction
6: Cash!
7: Avoid margin & options
8: Community!
9: Personal finances
10: Journal
11: Make decisions on the weekend
12: Stop watching the news
13: Zoom out