Cutting through the Noise: Why investing isn’t like the Olympics

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There are all kinds of similarities between sports and investing. In fact, some quotes from Olympic athletes also apply to investors. “If you fail to prepare, you’re prepared to fail,” swimmer Mark Spitz said. Skiier Jean-Claude Killy remarked: “To win, you have to risk loss.” And gymnast Gabby Douglas said, “Hard days are the best because that’s when champions are made.”

But there are also profound differences between the Olympics and money matters. That’s my focus here.

Investors have different goals. Everyone running the Olympic marathon has the same objective. Get to the finish line ahead of everyone else. Investing isn’t like that. It’s deeply personal.

For instance, when your father is upset that the stock market has pushed his portfolio down, you may be ecstatic. He has a short time frame and is looking for a stable income. Conversely, you relish the opportunity to accumulate more shares at reduced prices, at least for accounts that have multi-decade time horizons.

The perfect outcome for money being set aside to buy a house is a return in excess of [inflation](https://www.theglobeandmail.com/topics/inflation/), and the guarantee that it will be there when needed. For someone investing for retirement, that would be a poor result.

There is no end date. For me, the most remarkable part of the Olympics is how athletes can perform at their best under such intense pressure. They train for a lifetime and then have success defined by one moment.

Fortunately, that’s not investing. No one month, quarter or year-end is more significant than another, and none determine success or failure. It’s indeed a marathon, not a sprint.

It’s not about luck. Some athletes are so dominant that they can overcome anything, but for most, the difference between the podium and fourth place is minuscule. They need a break such as a good starting position, a stumble by an opponent, or a good guess by their goalie on a penalty kick.

Luck evens out when you’re playing the long game. The time you bought a stock the day before it reported poor results is offset by another time when the opposite happened.

Diversification also negates the impact of luck. A properly constructed portfolio not only provides exposure to different industries, regions and currencies, it also gives you a mix of good and bad breaks.

Passive is a winning strategy. To win a gold medal, an athlete needs to go for it. They can’t sit back and wait for things to happen. For an investor, laying low and doing little is a good strategy.

Burgundy Asset Management’s Anne Mette de Place Filippini recently reinforced this thought with a quote from the white rabbit in Alice in Wonderland. “Don’t just do something, stand there.” You don’t have to make changes just because the stock market is bouncing up and down and you’re getting pounded by a fire hose of information. Most often, the best action is no action.

Talent is overrated. Olympic athletes must be talented, disciplined and willing to make huge sacrifices. A good investor needs just one of these qualities: the discipline. A high IQ or flair for investing aren’t required, and neither is the need to make sacrifices.

Discipline, on the other hand, is paramount. You need a strategy that matches up with your goals and a routine that allows you to stick to it. The less knowledge, interest and time you have for investing, the simpler the strategy and the more regimented the routine should be.

A simple strategy can (and should) be written down in a few words. It has a clear objective, is understandable, and lays out the key elements of time frame, asset mix and active or passive management. Warren Buffett likes to point out that investing isn’t like diving. You don’t get extra returns for the degree of difficulty. “You get paid just as well for the most simple dive, as long as you execute it all right.”

A robust routine is as automated as possible, including preset monthly contributions (or withdrawals) and a thorough portfolio review once or twice a year, as opposed to daily glances.

Fortunately, in investing, unlike the Olympics, you don’t have to be the best in the world to bring home the gold.