

February 2017



## Well-Being Trumps All

*Philip Jonckheer, Equius Partners*

*“My interest in well-being evolved from my interest in decision making — from raising the question of whether people know what they will want in the future.” — Daniel Kahneman, Father of Behavioral Economics, and 2002 recipient of the Nobel Prize in Economic Science*

*“Carefully watch your thoughts, for they become your words. Manage and watch your words, for they will become your actions. Consider and judge your actions, for they become your habits. Acknowledge and watch your habits, for they become your values. Understand and embrace your values, for they become your destiny.” — Mahatma Gandhi*

As we work and play our way into 2017 and observe the dramatic transition of US political regimes, we at Equius are grateful that our clients are enjoying the growth of their financial capital and also sharing with us the flood tide of their emotions. Those emotions run the gamut of feelings.

Although our charter is focused fiercely on our role as fiduciary stewards of financial capital, recent conversations with clients underline the value of investing in currencies that make life worthwhile: social (friends and family), emotional (feeling states), intellectual (schooling and educational pursuits), physical (caring for your body), and spiritual (caring for your inner being). Contemplating those dimensions of value has led us to offer this perspective on well-being.

Why well-being? Behavioral economists, including Kahneman, now are more focused on well-being after concluding that the concept of happiness (the smiling, happy-face, everything-is-great way of being) is somewhat artificial and doesn't capture psychological wellness.

Attaining well-being is a function of four elements that urge us to take action to flourish, which leads us to recognize and cultivate a larger and deeper purpose in life. Elements that promote well-being are common characteristics of successful investors.

Those elements are:

- A Positive Outlook on Life
- The Ability to Rebound from Negative Emotions
- Mindfulness — Focusing on What's Important to You
- Generosity/Caring for Others

I'm a Dutch immigrant, a product of a father who survived World War II in the Netherlands, and a mother who survived that same world war in China. My mom buried the love of her life after almost five decades of marriage. Although plagued with Alzheimer's, my mom's spirit refused to fade as her left brain dissolved. That spirit, shared by my father, is made up of the elements that nourish well-being. I now appreciate better why they were able to survive the ravages of a world war. What also intrigues me, given what we've just experienced as a country, is that I never had a conversation about politics with my parents. As penniless immigrants, I suppose they were always more focused on what it would take to survive in this country, a place they both adored and revered.

The genesis of well-being dates to Aristotle, who offered the citizens of Athens and ultimately the world the goal of eudaemonia, which, translated from Greek, means to flourish. Behavioral economists have taken Aristotle's eudaemonia and spawned the concept of well-being, which is measured by achieving values, rather than gauging how we feel at any moment. One way to measure well-being is to track your progress in taking actions toward goals that are uniquely about you and your larger purpose in life — what Mahatma Gandhi called our destinies.

We at Equius manage your financial capital to support your destinies and legacies. We begin the journey of financial well-being with our Discovery Meeting through which we help you build your awareness about knowing what you want to accomplish with your life at a meaningful depth. The second phase of financial well-being is built through the knowledge of financial markets and how risk defines the sources of returns. It is from that knowledge that you find the confidence, patience, persistence, creativity, and ultimately discipline to ensure your financial capital supports your greater life purpose.

As mentioned above, we've learned from research that four elements promote well-being. We've observed from experience that those are characteristics shared by successful investors. Here's some perspective on those elements:

## Optimism

Whether it's savoring the nourishment from sharing a meal with friends and family or acknowledging the flow of kindness and compassion in your social currency, prolonging positive emotion and having a positive outlook on life have been shown to improve psychological well-being. Kahneman believes an optimistic temperament encourages persistence in the face of obstacles. Investment returns that promote your goals are more likely realized if you're optimistic about the long-term nature of the markets, rather than optimistic about your ability to beat those markets.

## Resilience

Science also suggests resilience, or how quickly a person recovers from adversity, can result in that person experiencing less negative emotion overall and may even be an antidote for disease. Cultivating an awareness of your purpose in life, which we do in our Discovery Meeting, promotes your well-being. Developing the resilience to return to your greater purpose after the inevitable setbacks of life further elevates your well-being. Our rebalancing discipline allows us to take advantage of market setbacks as opportunities to buy low, knowing that markets will snap back to their positively sloped growth tracks — something markets do over 75% of the time.

## Mindfulness

Data reveal that when people practice mindfulness, i.e., when they are focused on what they're doing, and control their minds from wandering, they feel better about themselves. Jeff Troutner has written extensively on the opportunities that simplicity offers investors in our June and July's 2016 *Asset Class* issues. By taking three steps, an investor can simplify, focus, and supercharge an investment portfolio to meet long-term goals. The three steps are:

- Eliminate all active management, i.e., speculating on anything — including current event developments.
- Understand, accept, and manage compensated (systematic) risks.
- Systematically rebalance portfolios and stay disciplined.
- Being mindful of this science-based approach increases an investor's odds of realizing long-term investment goals while significantly reducing anxiety.

## Generosity/Caring for Others

Research from The Center for Healthy Minds at the University of Wisconsin indicates that by being generous and extending empathy, compassion and gratitude to others, you benefit them and yourself and increase your well-being. One reason is that being generous triggers dopamine, which fuels feelings of joy and peace. Generosity also appears to counter depression and lower

stress levels. We've observed that generous clients are generally more optimistic and driven by the greater purposes in their lives, which encourages them to be less concerned about short-term market fluctuations and the superfluous and generally meaningless noise of the news. As a result, they are more focused on and realistic about what markets can deliver in the long run.

## Well-Being, Not Well-Balanced

*"Our sense of worth, our well-being, even our sanity depend upon our remembering. But, alas, our sense of worth, our well-being, our sanity also depend upon our forgetting."* — Joyce Appleby

Our lives are packed with moments. It's suggested that each one lasts about 3 seconds. If so, we experience about 20,000 moments in a waking day. Each moment can be a rich, multidimensional experience. What happens to these moments? In general, they simply disappear.

Given all those moments, how could we possibly fulfill professional, family, and personal responsibilities and balance those competing demands? It's especially difficult given the distractions caused by the media's tendency toward sensationalism. Failing to achieve balance can cause high levels of stress. Chronic stress can lead to all kinds of disease.

If the pursuit of balance is problematic and ephemeral, a more realistic goal would be to improve well-being. Research indicates folks with higher levels of well-being more easily deal with difficulties associated with balancing their lives. Moreover, enhancing well-being is an achievable goal.

Two main dimensions affect your well-being: feeling good and doing well. Feeling good is about experiencing positive emotions; doing well comes from pursuing meaningful goals and making positive impacts. People thrive when they feel good and do well, since at those moments they have both joy and meaning in their lives.

When you are thriving, you experience more frequent positive emotions, which boosts your energy level and self-confidence. Positive emotions help you think in creative ways that offer solutions to better manage the tides of life. Experiencing frequent positive emotions also makes you more resilient. When you add a sense of meaning to your life, you are less likely to get stressed by day-to-day tremors — or the larger earthquakes that inevitably shake us to our core.

Our phone lines are open to underline how your financial capital can boost your well-being to support the joy and meaning in your life regardless of whatever challenge faces you.

Equius Partners is a Registered Investment Advisor. Please consider the investment objectives, risks, and charges and expenses of any mutual fund and read the prospectus carefully before investing. Indexes are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. **Past performance is not a guarantee of future results.**

Equius Partners, Inc., 3 Hamilton Landing, Suite 130, Novato, CA 94949

Please email T.J. Troutner at [tj@equiuspartners.com](mailto:tj@equiuspartners.com) with questions, comments, or suggestions. [www.equiuspartners.com](http://www.equiuspartners.com) © 2017 Equius Partners, Inc.