

LIFE, INVESTED

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## How to Invest Better—and Live Better

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It can be challenging to start a conversation about investing. That's why I encourage having a conversation before the investing conversation—what I like to think of as a “preamble.” Connecting life principles to investment principles is a powerful way to ground abstract principles in reality, and to connect over universal experiences and feelings. It can also help make sense of investment concepts often dismissed as overly complex for those who aren't familiar with them.

Our lives are the cumulative result of the decisions we make every day. Just as in investing, the power of these decisions compounds over time. That's why it's so important to find a decision-making process that works for you—both in life and in investing. In my mind, this involves acknowledging that uncertainty can create both stress and opportunity, planning for what might happen rather than trying to predict what will happen, cultivating flexibility and adaptability, harnessing the power of compounding, and accepting your own limits. Embracing uncertainty by planning for the future can help you live life better now.

### UNCERTAINTY

Given life's profound uncertainty, it's sometimes hard to feel like an optimist. Most of what happens in our lives is unpredictable, and it's impossible to forecast the future. But you can live your life fully without knowing what's going to happen. And you can have a good investment experience without forecasting what the market is going to do, because you're not trying to guess which companies will succeed and when. You're investing in the ingenuity of people to solve problems and make their companies run better.

## PLANNING

You don't have to predict, but you do have to plan. You can feel empowered by uncertainty instead of beaten down by it. Without uncertainty, there would be no opportunity. Think about all the unexpected turns your life has taken and the possibilities those turns opened up. While you couldn't have predicted the outcomes of decisions you made, you intuitively knew how to gauge your feelings about the risks and opportunities being presented to you. The same is true of investing in markets. People shrink away from investing because of uncertainty, but experience living life has given us the tools to deal with it. While you can't control markets, you can control how much risk you take. And you can control whether you have an investment professional in your corner for help making financial decisions you can live with.

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*“Life prepares you for investing and investing prepares you for life.”*

## FLEXIBILITY

While it's important to have a plan, in both life and investing, the road will be easier if you cultivate flexibility. Think about someone you know who's successfully navigated major challenges. Were they rigid, or were they nimble?

## COMPOUNDING

If you need motivation to stick to your plan and adapt accordingly, consider the power of compounding. And I'm not just talking about the financial benefits (although the market has returned an average of about 10% a year over the past 100 years or so).<sup>1</sup> If you think about it, the life equivalent of compound interest is wisdom. Learning from the past helps you make better decisions in the future, and those lessons build on one another over time.

## LIVE LIFE

Once you've done the best you can, go easy on yourself. Learn from your disappointments, and enjoy your successes. It's not the decisions you make, but how you make decisions. Approach other people with empathy. Investing, like life, is a process. If you've followed a solid plan to the best of your ability, you've put yourself in the best position to achieve success. Don't ruin your state of mind by obsessing after the fact.

I co-founded Dimensional Fund Advisors more than 40 years ago, at the beginning of a [revolution in finance](#) that transformed the investment business. Back then, I was excited about a strategy that focused on investing in human ingenuity rather than trying to find “mispriced” stocks. Today, I'm gratified to see so many people living better lives as a result. I'm proud of the role, however large or small, we played in that. But I'm even happier that we now live in a world where everybody can buy shares in a fund that reflects the broad market. That can help them make the most of the money they worked so hard to earn. And the first step on that journey is having an honest conversation about how life prepares you for investing and investing prepares you for life.

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1. In US dollars. S&P 500 Index annual returns 1926–2021. S&P data © 2022 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.

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