PERSPECTIVES

10 Obstacles to Investing—and How to Overcome Them

David Booth
Executive Chairman and Founder

Sep 25, 2021

This year, Dimensional is celebrating 30 years of working with financial advisors, a collaboration that has helped change the way the world thinks about investing. To recognize that impact, we have compiled 30 ways that investors can benefit from the industry's transformation. —Dave Butler, Co-CEO

We've learned a lot about investing over the past 60 years, a period that has seen many breakthroughs in the world of finance. What we know comes from studying public markets and is grounded in serious academic research. The lessons are clear: Investing in markets is an excellent plan for meeting long-term goals, like maximizing your retirement income. When you develop a deeper understanding of public markets, you can cultivate a sense of optimism about investing.

Two ideas are at the heart of embracing this approach:

First, markets provide a way for both sides to win. In order to trade, both buyer and seller have to agree on a price. If either side felt the price wasn't meeting his or her needs, they wouldn't trade. This is what we mean when we say market prices are fair.

Second, markets allow all of us to invest in human ingenuity—and get paid for it. We want to help as many people as possible access what markets offer in investment opportunities and wealth generation so they can live better lives.

Even though the investment principles we run on are simple, they aren't always easy to understand and accept. Many people struggle with some of the basic concepts behind long-term, highly diversified investing—it's a matter of human nature.

Here are some of the objections I've encountered. I think most of us can relate to at least one of them.

1. "I DON'T SEE THE POINT OF INVESTING IN THE FIRST PLACE."

Any decision you make with your money—even not investing—is an investment decision involving risk and rewards. You're focused on the risk involved in investing. But what are you risking by not investing? You're risking today's money having less value in the future because of inflation. You're missing out on the magic of compounding, which Albert Einstein is said to have described as the Eighth Wonder of the World. (Assuming an average 10% return, as the S&P 500 has returned historically, money invested in the stock market doubles every seven years.) You're forgetting that diversification—spreading your investments across a large number of companies—is a powerful way to minimize risk. When it comes to personal goals, everything has a tradeoff. Most people don't have enough money saved to be able to live adequately in retirement without earning some kind of investment return. In the simplest terms, by not investing, you risk outliving your money.

2. "I'M TOO LATE. THE TRAIN HAS LEFT THE STATION."

It's natural to feel regret about decisions you're unsure about. But it's never too late to invest. Every day, we expect the stock market to go up. Otherwise, investors would find other things to do with their money.

3. "WHEN IT COMES TO INVESTMENT ADVICE, I DON'T KNOW WHO I'M SUPPOSED TO TRUST."

Here's the good news: You don't have to "trust" anyone. Just trust the market. No human being can tell you more than the market has already told you through setting prices. Markets are always reacting to new information in real time. Anything you hear a pundit say on TV or read on an internet message board is yesterday's news. And it may seem obvious, but you have to remember: There's a difference between fact and opinion. Cultivate a healthy sense of skepticism when it comes to financial punditry, and remember that it's not news, but entertainment. And if you need a trustworthy sounding board, consider meeting with an independent financial advisor, whose interests are aligned with your own.

4. "IT'S TOO HARD TO FIGURE OUT WHEN TO GET INTO—OR OUT OF—THE MARKET."

Human beings have a natural urge to transact. But getting into and out of the market is gambling, not investing. If you treat the market like a casino, and you're picking stocks or attempting to time the market, you need to be right twice—in an aim to buy low and sell high. Fortunately, you don't need to time the market to have a good investment experience. Professor Eugene Fama, a Nobel laureate in economic sciences, showed that it's unlikely for any individual to be able to pick the right stock at the right time—especially more than once.[1] Once you decide to be a long-term investor, the timing debate is off the table. And that's a big relief. When you buy the whole market, you're investing in human ingenuity to find productive solutions to the world's problems.

5. "I'M AFRAID I'M GOING TO LOSE IT ALL."

If you're lucky enough to live a long time, you'll face big market downturns. You're much more likely to "lose it all" with concentrated investments than with a well-diversified portfolio. Individual investments may go to zero, but the modern-day market has been around for almost a century, has an average annual return of 10%, and has never lost more than 43% in a year.[2]

6. "I DON'T KNOW WHAT I DON'T KNOW, AND THAT MAKES ME NERVOUS."

It's OK to be nervous! If investing were a slam dunk, there wouldn't be a positive expected payoff. In order for an investment to offer the possibility of a return above money-market funds, it needs to carry risk. And when it comes to deciding how to grow your hard-earned money, the stakes are high. Uncertainty is scary, but without uncertainty, there would be no opportunity. Stock market behavior is uncertain, just like most things in our lives. None of us can make uncertainty disappear, but dealing thoughtfully with uncertainty can make a huge difference in investment returns and quality of life. Your challenge is to stick with an established plan. A financial advisor can help.

7. "I ONLY WANT TO INVEST IN COMPANIES I'M FAMILIAR WITH."

Stock markets contain all of the publicly traded companies out there. Every company has an incentive to do better. Investing in human potential across a broad range of companies is more likely to pay off than trying to predict which individual company is going to perform best. You can do well without having to outguess the market.

8. "I'M AFRAID THERE'S GOING TO BE ANOTHER FINANCIAL CRISIS."

History shows us that there's always going to be another financial crisis—and another recovery. Every crisis has a different cause, so it feels different every time, but the market has always delivered a positive return once things settle down. Crises, by definition, are not predictable. Markets are forward-looking and remind us of the power of human resilience.

9. "I'M OVERWHELMED. IT'S JUST TOO MUCH TO THINK ABOUT."

Inertia is a powerful force. Thinking a little bit about it right now means worrying a lot less in the future. Inaction comes with a price, but this is where a financial advisor can really help.

10. "I DON'T HAVE ENOUGH MONEY TO INVEST."

When it comes to investing for your family's future, there is no minimum. The first and most important step toward investing is saving. It's human nature to procrastinate. Half the battle is just getting started. This can mean "paying yourself first" by directing a small percentage of each paycheck into savings. Putting money aside regularly becomes a feel-good habit, like exercise. You can witness your own incremental progress and the boost in self-esteem it brings. You'll be surprised by how easy it is to set this in motion, and you'll feel good—for yourself, and your family. Just look at these numbers: If you invest $100 today and then $100 per month for 30 years with a 10% return, you'll end up with almost $200,000.[3]

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.
2. In US dollars. S&P 500 Index annual returns 1926–2020. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.
3. The performance reflects the growth of a hypothetical investment and assumes reinvestment of income and no transaction costs or taxes.

Eugene Fama is a member of the Board of Directors of the general partner of, and provides consulting services to, Dimensional Fund Advisors

LP.

Diversification neither assures a profit nor guarantees against loss in a declining market.

"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.

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. It is provided for educational purposes only, should not be construed as investment advice or an offer of any security for sale and does not represent a recommendation of any particular security, strategy or investment product. Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. 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. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

AUSTRALIA and NEW ZEALAND: 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 has 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 au.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 OR DIMENSIONAL FUND ADVISORS LTD.
Neither Dimensional Ireland Limited (DIL) nor Dimensional Fund Advisors Ltd. (DFAL), as applicable (each an "Issuing Entity," as the context requires), 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.

NOTICE TO INVESTORS IN SWITZERLAND: This is an advertising document.

WHERE ISSUED BY DIMENSIONAL IRELAND LIMITED

Issued by Dimensional Ireland Limited (DIL), with registered office 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland. DIL is regulated by the Central Bank of Ireland (Registration No. C185067). Information and opinions presented in this material have been obtained or derived from sources believed by DIL to be reliable, and DIL has reasonable grounds to believe that all factual information herein is true as at the date of this document.

DIL issues 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 DIL will constitute the recipient's consent to be provided with such information and materials, where relevant, in more than one language.

WHERE ISSUED BY DIMENSIONAL FUND ADVISORS LTD.

Issued by Dimensional Fund Advisors Ltd. (DFAL), 20 Triton Street, Regent's Place, London, NW1 3BF. DFAL is authorised and regulated by the Financial Conduct Authority (FCA). Information and opinions presented in this material have been obtained or derived from sources believed by DFAL to be reliable, and DFAL has reasonable grounds to believe that all factual information herein is true as at the date of this document.

DFAL issues 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 DFAL will constitute the recipient's consent to be provided with such information and materials, where relevant, in more than one language.

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.

JAPAN

Provided for institutional investors only. This document 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. This material is solely for informational purposes only and shall not constitute an offer to sell or the solicitation to buy securities or enter into investment advisory contracts. The material in this article and any content contained herein may not be reproduced, copied, modified, transferred, disclosed, or used in any way not expressly permitted by Dimensional Japan Ltd. in writing. All expressions of opinion are subject to change without notice.

Dimensional Japan Ltd.
Director of Kanto Local Finance Bureau (FIBO) No. 2683
Membership: Japan Investment Advisers Association

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 directed to any person in any jurisdiction where (by reason of that person's nationality, residence, or otherwise) the publication or availability of this material are prohibited or which would subject Dimensional Hong Kong (including its affiliates) or any of Dimensional Hong Kong's products or services to any registration, licensing, or other such legal requirements within such jurisdiction or country. 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.

Unauthorized copying, reproducing, duplicating, or transmitting of this material are prohibited. This material and the distribution of this material are not intended to constitute and do not constitute an offer or an invitation to offer to the Hong Kong public to acquire, dispose of, subscribe for, or underwrite any securities, structured products, or related financial products or instruments nor investment advice thereto. Any opinions and views expressed herein are subject to change. 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.

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. This information should not be considered investment advice or an offer of any security for sale. All information is given in good faith without any warranty and is not intended to provide professional, investment, or any other type of advice or recommendation and does not take into account the particular investment objectives, financial situation, or needs of individual recipients. 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. Dimensional Fund Advisors Pte. Ltd. does not accept any responsibility and cannot be held liable for any person's use of or reliance on the information and opinions contained herein. Neither Dimensional Fund Advisors Pte. Ltd. nor its affiliates shall be responsible or held responsible for any content prepared by financial advisors.