

Recency Bias: Beware of Letting the Recent Past Jeopardize Your Future



In what is possibly the best-known piece of American comic poetry, the mighty Casey stands at home plate ready for his turn at bat. Set in the fictitious town of Mudville, the baseball game is in the bottom of the ninth inning with two outs, and yet everyone in the sizeable crowd is confident that their hometown hero will hit a homerun and win the day.

Casey is so confident of this outcome, that he watches the first two pitches go by—both strikes. But on the third he gets down to business, fully expecting to knock the ball over the fence.

If you've read *Casey at the Bat*, you know what happens next. "There is no joy in Mudville—mighty Casey has struck out."

Psychologists have a name for this kind of unfounded expectation: recency bias. It's the tendency when making a decision to give *recent* events more weight than things further in the past.¹

It shows up in the expectation that the slugger will continue his home run streak, the gambler will keep winning at the roulette table, and the stock market will continue to rise or fall.

For sports fans this bias might cause temporary emotional distress. But for investors, hastily taking action during times of emotional distress can cause lasting economic damage to their portfolios. According to David Santschi, CEO of Trenlabs Investment Research, in times of greed or panic recency bias is what causes investors to behave against their own self-interest.

He says, “Assets often flow into stocks near market tops and exit at the bottom—exactly the opposite of what investors should be doing.”²

Behavioral economists have found that people can be even more susceptible to recency bias as they get closer to retirement. Unfortunately, this is the time when they can least afford a big a decline in the value of their investments.

How To Counteract Recency Bias

Writing for The New York Times, financial consultant Carl Richards says that instead of trying to predict the next upswing or downturn in the market, investors should consider both outcomes and plan accordingly.³ That way when the strong emotions hit—and who doesn't feel the urge to do *something* when the market drops—you won't make the mistakes that can jeopardize your retirement.

A disciplined portfolio rebalancing strategy can help counteract our natural inclination to overweight the significance of the recent past. Instead of chasing the winners, rebalancing relies on unemotional math to return a portfolio's asset weighting back to its original targets. Often, that means harvesting from asset categories that have recently outperformed in order to redeploy that capital into assets that haven't done as well.

Our natural tendency toward predicting the future based on the recent past is also why working with a trusted financial advisor like us is such an essential partnership.

First, we can help you create a long-term plan with the best chance of meeting your retirement goals. Second, when market volatility hits, we can help you stay the course and not make the short-sighted mistakes that can derail your plan.

Have a great weekend!

Source: Efficient Advisors

Golf Tip of the Week



Try Putting From Above the Hole

When you have to hit your ball from above the hole, many golfers prefer to chip toward the pin. However, this setup is one of the toughest shots around the green. Instead, why not putt?

To putt from above the hole, you first need to familiarize yourself with the feel of the rough. The “ole Texas wedge” can help you increase your chances of a successful putt. By using the longer grass, you will slow your ball down and help you lose momentum, even when going downhill.

You need two factors to make the putt work:

1. A decent lie
2. Enough green to work with

With these factors in place, you can play for plenty of break—and perhaps never go back to hitting chips again.

Tip adapted from Mark Durland | Golf Magazineⁱ

Recipe of the Week



Penne With Spinach and Sausage

Serves 6

Ingredients:

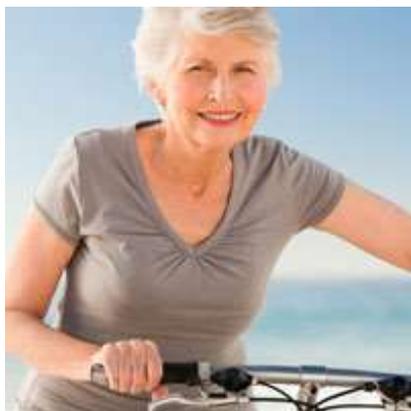
Salt and pepper
1 pound penne pasta
1 pound Italian sausage, casings removed
1 clove garlic, minced
2 14.5-ounce cans tomatoes, diced (with juice)
1 teaspoon dried basil
1 teaspoon dried oregano
5 ounces baby spinach
1 cup mozzarella cheese, shredded
½ cup Parmesan cheese, grated (plus extra for serving)

Directions:

1. Bring salted water to a boil in a large pot.
2. Add penne pasta, and cook until al dente (or still firm); roughly 11 minutes. Drain pasta once done.
3. Sauté sausage in skillet over medium-high heat until it browns, breaking up sausage in small chunks as you cook.
4. Add minced garlic to sausage, and sauté for 30 seconds.
5. Pour the two cans of tomatoes with juice into the sausage, and add the oregano and basil.
6. Bring tomato-sausage mixture to a boil, then turn heat down to medium and simmer for about 2 minutes, stirring occasionally until sauce thickens slightly.
7. Add cooked pasta into sauce, and stir until combined.
8. Toss in the baby spinach, and cook until just wilted.
9. Sprinkle salt and pepper to taste, and remove skillet from the heat.
10. Add shredded mozzarella, and combine into pasta.
11. Serve and top with grated Parmesan cheese.

Recipe adapted from My Recipesⁱⁱ

Health Tip of the Week



How to Have More Energy as You Age

As we age, our energy levels tend to decrease. But that does not mean we have to stop feeling energetic. With some tweaks to our lifestyles, we can improve energy levels and boost our mood along the way. Follow these tips to get started:

- 1. Diet:** Avoid eating high-glycemic foods, including rice, white bread, and sugar-sweetened beverages. These foods can spike blood sugar levels and cause energy crashes. You also want to eat the right amount of calories for your energy output. Talking with a dietician can help you properly manage your diet.
- 2. Exercise:** Physical activity is important for maintaining proper health as you age. While you may not be able to do the same activities as before, you can still stay active—whether through walking regularly, going to the gym, or other activities. Be sure to consult your doctor before doing any new exercise.
- 3. Sleep:** Most people need at least 7 hours of sleep each night to feel energized the next day. If you are having trouble sleeping, try to change your routine—go to bed and wake up at the same times each night and morning. You may also want to avoid caffeine in the evening and keep your bedroom cool and dark.

Tips adapted from WebMDⁱⁱⁱ

The articles and opinions expressed in this newsletter were gathered from a variety of sources, but are reviewed by Ballentine Capital Advisors prior to its dissemination. All sources are believed to be reliable but do not constitute specific investment advice. In all cases, please contact your investment professional before making any investment choices.

Securities through Triad Advisors, Member FINRA/SIPC. Advisory services through Ballentine Capital Advisors, Inc.

Copyright (C) 2017. Ballentine Capital Advisors. All rights reserved.

Our mailing address is:

Ballentine Capital Advisors
23 Buena Vista Way, Suite B
Greenville, SC 29615

[unsubscribe from this list](#) [update subscription preferences](#)

Sources:

1. <http://go.efficientadvisors.com/e/91522/ffordability-a-growing-concern/4rld1/280983368>
2. <http://go.efficientadvisors.com/e/91522/our-house-is-not-an-investment/4rld3/280983368>
3. <http://go.efficientadvisors.com/e/91522/terms-i-investment-asp/4rld5/280983368>

Disclosure:

The views expressed herein are exclusively those of Efficient Advisors, LLC ('EA'), and are not meant as investment advice and are subject to change. All information presented is for illustrative and analytical purposes only. EA portfolios may contain specific securities that have been mentioned herein. EA makes no claim as to the suitability of these securities. Past performance is not a guarantee of future performance. Information contained herein is derived from sources we believe to be reliable, however, we do not represent that this information is complete or accurate and it should not be relied upon as such. All opinions expressed herein are subject to change without notice. This information is prepared for general information only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. You should seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. You should note that security values may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Investing in any security involves certain systematic risks including, but not limited to, market risk, interest-rate risk, inflation risk, and event risk. These risks are in addition to any unsystematic risks associated with particular investment styles or strategies.

ⁱ <http://www.golf.com/instruction/2017/09/22/swinging-past-parallel-could-be-just-what-your-game-needs>

ⁱⁱ <http://www.myrecipes.com/recipe/penne-spinach-sausage>

ⁱⁱⁱ <https://www.webmd.com/healthy-aging/guide/tips-more-energy - 1>