The Daily Helping Episode 308:
John Jennings

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Dr. Richard Shuster: [00:00:31] Hello and welcome to The Daily Helping with Dr. Richard Shuster, food for the brain, knowledge from the experts, tools to win at life. I'm your host, Dr. Richard. Whoever you are, wherever you're from and whatever you do, this is the show that is going to help you become the best version of yourself.

Each episode you will hear from some of the most amazing, talented and successful people on the planet who followed their passions and strive to help others. Join our movement to get a million people each day to commit acts of kindness for others. Together, we're going to make the world a better place. Are you ready? Because it's time for your daily helping.

Thanks for tuning in to this episode of The Daily Helping podcast. I'm your host, Dr. Richard. And I'm really excited to share with you our guest today because he is brilliant. And some of the things he's going to teach us are so important.

His name is John M. Jennings. He's the President and Chief Strategist of Saint Louis Trust & Family Office which is a $15 billion wealth management firm. As an author and speaker, he's a leading voice in the space of wealth management and leadership.

His book, which is now available everywhere, The Uncertainty Solution, is an engaging dive into investing, philosophy and best practices, as well as an authoritative, accessible guide for anyone who feels inundated with financial news and data. Charles Schwab said this is a must have addition to anybody's reading list.

There's so much more I could talk about John, but let's just jump right in. John, welcome to The Daily Helping. It is awesome to have you with us today.

John Jennings: [00:02:17] Great. Thanks for having me. I'm super excited to be here.

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Dr. Richard Shuster: [00:02:19] Yeah, it's going to be great. This is a topic I mentioned this to you offline. We haven't done a lot of episodes like this, so you know, our 300 plus run here, we've only done maybe five episodes, if even, that tap this subject so this is really good. So before we get into the Uncertainty Solution, let's hop in the John Jennings DeLorean. Let's go back in time. Tell us what puts you on the path you're on today.

John Jennings: [00:02:45] Yeah. So let me start back and say I went my freshman year to Texas Christian University, TCU. It's a very hot school to go to these days. And I made a 1.8, then a 2.4, and lost my academic scholarship. In a great example of parenting, my parents said, we are not going to pay private school prices without a scholarship for you to go and did what you did last semester. So you have one semester to prove yourself again at another school that is a lot cheaper.

So I transferred to the University of Missouri. And it was interesting, at the time, I was so embarrassed. I thought it was like one of the worst experiences of my life. It really harmed my identity and my sense of self. I go off to the University of Missouri, redeem myself, met my wife, and did well there and going to law school and had a really nice career.

And I think without that failure, I wouldn't have been the same person. And when I look back, it's one of the most important experiences of my life, is to have that failure and what I learned about myself. And I think it's interesting, people usually when they have a bad experience, even if it's a bad health experience, we've talked some about that, people at the time say this is horrible. But often looking back, we'll say this was a meaningful experience that added to my life.

So that was a major driver or lesson that I learned in my life. From there, I practiced estate planning and tax law at a law firm, ended up at Arthur Andersen. So I have to explain to younger people what that is. So there's big four accounting firms right now, PricewaterhouseCoopers, Deloitte Touche, Ernst & Young and KPMG. There was a fifth. It was called Arthur Andersen, and it went under in the wake of what's known now as the Enron scandal.

And so when that company went under, a few of us met with our primary founder and started my current company in 2002. And it's interesting about the Andersen thing, and it's really in our DNA of our company is Andersen was one of the best respected financial services firms in the world, like the name was just platinum. Right. And it went under. And at its root, it was really greed. And it was really losing track of serving the clients and more of a focus on the partners or the company making more money.

And when we started our firm, we said we're not going to be that. Even though we work with money, it's not going to be about greed. It's going to be about what's important. And profits are the result, not the goal. So anyway, so that's truncated John Jennings story from my DeLorean.

Dr. Richard Shuster: [00:05:50] It's always fun to compress decades into two minutes. So I know, of course, there's a lot there. So I'm interested in your why for writing this book. So the Uncertainty Solution, which as I mentioned, is now available everywhere. Why this book? There's a gazillion books that have been written forever about investing. What's different about this book and why?

John Jennings: [00:06:19] What's different about this book is it's not how to invest. There's a lot of books about how to invest. This book is in a much smaller sliver of books. It's how to think about investing. And in many respects, it's not even really at its core an investment book.

So I have a 23-year-old daughter who's about to graduate with her Master's in English Literature and wants to be an editor. So about this time last year, she read a pretty final draft of the book.

And afterwards she said, you know Dad, I read this book because you're my dad. But like, I wouldn't really usually read a book like this. But she's like, I loved it. It's mostly stories. And she goes, it's not really about investing. It's really about being a human, trying to understand the uncertainty that is swirling around all of us.

And I thought that, we as a firm, we manage or oversee about $15 billion for clients. Our client families are mainly in the $50 million to $500 million range, some above, some below. But I feel like as someone for 20 plus years has advised the wealthy of the wealthy and have had access to whatever investment strategies are out there to write a book that really says as it's basis that there is no secret sauce.

And really the uncertainty solution isn't that you're going to find certainty. It's more about how to accept that uncertainty is often unresolvable and instead to create what's known as mental models, things to fall back on that are based in reality to make better decisions.

So investing is really, you know, at its core about behavior. So it's really a book more about behavior with an investment slant, but it's not just about investment. So other people in the investment industry that have read it have said that they consider it unique in what it brings together. I can't say that I did groundbreaking research on anything. It's really based on other things that are true that other people have discovered or know. But it's really the way that it's brought together that I'm most proud of.

And really, my why for writing, excuse me, writing it is it's really that I want people to have less worry and anxiety about investing. And the way to invest well is simple, but it's not easy. And I want to help them have more money in the future. And the book is sort of against the financial services industry or wealth management industry.

My editor said when she was working with me on the book, she said will this book be controversial? Like are you going to make anybody mad? And because it comes across very much as here's the truth about investing in the wealth management industry. And I really wanted to shine a spotlight on what the truth is, which is a difficult truth.

Dr. Richard Shuster: [00:09:47] What is that truth?

John Jennings: [00:09:49] Yeah. It comes back to uncertainty that there aren't any gurus that can see around the corner into the future that are going to tell you what's going to happen. And that we all feel uncertainty. When the stock market's going great and the economy's going great, you feel like, oh, I've missed it. Or if you have a lot invested, it's going to go down soon. And when things are topsy turvy, as they have recently over the past year, year and a half, especially with the recent banking crisis, it brings a lot of fear.

And there's certain things that we do that are not helpful or counterproductive in the face of that uncertainty. And really, the better thing to do is really kind of take the blinders off. And in the conclusion of my book, I quote Charles Darwin. In his very last paragraph in his book, he talks about how he sort of feels bad that he's taken this idea of creation and introduce this chaotic and unpredictable theory of evolution, but that really it is beautiful in its own right, this idea that evolution happens and occurs.

And I cite that at the end of my book because, and I don't mean to compare myself to Origin of the Species or Charles Darwin or I don't have that sort of idea of grandeur, but that really the point is, is that the future will be unknowable and chaotic and will change in ways that we don't know. And we're better off acknowledging that than kidding ourselves by thinking we can rely on others to predict it for us, or that there's investment managers that can definitely weave in and out of all the turmoil and the predictions.

And that really the best thing to do if you're an advisor or if you're a consumer of advice, is to have an advisor that will say, I don't know. So I was just at a conference down in Miami. I was on a panel, and I got asked a question about what our firm thinks the path of interest rates are going to be and inflation. And I was like, I don't know. And who does? Like, the Fed's gotten it wrong. Everybody's got it wrong.

But that's hard because you're expected as an expert to know answers to things. But it's important to know what you know and what you don't know or can't know. So that's really the lessons in the book through stories and examples and learning about mental models that you can fall back on, what can you know, what will help you make better decisions in investing and in life when you cannot know what the future brings.

Dr. Richard Shuster: [00:12:33] This reminds me a little bit. Many years ago, I was at lunch at a conference and Garrett Gunderson was one of the people who was sitting at the table with me, who was the author of Killing Sacred Cows. And he had mentioned how he was banned from CNBC for talking about never invest in the stock market. So I can see all the financial planners showing up at your office with pitchforks once they get their hands on this book, which is funny.

But in all seriousness, so we talk about these mental models and that resonates with me because everything in psychology is about the way that we perceive our environments, the preconceived notions, because we create for everything. Mental models are something that exists in everything. The way that you view yourself, the way that you view others, the way that you view the world. And any combination of how those three things intersect all are mental models.

When we talk -- you know, Judith Beck is the pioneer in my space as to how a person can kind of unwind that from a very behavioral standpoint cognitively. So you said that there are several mental models that we can use to kind of insulate ourselves from the chaos of what happens. So, John, would you share a few examples with us?

John Jennings: [00:14:00] Yeah, So one example of a mental model. And I think this is probably like if you took one mental model away when it comes to investing, this is probably the number one. And I call it the stock market is not the economy.

And the thing to know is that the economy, economic growth, and the stock market have a zero correlation. Meaning that they don't move in the same direction. Like there's no relationship between when one's doing well and the other's not doing well, since World War II through 2022, there's a 0.03 correlation, which basically means their movement with respect to each other is random.

But if you shift that and you look at last year's stock market returns and this year's economy, the correlations jumped to about 60 percent or about 0.6, I should say. It's not really a percentage, 0.6. And what this tells us is that what's going on in the economy, what's going on in the news, and in the real world does not tell you what the stock market's going to do.

It's opposite. The stock market is predicting, not always accurately. But the stock market is predicting what is going to happen in the economy. And again, there's not fortune telling here, but it is moving more in the same direction as the economy is going to move.

And I'll give you an example and how you would apply this. So we all remember 2020 for all sorts of different reasons, but at the top of most people's list is COVID, right? So COVID started. There were cases in China at the end of 2019, but we started seeing our first cases in the US sort of end of January, and the stock market kept climbing. But on February 26th was the market top in 2020 or in February 2020.

The stock market then over the next 20 trading days dropped 30 percent. It's the fastest decline in the stock market ever, even faster than in 1929, even faster than it happened in the '08-'09 crisis. And it ended up dropping nearly 35 percent. And the news just kept getting worse, but yet the the market bottomed on March 23rd.

On March 23rd, there were only 1000 COVID deaths. So if someone had told you right then and there, okay, unemployment is going to spike to well over 10 percent, we're going to have all these unemployment claims. We can't travel internationally. We can't even go to Canada. Right. All these businesses are going to fail. The restaurant industry is going to be decimated. And we're going to have over the next few years millions of deaths.

Like right then and there, you'd go I'm going to go put my money under a mattress. But from March 23rd to the end of the year, the stock market was up 70 percent. So that's a perfect example of the stock market is not the economy. We saw it in '08-'09. We saw it back in the Dot-Com with the Dot-Com crash and that recession.

So we see it time and time again where you cannot look to what's happening in the real world or the economy to tell you what the stock market's going to do. And this is the fundamental investment mental model. And how does that relate to uncertainty is this, it's not going to get rid of the uncertainty. Like you don't know when the market's going to turn or when the economy is going to get better.

What it tells you is you can stop worrying about it. You can stop worrying about paying so much attention to what exactly is going on with interest rates or unemployment or GDP growth and all these things that everybody tries to pay attention to. You can just not worry about it because it's not going to tell you what you should do with your investment portfolio.

Dr. Richard Shuster: [00:18:03] This is interesting in a lot of ways. One of the things that we as a society and there's some pretty fascinating research around this, have become obsessed with metrics. Right. And you can blame Fitbit maybe for starting this, right? But like, there are things that we care about now, and some are important, right?

You probably should know your heart rate and there's all these good data points, too.

But we have gotten into a habit of catastrophizing data, more so than we ever did before. I mean obviously, COVID, right. And I'm not minimizing COVID but that's a generational catastrophe. Right? We haven't seen anything like that since 1918. So basically 100 years.

But because of the information cycle that we live in now, You are going to be inundated. And because of the technology we utilize, that information is going to be custom tailored to us and delivered to us through our apps of choice, with our push notifications who are telling us how to get that information, right.

So my suspicion is because probably compared to say maybe 2006, right? The last year before the iPhone came into the market, people's consumption of data around the well-being of the economy or the stock market or these economic indicators that you spoke of have increased ten-fold, 100-fold, maybe. I don't know the number, right?

John Jennings: [00:19:49] People have access to them at least. Yeah, absolutely.

Dr. Richard Shuster: [00:19:52] Right. At a minimum, it's in their pocket now every day. Right. So I suspect that that has caused a radical increase in people who are sitting there pulling up all the stocks they own every single day, if not multiple times a day, looking at these micro dips when they probably ought not to be looking at that even monthly, right?

John Jennings: [00:20:17] Absolutely. Yeah. And that leads me to a -- if I can share a second mental model which is relates to activity versus inactivity. So there was this study done by some academics that somehow got ten years of data. Legally, they were given it by a discount brokerage firm on 35,000 investment accounts.

And what they wanted to do is look at the characteristics of what accounts performed better versus worse. And they focused in on gender. And the study is called Boys Will Be Boys. And then the subtitle is something like Gender Differences in Investment Portfolio Returns.

And here's what they found that the highest performing accounts belong to single women. Followed by married women. Followed by married men. Followed by single men. Okay. So that's interesting in its own right that the single ladies were outperforming the single men by a pretty nice margin there. It's like if you're -- and then the women had their returns pulled down by their husbands if they were married. And the guys had their returns pulled up if they were married.

And so they looked at why was this the case? And they found that both genders were equally as bad in investing. So on average, investments that they sold outperformed investments they bought. So on average, every time there was a trade future, returns were harmed. But the single women traded 45 percent less than the single men and then kind of cascaded down.

So what it showed is the more inactive you were in investing, the better you did. And Fidelity had an internal study looking at seven years of data of their internal accounts and wanted to see which of their customers, what were the characteristics of the top performers.

And they found similarly that inactivity was important. Their top performing characteristic were accounts of people that were dead or that the accounts were locked. So let's say they had changed the job and they hadn't transferred over their 401K, so their account was locked. So complete inactivity, if you relate it to the gender study, beat the single ladies and the married ladies and the married dudes and the single dudes, right.

Another study of professional investors of pension plans found the same thing, which is on average investment managers or investments that they fired outperformed ones that they replaced them with. So one of the key bed stones to good investment behavior is in general do nothing.

And I'll tell you something, just to be a little vulnerable here. So I have investment accounts at Schwab that I control myself and I have a 401K account that I've had for 20 plus years here at my company is with Vanguard that is in four index funds. It's probably too many. I have a bond fund, a large cap US, small cap US, and international. I probably could just say, okay, just bonds and global, right, but four funds.

It goes in automatically in a ratio. It gets rebalanced every quarter. I don't look at it. I don't touch it. Then my Schwab account, which is sort of similar, that I'm mainly indexed in different types of indexes and things, but I tinker a bit. When I go to put money in, I have to decide where it goes. I don't always rebalance it as well.

And when I was writing this book, I went back, and I looked at the prior ten-year returns and my 401K plan just in four index funds outperformed my outright accounts where I could do whatever I wanted and realize that as the chief strategist of a $15 billion firm, that we have all this investment research and staff and everything, like you would think that, oh, if you can do everything that you want, you would do better. But it really comes down to my behavior, right?

So I've not been as good about not tinkering. I haven't been as inactive. And I'll tell you, since writing my book, I've been better about my inactivity. So yeah, inactivity is key and it's easier to do if you don't look at your portfolio. Like it's probably a best practice to look at your portfolio like once a year or less.

Dr. Richard Shuster: [00:24:58] Once a year or less. Wow. Okay. So that leads me -- that's one gold star for that right there. You had mentioned that investing is easy and hard, right? So what are --

John Jennings: [00:25:14] It's simple but not easy.

Dr. Richard Shuster: [00:25:17] That's what you said. Excuse me. Simple but not easy. So I want to dig a little deeper into that. Tell us what makes it simple, what makes it hard? And then give us, in the time we have left, I'd love to hear just a couple of your top investing strategy tips.

John Jennings: [00:25:30] Yeah. So it's simple in that for a successful investor -- well, let me back up this way. So I have a section on this in my book as well on complexity. So everybody looks at university endowments. So you hear about the Yale model. So Yale's had these amazing investment returns over the last 30, 40 years and super sophisticated. Actually, Washington University in Saint Louis, I'm in Saint Louis. I teach some courses at their business school, for the last few years has been the number one and number two endowment.

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And there's a lot of investors that want to emulate what these university endowments do. And in general, what they do is they have a lot of complexity. So they have some bonds and some public stocks, but they have a lot of alternatives. They have hedge funds and private credit and distressed credit and high yield. And they have private equity and venture capital. They have real estate. They have timber. They have all sorts of things.

And what's interesting is there's this report that comes out every year that looks at about 750 university endowments, the report. And they report on what the average and the median returns are and everything. And if you go back and you look at the last 1, 5, 10, and 15 years, the average and median endowment return is indistinguishable from a 70/30 index portfolio.

Meaning if you just bought a bond fund with 30 percent and you bought 1 or 2 index funds, say a US and international or a global with your 70 percent, if you just did that, you would be at the median returning endowment. And that is incredibly easy for an investor to do.

In fact, Warren Buffett, a number of years ago in his annual letter said that when he dies, if his wife survives him, in his estate plan is a direction to the trustee to have a 90 percent allocation to the S&P, 510 percent in bonds. So a little different than 70/30, but that's incredibly easy to do.

The hard thing is the behavior, which is to not look at it and to stick with that and to not be tempted to say, oh, we're in this sort of banking crisis, I'm going to go buy some first republic because it's not doing well. And I think maybe it will pop back up. Or I want to buy Tesla shares or I want to buy this or that. Or I think AI is going to be going gangbusters so I'm going to load up more on this or that company that may do AI. So that's incredibly tempting. Or to buy a thematic ETF. I want to buy an ETF that does batteries, companies that invest in EV batteries and cell phone batteries.

And it's not that those won't necessarily be end up being great investments. The problem is that you probably don't have information that's going to lead you to buy them at the right price. And you probably don't have the behavioral discipline to stick with them as they gyrate up and down.

So it's really the behavior that's so hard because we're constantly second guessing and we're short term. We can look back what a stock has done in a week or a month or even year, and we think that gives us good information. And it really doesn't, because if you're a long-term investor, you've got to learn to shut that noise off. And that's what makes investing so hard is the behavior.

And so what my book is, is all these mental models, things that are true. And I've had all sorts of investment professionals read the book and people that have PhDs in finance and everything, and they agree with it all. So really what it is, is it's packaged as here are things that are true that you fall back on, and you know when to pull what out.

So you can pull one out on, let's not be too complex, one out and let's try to be inactive. The stock market is not the economy. When you start getting worried about what's going on in the real world, you can say to yourself, that's not going to tell me what my stock portfolio is going to do, I'm going to set it aside, which helps you be inactive and helps give you this better behavior.

So that's what the book really is, is all these mental models that you put in your quiver and you know, which arrow, which mental model to pull out when is really what I've packaged in this book.

Dr. Richard Shuster: [00:29:43] I love it. I cannot wait to get my hands on it and read through it. John, this has been such an illuminating conversation. I knew that it would be. As you know, I like to wrap up every discussion by asking my guests just this one question. What is your biggest help And that one most important piece of information you'd like somebody to walk away with after hearing our conversation today?

John Jennings: [00:30:08] Yeah, it's really I think I may have made a passing reference to this. And I'll just tell you this as my time as a wealth management professional for 20 plus years, dealing with all these wealthy people. And not only that, we're a family office. I'm getting to my point here, but let me back up some credibility here.

Being a family office, we manage money for our clients, but we also oversee and plan and manage for money that they might have elsewhere. So we download every night from 75 different banks and brokerages. So we get to see not just what these firms say they do, but what they actually do. So we download from Goldman Sachs and Morgan Stanley and Merrill Lynch and JP morgan and on and on, Bank of America, Bessemer Trust, Northern Trust, this wide gamut. So we get to see what they really do, not what they're selling people.

And I will summarize my conclusion. Our conclusion as a firm is this, there is no secret sauce. There is nobody out there that can deftly predict the future and weave in and out. That is an investment manager. It's going to come down to your own behavior and just accepting the inherent uncertainty that exists in the economy and the investment world.

Dr. Richard Shuster: [00:31:28] I can't help but think of the scene from Indiana Jones and the Last Crusade when we hear Harrison Ford is sitting there trying to grab the Holy Grail and his dad says to him, let it go, Indiana. But so well said. I so enjoyed our conversation today. John, where can people get their hands on this book?

John Jennings: [00:31:54] Well, it should be in bookstores all over the place, but it's on Amazon and Barnes and Noble and all sorts of those e-retailers. So, yeah, it's hopefully pretty easy to get your hand on. It's got a hardback. It's got a Kindle edition and an audiobook.

Dr. Richard Shuster: [00:32:11] Perfect. Well, we'll have links to all three actually in the show notes at The Daily Helping so people can get their hands on the uncertainty solution. John, this was awesome. Thanks again for coming on The Daily Helping. It was great.

John Jennings: [00:32:25] Yeah. Thanks, Dr. Richard.

Dr. Richard Shuster: [00:32:26] Absolutely. And I want to thank each and every one of you who took time out of your day to listen to this conversation. If you liked it, if you learned something from it, go give us a follow on Apple podcast and leave us a five-star review, because that is what helps other people find the show.

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But most importantly, go out there today and do something nice for somebody else, even if you don't know who they are and post in your social media feeds using the hashtag #MyDailyHelping because the happiest people are those that help others.