

Investing Is Hard: A Conversation with Michael Batnick

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Last week's "Behind the Markets" podcast—with my co-host, Wesley Gray, the CEO of Alpha Architect—featured a great discussion with Michael Batnick. He's the director of research at Ritholtz Wealth Management, a New York-based registered investment advisor that is approaching \$1 billion in assets under management.

Batnick started his career in the insurance business right after the financial crisis, but he found his "north star" in the writings of Josh Brown and his blog, The Reformed Broker. All the abuses and misaligned incentives that Brown was writing about, Batnick saw every day.

Batnick and his team at Ritholtz are passionate writers of their version of the truth—a phrase Batnick kept coming back to—and they communicate tirelessly their truth on various blogs, social media and podcasts. The Ritholtz team is truly a social media phenomenon and powerhouse.

We discussed the following:

- **Journaling as Learning Mechanism:** Batnick tried a career as a trader, and he started a journal, writing down daily his trades, P&L and motivations for the trades. This was a dramatic eye-opener and spurred very quick learning. Batnick believes the process of writing down your thoughts makes it impossible to delude yourself for long. It's useful for all of us to reflect on how we can improve ourselves with a feedback mechanism like journaling. Blogs and other kinds of writing are additional ways to keep yourself honest in your views.
- **A Team Process:** While the Ritholtz team is a marketing machine—marketing the truth as they see it—they work with only those people who see the world the same way they do. All of the additional team members the firm has added—financial advisors, planners, estate planners, the insurance team—have bought into the Ritholtz investment process and view of the world for managing portfolios and client experiences.
- **Coming Full Circle on Insurance:** Batnick started his career in insurance and was initially skeptical about the prospects of bringing in a team that was forced out of an insurance company. But the Ritholtz team's recent additions and the office in Chicago brought capabilities that the firm wasn't able to consult on previously. Batnick buys term insurance and told a story about his wife's father—who passed away without insurance, leaving the family very unprepared—so the topic hits close to home for him.

- **Less Room for Error:** We talked about Batnick's long-term trend model and why he believes it is important to help keep clients invested over longer-term cycles but also whether valuation and high CAPE ratios should be incorporated into a more dynamic asset allocation process. Batnick discussed how today's low expected return scenarios give investors much less room for error and help you focus on what you can control—this is why many are choosing lower-fee approaches and moving away from old-school active management.
- **Investing Is Really Hard:** A continuing theme of Batnick's writing is how hard investing is, even for the greatest investors of all time—they became the greatest by learning from their biggest mistakes. Batnick has a book coming out in the next few months and, unlike many that focus on success stories, this inverts the process and looks at failures. You can pre-order today on Amazon: *Big Mistakes: The Best Investors and Their Worst Investments*. I am looking forward to this one.
- **West Coast EBI:** In addition to all the blogging, tweeting and podcasting, the Ritholtz crew also partnered with IMN to host West Coast and East Coast versions of the Evidence-Based Investing Conference. The upcoming conference in Dana Point, California, June 24–26, is stacked with speakers, but Batnick's favorite part is just getting to spend time with all the people who come. I hope to see you there!

The conversation touched on all these topics and much more. Listen to the full podcast with Michael Batnick below.