The Wayne Gretzky Story…

As I have learnt in over 30 years of providing sustainable, long-term financial advice, some clients are regularly lured by short-term performance.

They are interested in finding the latest, hottest, fastest-growing investment assets. It then becomes very difficult to explain that buying these currently top-performing investments today may not necessarily mean that you will enjoy the same returns in the future as the recent past suggests. It is almost certainly just the ‘flavour of the month’ (think GameStop etc.).

However, this simple, yet powerful story about the best ice hockey player in the history of the game might just provide clarity to those thinking, “I want to buy what’s hot”.

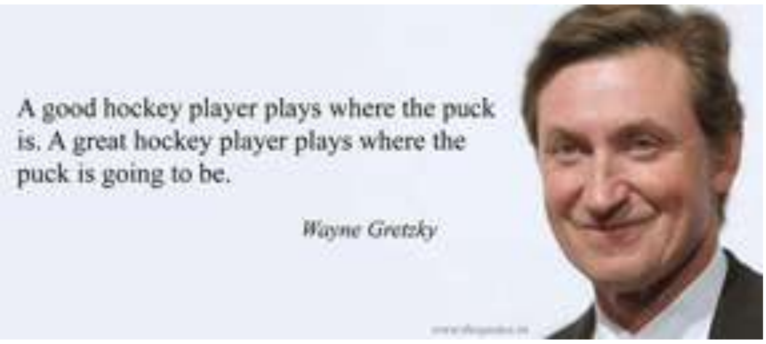
Years ago, in an NHL ice hockey game between the Boston Bruins and Edmonton Oilers, the game had been paused for some technical issues with the arena lights.

To kill some time, the TV Company broadcasting the game started to interview some of the players, including the Edmonton Oilers’ Wayne Gretzky, undoubtedly the world’s greatest ice hockey player at the time (and in 2021, 22 years after his retirement, Wayne Gretzky’s status as the greatest in the game still stands).

The announcer said to Gretzky that he wasn’t the biggest guy in the league, or the strongest, or the fastest, or the toughest, yet he was regarded as the greatest ice hockey player in the world, so, how did Gretzky explain his own genius?

Gretzky simply replied:

“I don’t go where the puck is; I go where the puck is going to be”



In a simple one-line answer, Gretzky confirmed that his unparalleled achievements in the game did not come from chasing the puck.

Instead, they came from looking ahead to where he needed to be, to have the best chance of success.

So, what would going “to where the puck is going to be” mean in investing terms?

Trying to anticipate where the market is going isn’t easy, especially over the short term, and unless you have a crystal ball, it is usually not beneficial to your financial health or your stress levels. However, longer-term market direction is more predictable as you have history and time on your side.

By making time your friend, you allow yourself to follow a more patient and disciplined investment approach towards where your personal ‘puck’ will be at the end of your investment plan, 5, 10 or even 20 years away.

This approach helps to provide the right mindset and allows you to focus on knowing where your future is going. The right mindset certainly includes thinking long-term and knowing to remain calm during periods of high volatility.

People with this mindset also know that investing isn’t rocket science. Rather, it’s a simple concept of putting your money to work with the objective of increasing its value over time.

Having the right mindset should help you avoid one of the most common investing mistakes of chasing the next big thing to make a ‘quick Buck’. (Or Euro, Pound or Yen, depending on your nationality).

As an example, let’s just get back to GameStop, the stock in the news earlier this year.

If you had bought GameStop on January 29th at $321/share because it was the latest hot thing, at the time of writing this article, you would be sitting on an ‘investment’ that had lost 36% of its value since you bought it (and probably with very little chance of it ever getting back up to your purchase price in the short, medium or long term).

Anticipating where your financial future is going requires having a long-term goal, not letting emotions get in the way, and following a well-defined investment strategy that gives you the best chance to achieve that goal.

A fundamentally sound long-term investment plan should also start with a diversified portfolio and regular payments into that plan to take advantage of Dollar Cost Averaging.

And finally, please remember that as great as he was at playing ice hockey, even Wayne Gretzky made mistakes. However, he said, “Mistakes are made. But, fundamentally, if you’re sound, you will eliminate as many mistakes as possible.”

Warren Buffett also summed it up nicely with this quote;

“You don’t have to be smarter than the rest; you have to be more disciplined than the rest.”