

Stearns Financial Group

Stearns Financial is an independent wealth management firm providing investment management, financial planning, and business transition services.

Financial Trends is a newsletter for our clients, allied professionals, and friends of the firm. We provide information from our extensive research network that helps better inform our readers on a variety of current and future investment, financial, and business planning areas.

SFG believes in being a strong consumer advocate for our clients, being pro-active, transparent and well-informed. Our research-driven team is constantly on the outlook for threats and opportunities for our clients that will impact them as they move toward their financial goals.

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manderson@StearnsFinancial.com
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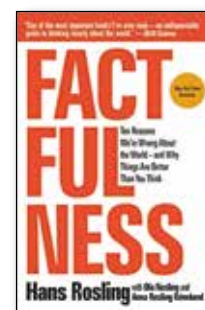
Welcome to our Winter 2019 edition of *Financial Trends*.

The world appears to be more chaotic than usual, making it hard to predict how many key issues will unfold. Are things getting better or worse in the world? Would you be surprised to hear that they can be bad, while still getting better?

In this *Financial Trends* newsletter, we will explore why Bill Gates calls his favorite book, *Factfulness*, “the most important indisputable facts on the state of the modern world.” Bill Gates speaks at many college commencements every year and he arranges for every college graduate to receive a copy of this book that digs deep into the trends reshaping our world.

In this edition, we highlight how each of 10 human “instincts” as described in *Factfulness* can skew our objectivity and impact our financial and investment decision-making.

Tara Maxwell, CFP®, *Financial Planning Manager*



“One of the most important books I’ve ever read.”

- Bill Gates



Super Trends: The State of the World Quiz

Highlights of this issue

- The 13 questions that baffled Nobel Laureates
- The 10 instincts that distort our world-view, along with key skills to be a more informed consumer
- Equipping our children to navigate the world’s drama
- The world bubble chart - Levels 1-4
- The four keys to better decision-making

SUPER TRENDS: *The State of the World Quiz*

This quiz was developed by world-renowned researcher Hans Rosling and his team.

Hans has given this quiz to a wide variety of audiences, including many heads of state, world leaders, Nobel Laureates, medical researchers, corporate CEOs, executives and scientists. He gave a version of it to the world leaders assembled in Davos, Switzerland in 2015 at the World Economic Forum. Even among these accomplished individuals who are working hard to solve the world's problems, the test results were suboptimal.

Don't be dismayed if you don't score well since the average score for people who should be well versed in these trends is often worse than those of random guessers, with only a 33% success rate!

1. In all low-income countries across the world today, how many girls finish primary school?

- ☐ A: 20%
- ☐ B: 40%
- ☐ C: 60%

2. Where does the majority of the world population live?

- ☐ A: Low-income countries
- ☐ B: Middle-income countries
- ☐ C: High-income countries

3. In the last 20 years, the proportion of people living in extreme poverty, worldwide, has...?

- ☐ A: Almost doubled
- ☐ B: Remained more or less the same
- ☐ C: Almost halved

4. What is the life expectancy of the world population?

- ☐ A: 50 years
- ☐ B: 60 years
- ☐ C: 70 years

5. There are two billion children in the world today, aged 0 to 15 years old. How many children will there be in the year 2100 according to the United Nations?

- ☐ A: 4 billion
- ☐ B: 3 billion
- ☐ C: 2 billion

6. The United Nations predicts that by 2100 the world population will have increased by another 4 billion people. What is the main reason?

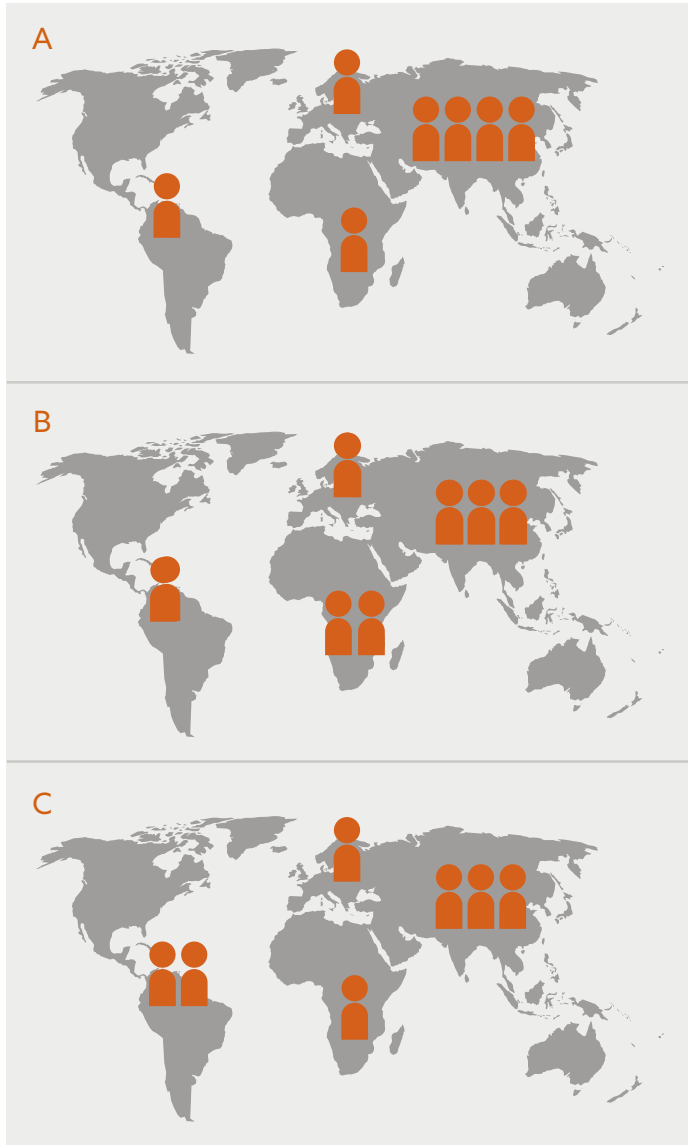
- ☐ A: There will be more children (below age 15)
- ☐ B: There will be more adults (age 15 to 74)
- ☐ C: There will be more very old people (above age 75)

7. How did the number of deaths per year from natural disasters change over the last 100 years?

- ☐ A: More than doubled
- ☐ B: Remained more or less the same
- ☐ C: Decreased to less than half

8. There are roughly seven billion people in the world today. Which map shows best where they live? (Each figure represents 1 billion people.)

- ☐ Map A
☐ Map B
☐ Map C



9. How many of the world's 1-year-old children today have been vaccinated against some disease?

- ☐ A: 20%
☐ B: 50%
☐ C: 80%

10. Worldwide, 30-year-old men have spent 10 years in school, on average. How many years have women of the same age spent in school?

- ☐ A: 9 years
☐ B: 6 years
☐ C: 3 years

11. Tigers, Giant Pandas and Black Rhinos were listed as threatened species in 1996. Since then, have any of these species become more critically endangered?

- ☐ A: None of them
☐ B: One of them
☐ C: Two of them

12. How many people in the world have some access to electricity?

- ☐ A: 20%
☐ B: 50%
☐ C: 80%

13. Global climate experts believe that over the next 100 years the average temperature will:

- ☐ A: Get warmer
☐ B: Remain stable
☐ C: Get colder

Here are the correct answers:

1: C, 2: B, 3: C, 4: C, 5: C, 6: B, 7: C, 8: A, 9: C, 10: A, 11: C, 12: C, 13: A

Surprised?

You're not alone. Most people who take the test are surprised since their belief is things are getting worse around the world. This view is informed by the world as we knew it in 1965 or even 1995, when there was a much larger disparity between the wealthy industrialized nations and the “rest” of the so-called Third world.

Today, however, 85% of the world's population live in the developed world, where child survival rates are healthy and extreme poverty is rare. Nine percent of the world is in between “third world” and the developed world, with only 6% of the world population (13 countries) living in the truly challenging “developing” world.

Our outdated view of the world coupled with the rise of the 24/7 media machine over the past 20 years is creating heightened levels of anxiety. We hear predominantly bad news which is repeated endlessly. Is it any wonder that most people score well below 50% on this quiz? We would have hoped that world leaders would do a bit better on the quiz, but alas, most are not as well informed as voters would hope.

This is not to say that the world has become an idyllic place. War, violence, terrorism, natural disasters, man-made disasters and corruption remain serious problems. But is it really worse than it was? Though the world faces major challenges, it is also making much better progress than most know or believe.

Rosling and his team present a strong case for why the world is bad, but getting better at the same time.

We are naturally drawn to extreme examples that, sadly, remain stuck in our brains like Velcro. For example, if we are thinking about global inequality, we see stories about famine in South Sudan. The number of stories we hear has risen even as the actual data shows that fewer people are at risk of famine in Africa, or anywhere else for that matter, than at any point in human history.

Let's consider China, where “extremes” have been the norm over much of their history. China's growth has been one of the most important economic events in human history. It has moved more than 300 million people from what was essentially an agrarian low-income existence to the middle-class (based on purchasing power parity, a lesser definition of middle-class income than our own). China has built one of the most extensive and modern transportation and railroad systems in the world and has encouraged entrepreneurs to create some of the world's largest and most creative companies.



The “rest of the story,” however, is that China did this on a massive mountain of debt raised in just the last few decades. They have generated some of the worst pollution in history, even as they lead the world in renewable energy. Their monetary system is problematic. Two-thirds of the population still lives in poverty though its true that extreme poverty is disappearing. Over one million Uighurs are locked up in detention centers while ethnic minority unrest is running rampant. Citizens are routinely arrested and tortured for resisting government edicts.

So yes, it's bad. But getting better compared to the past.

Let's go back to the Chinese Cultural Revolution. It began in the late 1950s. The movement was fundamentally about elite politics with Mao trying to reassert control by inciting radical youths against the Communist Party hierarchy. It had widespread consequences at all levels of society. Young people battled Mao's perceived enemies, and one another, and then were sent to the countryside in the later stages of the Cultural Revolution. Intellectuals, people deemed “class enemies” and those with ties to the West or the former Nationalist government were persecuted. Many officials were purged. Some, like the future leader Deng Xiaoping, were eventually rehabilitated. Others were killed, committed suicide or were left permanently scarred.

Millions died of starvation because of bureaucratic ineptitude and fear during Mao Zedong's “Great Leap Forward.”

We in the West simply cannot understand the soul-searing aspect of the Cultural Revolution. It was a magnified version of the Great Depression in the U.S. It cemented the power of the top-down, authoritarianism of the Communist Chinese Party. But then came Deng Xiaoping. And while he allowed (and may have ordered) the killing of students in Tiananmen Square, he also embraced some aspects of capitalism. Thus began a trek of epic proportions that is both bad, and in many ways (such as access to health care and median income), getting better.

The challenge then is to make good decisions about investments, finances, educating our children and grandchildren, electing politicians, and even where to vacation if our world-view is wrong, or somehow skewed. **Equally dangerous is being singularly focused on one threat, as we risk missing, entirely, other threats to our happiness and well being.** Dr. Gary Bradt, a renowned expert on change, provided us with exactly this scenario in his recent work for SFG on how humans respond to discontinuous change. [Editor's note – refer to the SFG *Fireside Chat* on 11/10/2019]

In the following pages, we profile Rosling's 10 key suggestions for viewing this new world in a more objective way. Of course, the ultimate goal is to make better decisions with your money...and your life.

1. THE GAP INSTINCT

The Gap Instinct, defined as comparing extremes, is very strong in human beings. It's no coincidence that journalists tee up their news stories as conflicts between two opposing people, views or groups. Our own Dennis Stearns learned this lesson when a journalist wanted to do a story about how super trends were increasing the gap between the haves versus the have-nots. The journalist and her editor from a major national publication didn't like Dennis' view that some super trends were actually narrowing, not widening, this gap—a more nuanced, balanced story. Dennis' “inconvenient facts” were excluded from the article.

There are three common warning signs indicating someone may be selling you a “gap” story:

- Comparison of averages
- Comparison of extremes
- The view from “up here”

Averages are a quick way to convey information and modern societies couldn't function without them. But averages often oversimplify an issue.

Extremes are usually the outliers, the lower probability edges of the bell-shaped curve that occur occasionally, but not often enough to weigh heavily in most decision-making scenarios. For example, fear of another huge recession was prevalent after the 2008/09 Great Recession in the U.S., resulting in many staying completely out of the stock market. The forest fire was over, but everyone worried about another major fire. More bad decisions by investors and boards of directors were made in the wake of this extreme event than at any other time in the last 15 years.

Another example is found in our view of the broader world. In his book, Rosling describes how he divides the world into four levels of income with Level 4 indicating countries with the highest level of income and, unsurprisingly, the highest level of literacy. For those of us living in the United States, our firsthand experiences are with Level 4 countries/populations. Unfortunately, however, most of our knowledge surrounding Level 1, 2 and 3 countries and populations is filtered through the mass media which increasingly loves focusing on **nonrepresentative extraordinary events** while shunning the vast expanse of normality in these regions. As a result, our perceptions of these countries are often skewed.

The stock market “average return” has been highlighted many times by SFG as a Gap story. The average return over decades is 9-10% per year, which includes dividends. And yet the percentage of time that returns are actually 9-10% is very small, less than 10% of the time! The stock market is usually feast (higher returns 75% of the time) or famine (lower or even negative returns, about 25% of the time).

Recognizing a Gap Story

- **Beware comparison of averages** – check the spreads in numbers, there may not be a real gap.
- **Beware comparisons of extremes** – the majority of cases are usually right in the middle, where they are supposed to be.
- **Recognize the distortion of looking at everything through a Level 4 lens.**
- **Consider the “gain”** – While the focus may be on the gap that still exists, look back a little further and see the “gain” or how the gap has been narrowing over time.

2. THE NEGATIVITY INSTINCT

It's easy to be aware of all the bad things happening in the world – just reference the media machine. It's harder to know about the good things – **literally billions of improvements are seldom or never reported.**

Rosling calls these improvements the “secret silent miracle of human progress.”

Here are some examples: In 1997, 42% of the population of both India and China lived in extreme poverty. By last year, that share had dropped to 12% in India. China did even better – down to only .7% (yes, less than 1%) of Chinese now live in extreme poverty. Latin America took its extreme poverty from 14% to 4% over the same time period. How old were you 20 years ago? Back then, extreme poverty overall in the world was 29% of the world population. Today that number is 9%. A huge shift has been underway – one that is rarely reported.

Rosling also identifies **16 dangerous areas** (like smallpox, crime rates, plane crash deaths, children dying and oil spills) that are “decreasing and on their way to the bottom” of the probability chart. He identifies **another 16 areas that are good and getting better**, like women voting, higher literacy rates, improved child cancer survival rates and cleaner water. Again, most of these trends have been happening slowly, but steadily – escaping the consciousness of a world focused on dramatic headlines.

Warning: Objects in your Memory were Worse than they Appear

Now, does saying things are improving mean that everything is fine? Not at all, says Rosling. In this super trend charged, rapidly changing world, we need to learn to keep two thoughts in our mind. Expect bad news, but know it is not the entire story. There's lots of good news too, though sadly, it doesn't seem to “sell.”

Controlling Negativity

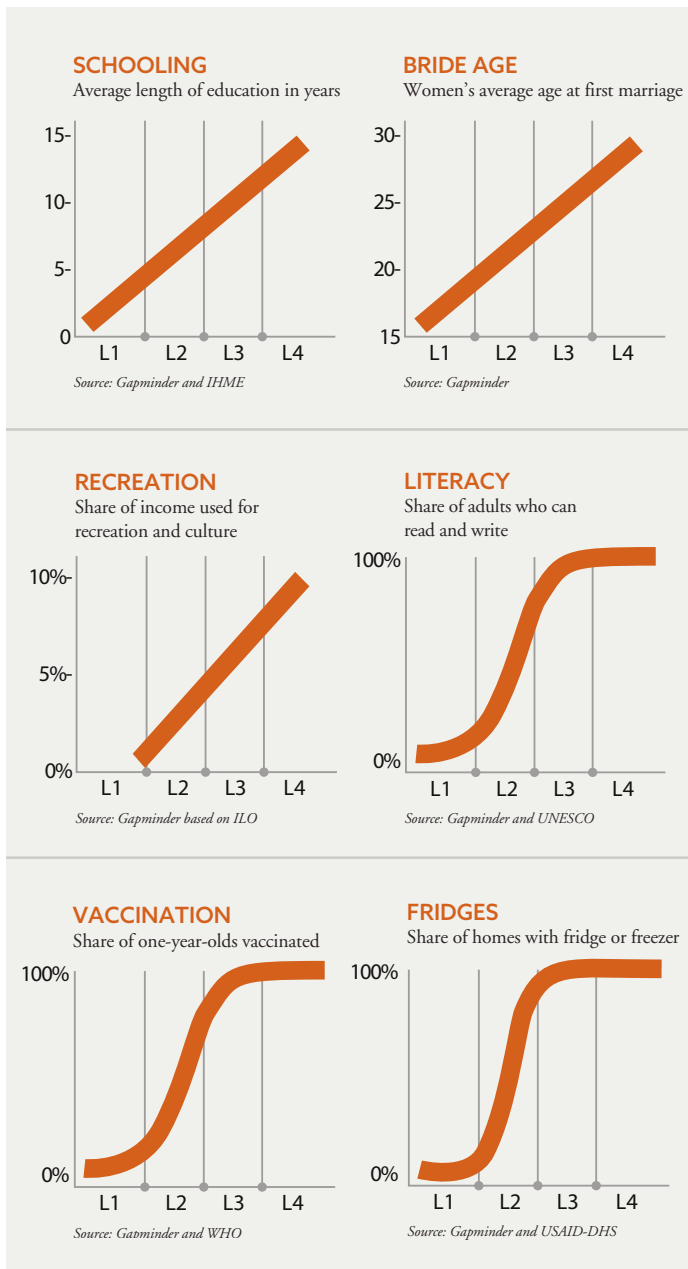
- **Better and bad** – distinguish between the level and direction of change
- **Good news is not news** – good news is almost never reported. It certainly isn't reported repeatedly as in the case of bad news.
- **Gradual news is not news** – when a trend is gradually improving, with periodic dips, you are more likely to notice the dips than the overall improvement.
- **More news does not usually equal more suffering** – more surveillance of the world unearths things that were already there. If this same level of scrutiny were on the world 100 years ago, no one would ever have gotten out of bed!
- **Beware of rosy pasts** – people often glorify their early experiences, and nations often glorify their histories. Search for the truth which is usually not as rosy.

3. STRAIGHT LINE INSTINCT

Our minds see what we think is a trend and draw a line from there to a logical conclusion, which is sometimes a very bad outcome. Yet the world rarely works that way. Your child grows at a phenomenal rate in the first six months of life, but then growth slows down – otherwise your child would be over 20 feet tall!

Oil was \$144 a barrel in 2008 and appeared to be headed for \$200 a barrel or more. Why didn't it go there? It's not a straight-line trend – as oil goes up, costs go up and economic activity goes down, creating a self-imposed limit, hence, the old adage: “the cure for high oil prices is high oil prices.”

Here are some examples of straight line and S-curve trend patterns:



Resisting Straight Line Thinking

- Many trends follow other patterns – S-curves, slides, humps or doubling lines.

Stock market declines always appear scary until they aren't anymore. The line for stocks never goes to zero assuming good diversification.

4. THE FEAR INSTINCT

SFG has written extensively about this dangerous behavioral instinct. We know that often the only thing we have to fear is fear itself, yet fear runs rampant in today's world. Some of the reasons have already been discussed – the 24/7 media repeatedly running doom and gloom stories. Here are headlines that likely won't get past a newspaper editor: "Malaria continues to decline gradually" or "Girls worldwide continue to increase their education resulting in more global prosperity." What will get through are headlines surrounding earthquakes, war, refugees, disease, fire, floods, shark attacks and terror attacks.

For the first time in human history, data exists for almost every aspect of global development. Our own penchant for drama, and the media's knowledge of that fact, has led to an overdramatic world-view.

When people are asked what they fear most, four answers come up near the top of the list: snakes, spiders, heights and being trapped in small spaces. Fear of physical harm is hardwired into our brains – our ancestors survived because they avoided (long enough to have children) physical harm, captivity and poisonous things.

It is practical for people living in Level 1 and 2 regions of the world economic chain to pay close attention to these risks – snakes are a regular threat in their environment. At Levels 3 and 4, these hardwired fears tend to cause more harm than good. Fear of anything can distort our world-view.

Rosling: "...here's the paradox: the image of a dangerous world has never been broadcast more effectively than it is now, while the world has never been less violent and more safe."

Rosling believes that it isn't the journalists' fault and we shouldn't expect this to change. It isn't driven by "media logic," it's driven by "attention logic" – the short attention span of consumers who consume the media and the advertisers who seek viewers.

Nepal is one of the last Asian countries still identified as Level 1, and in 2015 it was hit by an earthquake. The death rate is always higher when a disaster hits a Level 1 country due to poorly constructed buildings, poor infrastructure and poor medical facilities. Nine thousand people died. Depressing, yes. But consider the following:

Quiz question #7

How did the number of deaths per year from natural disasters change over the last hundred years?

- A. More than doubled
- B. Remained more or less the same.
- C. Decreased to less than half.

This number includes all fatalities from floods, earthquakes, storms, droughts, wildfires, extreme temperatures and pandemics.

Just 10% of people get this question right. Chimpanzees who don't watch the news get this right 33% of the time. The data shows that the number of deaths from acts of nature are now 25% per capita the rate of 100 years ago. Amazing considering the earth's population has increased by five billion people. Fewer people live in Level 1 – and natural disaster preparation is better than ever on all other economic levels.

Rosling: “Back in 1942, Bangladesh was a Level 1 - and almost all its citizens were illiterate farmers. Over a two-year period it suffered terrible floods, droughts and cyclones. No international organization came to the rescue and two million people died. Today, Bangladesh is a Level 2 country. Almost all Bangladeshi children finish school, where they learn that three red-and-black flags means everyone must run to the evacuation centers. The government has installed across the country's huge river delta a digital surveillance system connected to a freely available flood-monitoring website. Just 15 years ago, no country in the world had such an advanced system! When another cyclone hit in 2015, the plan worked and the World Food Programme flew in 113 tons of high-energy biscuits to the 30,000 evacuated families.”

Fear can be useful, but only if it is directed at the right things. **Fear can cause us to divert our attention to unlikely dangers that reside in our minds while neglecting real risks in front of us.**

SFG frequently deals with this issue in our client interactions. This fear paradox is true today in our world of investments and financial planning. Fear of geo-political turmoil and the next recession is causing many bad errors in judgement.

Controlling the Fear Instinct:

- **The scary world: fear vs reality** – pay attention to what the media isn't widely reporting.

- **Risk = danger x exposure** – how dangerous is a threat and how much are you really exposed to it?
- **Get calm before you carry on** – make few to no decisions when you are feeling anxious or fearful.

5. THE SIZE INSTINCT

The world cannot be understood without numbers and data, and it cannot be understood with numbers and data alone. It is instinctive to look at a lonely number and misjudge its importance. It is also instinctive to misjudge the importance of a single event or instance or victim – SFG's favorite maxim: “Don't judge an event until time has aged it.”

In the test questions about global proportions, quiz takers consistently say about 20% of people are having their basic needs met. The correct answer in most cases is close to 80% or even 90%. Proportion of children vaccinated: 88%. Proportion of people with electricity: 85%. Proportion of girls in primary school: 90%. The use of single data points, combined with heart-wrenching images beamed into our smartphones or TVs, often distorts our view of the progress made in the world.

The data shows that half the increase in child survival rates have occurred because of female literacy. Trained midwives assist during pregnancy and delivery. Nurses immunize. Children are provided adequate nutrition, kept warm and clean. Caregivers wash their hands and mothers can read instructions on a jar of pills. Rosling: “If you want to invest money to improve health in Levels 1 or 2 of the world's population, invest in primary schools, nurse education and vaccinations. Big impressive-looking hospitals can wait.”

Be careful about big numbers on their own. The size of the budget deficit comes to mind. How can we wrap our head around trillions?? If we simply measure the debt relative to the economy (also in trillions), or the assets of the U.S. (in mega-trillions), or relative to U.S. history (the early 90s looked pretty scary!), suddenly the debt number by itself takes on a less threatening tone. For the record, SFG is concerned today about runaway deficit spending in Congress.

Here's another large number that should be put in context to something else. According to the U.S. government, the number of people who will need long-term care assistance in the U.S. at some point in their life is 69%. Sounds big and scary! Yet many of these people won't need it for long. The average need for round-the-clock care (much higher care threshold than the government projection) is below a 30% probability and remains below three years of care.

Keeping Things in Proportion

- **Compare** – be wary of single numbers that look impressive. Compare them to something meaningful.
- **The famous 80/20 rule** – have a long list to evaluate? See if a small proportion accounts for a large proportion of the results.
- **Divide** – amounts and rates often tell different stories. Rates of change are usually more meaningful than a single large number of occurrences.

6. THE GENERALIZATION INSTINCT

This is yet another area that trained professional investment managers and financial planners need to watch out for. Everyone categorizes and generalizes all the time. This is necessary to give structure to our thoughts. It can, however, distort our world-view. One of SFG's professionals was leading a major scenario learning project at a national conference of advanced planners. Many of the non-advanced financial planners who were there to learn kept

stereotyping case studies based on a classic generalization – most people don't save enough money. Some of the wiser planners were chosen as scenario trainers who helped the newer planners understand that more context is needed in almost every situation to determine whether the amount saved is “enough.”

Rosling: “You need the generalization instinct to live your life...one of the best ways to learn when not to generalize is by traveling. My global health students traveled to Level 1, 2 and 3 countries where they attended university courses, visited hospitals and stayed with local families. Nothing beats a first-hand experience.”

SFG's *Fourth Quarter Fumbles* research grew out of our Intelligent Aging Initiative. We had practical experience over decades on how the media generalizations about “aging” actually played out in very different ways from client to client. As we finished our research, we developed our “one size fits one” mantra. One newly minted planner from a west coast firm attending an SFG Fourth Quarter training session at a national conference said, “Well, that one size fits one concept is an inconvenient truth for someone trying to generalize aging in an effort to develop large scale solutions.” Well said.



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“If you want to invest money to improve health in Levels 1 or 2 of the world’s population, invest in primary schools, nurse education and vaccinations.”

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Avoiding Generalizing Incorrectly

- **Look for differences within groups** – when groups are large, find ways to split these into smaller, more precise categories.
- **Look for similarities across groups** – if you think you see patterns, consider whether your categories are relevant.
- **Look for differences across groups** – don't assume that what applies for your experience in Level 4 applies for another person at a different level. If money drove happiness, everyone in Level 4 would be much happier than Level 3. Turns out this isn't the case.
- **Beware of the “majority”** – ask if this majority is 51% or 99% - the answer puts things in context.
- **Beware of vivid examples** – the media loves vivid pictures that could be the exception rather than the rule.
- **Assume people are not idiots** – people often make rational decisions if you consider their unique frame of reference. If someone looks strange, be curious and humble.

7. THE DESTINY INSTINCT

The destiny instinct is the idea that innate characteristics determine the destinies of people, countries, religions or cultures. This instinct makes us believe that our false generalizations are not only true, but fated: unchanging and unchangeable. It's easy to see how this is a good survival instinct for early humans – having a sense of purpose often meant putting their own existence at the center of the universe.

Rosling: “Societies and cultures are not like rocks, unchanging and unchangeable. They move. Western societies and cultures move, and non-Western societies and cultures move – often much faster. It's just that all but the fastest cultural changes, such as the spread of the internet, smartphones and social media, for example – tend to happen just a bit too slowly to be noticeable or newsworthy.”

Ready for another surprise? The fastest drop ever in babies per woman from 1800 occurred in modern times in what country? Iran. In 1984, women in Iran had on average six babies compared to fewer than three babies just 15 years later. Iran had the largest condom factory in the world in the 1990s, had compulsory pre-marital sex education courses for brides and grooms and widely educated their population, creating an advanced public health-care system. The fastest drop in babies per woman in world history went completely unreported in the western media.

Controlling the Destiny Instinct

- **Keep track of gradual improvements** – a small change every year can translate to a huge change over decades. Our financial planning clients are usually shocked to see how even low rates of savings can build over time. Or how low rates of inflation can erode purchasing power over decades.
- **Update your knowledge** – the half-life of knowledge is changing faster than ever. Lifelong learning is more important than ever in every career or business – and for life generally. Staying informed on real trends (not just the news stories) affecting the world can help you maintain a balanced worldview.
- **Talk to grandparents** – think about how your grandparents' values differ from your own, or your children's.
- **Be a positive influence on cultural change** – rather than rail against changing values, find ways to be a positive influence. Bob Krumroy did this with his Bikes for Kids program. Starting in San Diego, Bob had a vision on how to teach solid values to low income kids via a bike program. Go to <https://www.bikesforkidsfoundation.org/> for more details on this visionary program.



8. THE SINGLE PERSPECTIVE INSTINCT

We find simple ideas very attractive in a complex world. If a problem has a single cause, we can defend against that cause with all our resources. This approach saves a lot of time, but unfortunately often leads to a distorted world-view and poor decisions.

As an example, we at SFG have a robust network of subject matter experts we consult on a variety of trends. These experts provide perspective on the many issues we're facing as we sail in uncharted waters. We love them. But we also recognize that many times their view has narrowed to their own specific specialty areas – to the exclusion of other areas – just outside their purview.

We have found this to be true in our super trends research as well. Globalization experts think the sun rises and falls on their globalization trends while technology accelerator experts think the same. Demographers even have a rallying cry: "Demography is destiny." Yet each subject matter expert has repeatedly underestimated the impact of the other super trends influencing their specific area of expertise. Consequently, bad predictions have come from virtually all niche areas, and it has only been since the advent of a broader world-view, coupled with big data analytics, that a better understanding of why things occur as they do has arisen.

SFG must, therefore, be a wise consumer of information from our broad network. Likewise, consumers of media information from subject matter experts can sort what they hear in ways to determine if they are getting a good perspective or a narrow one. Sadly, biased and narrow perspectives from activists peddling their own agenda run rampant today, especially in the news.

Finally, note that highly educated people who are readers of *Nature*, a well-respected scientific journal, score just as badly on the fact quiz as everyone else. The point is that IQ does not guarantee a balanced world-view. Rosling presented his quiz to the 64th Lindau Nobel Laureate conference to some of the best and brightest people in physiology and medicine. You guessed it – they scored poorly and completely botched several key questions, such as how many children are vaccinated.

Controlling the Single Perspective Instinct

- **Test your idea** – find people who disagree with you, and who have enough curiosity and humility to consider other points of view, to test assumptions.
- **Limited expertise** – be aware of the limits of the expertise of others.

- **Hammers and nails** – subject matter experts often have a hammer, and they view everything as a nail. Activists sometimes masquerade as subject matter experts. Consider others who are proficient with screwdrivers, wrenches and tape measures.
- **Numbers, but not only numbers** – the real world cannot be understood without numbers, but it cannot be understood with numbers alone.
- **Beware of simple ideas and simple solutions** – history is full of visionaries who used simple Utopian visions to justify terrible actions. Welcome complexity. Combine ideas. Compromise. Solve problems on a case-by-case basis. The world is not black and white.

9. THE BLAME INSTINCT

The blame instinct is the instinct to find a clear, simple reason for why something bad has happened. People love to find blame, that something happened because of one malicious character or a group of people with ill-intent.

For example, consider the fight against the lethal Ebola virus in 2014. Medical researchers believed it could spread and kill over a billion people, more than any known pandemic in history. The outbreak was blamed on many different causes, which turned out not to be the cause at all! The fight was not won by a heroic leader (Rosling was among the people on the ground, in the jungle, during the Ebola crisis) or by one heroic organization like Medecins Sans Frontieres (Doctors Without Borders) or UNICEF. It was won prosaically and undramatically by government staff and local health workers who created public health campaigns focused on changing ancient funeral practices that spread the disease. These were brave and patient servants of a functioning society who are rarely, if ever, mentioned in books or the media.

Controlling the Blame Instinct

- **Look for causes, not villains** – bad things usually happen because of either an unpreventable accident or a system breakdown, not one individual or group. Strive to have system thinking – look at multiple interacting causes. SFG uses this approach when we analyze an economic problem. Most of the best marriages exhibit this approach.
- **Look for systems, not heroes** – we have found that there are more good systems than bad ones in the world. The media likes to find both heroes and villains – question whether the particular outcome might have occurred with or without a particular individual.

One of the most powerful financial independence approaches is to create a *system* of career or business enhancement such as automatic saving, moderate spending, risk (of all kinds) mitigation and appropriate investing.

10. THE URGENCY INSTINCT

We live in a consumer driven society that likes to spur us to action. Buy now or miss this opportunity forever. Of course, the “opportunity” is available next week or next month. We’ve written dozens of articles on the financial theme of “looking before you leap” – getting just one more perspective before taking the new job, buying the new business, going forward with building a new home, or investing in your brother-in-law’s can’t miss investment opportunity. It’s important to “take a breath and sleep on it” before invoking the “Just Do It and Seize the Day” philosophy. The problem is humans often have trouble balancing the stop versus go instinct.

One big challenge we tackle in the next section is that visionary/driver personalities often leap too quickly while integrator/analytical personality types are prone to over-analyze.

Controlling the Urgency Instinct

- **Take a breath** – it’s almost always fine to ask for more time and more information.
- **Insist on data** – beware of data that is relevant but inaccurate, or accurate but irrelevant.
- **Beware of fortune tellers** – any prediction about the future is uncertain. SFG insists on considering a wide range of scenarios, not just a best-case or worst-case scenario.
- **Be wary of drastic action** – we encourage our clients to make step-by-step, realistic improvements toward their life and financial goals. Drastic actions rarely work out well, although in some cases drastic steps are needed to sidestep a potential fumble.

Teaching Guide for Our Children

Rosling offers these ideas for helping our children make sense of today’s fast-paced world.

- Teach them that there are countries at all different levels of health and income and that most are in the middle.
- Teach them about their own country’s socioeconomic position in relation to the rest of the world, and how that is changing. Encourage them to identify both good and bad trends, and focus on the ones that are most relevant.
- Teach them how their own country went through strife and turmoil, and how other countries are at various stages of the same journey.
- Teach that people everywhere are moving up the income ladder and most things are improving for them, despite what they may hear or read.
- Here’s a tough one – teach them how to consume news and spot the drama without becoming stressed or hopeless.
- Teach them the common ways that people will try to trick them with numbers.

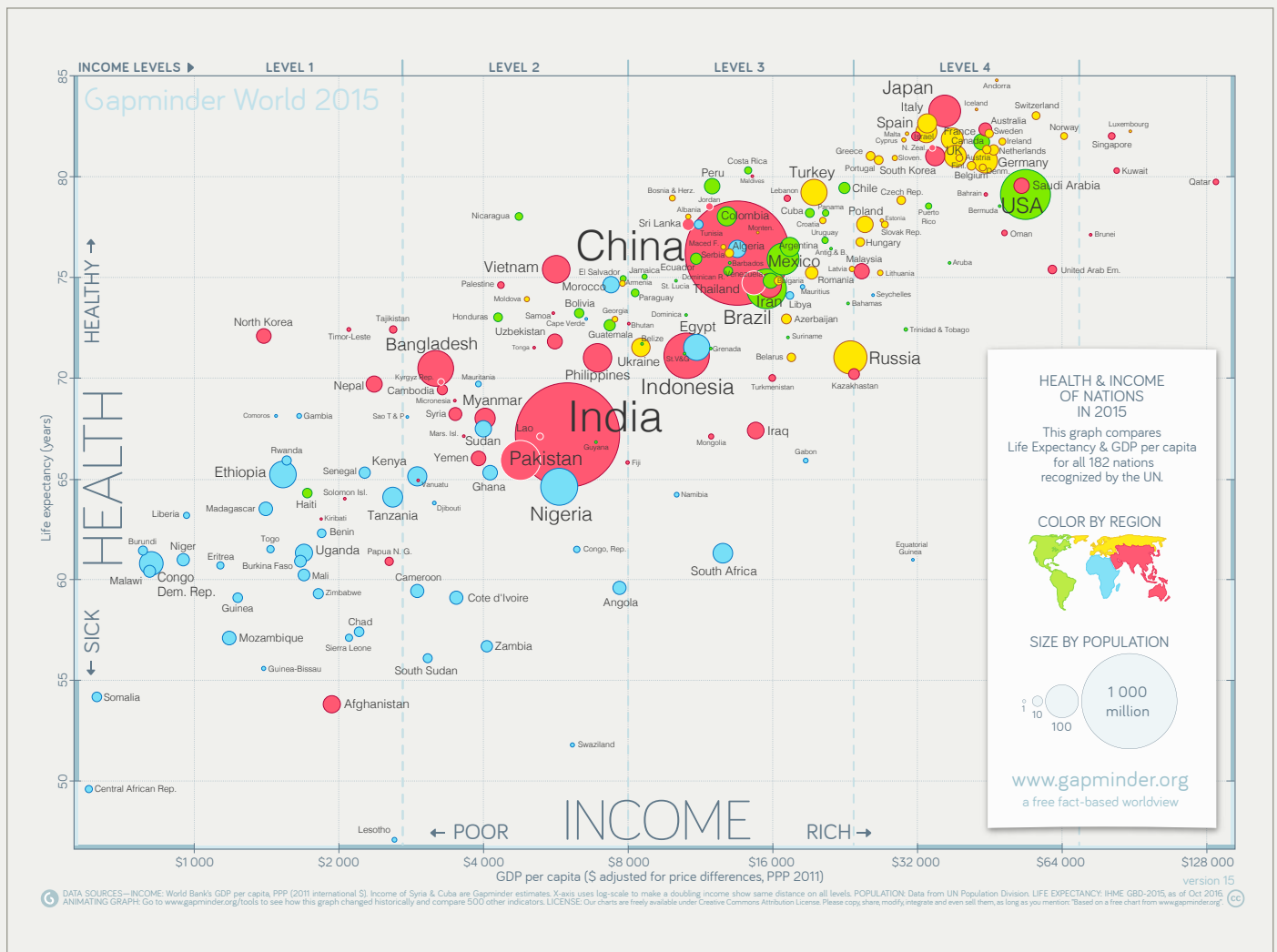


Summary

We hope this summary of Rosling's *Factfulness* book has helped you gain a better perspective to balance all the bad news that comes out daily. Better yet, get the book and dive into the amazing stories of progress being made in each of the world's four levels of income. Or give the book to your own college graduate, just in case Bill Gates isn't giving the commencement address at their school. Better yet, send one of Rosling's TED talks or give the book to a friend who is struggling with the perception that the world is headed down a destructive path.

If you are in an organization or business, hunt for ignorance using the same methods suggested by Rosling. Start simply by identifying the most important facts, and make sure the right people know them. In this way, you can begin to solve issues that matter.

The World divided into Levels 1, 2, 3 and 4.



MAKING BETTER DECISIONS

Now that you have considered how to analyze our changing world in a more balanced way, why not decide to make one better decision every week of the rest of your life? As Rosling's research uncovered, this type of small change can have a big impact.

SFG ran Better Decision-Making workshops five years ago that highlighted research from the Heath Brothers, authors of *Decisive* and several other insightful books. Here are some ideas from *Decisive*:

I. WIDEN YOUR FRAME

One of the main pitfalls in decision-making is having a narrow frame. That means you don't consider possible alternatives that might be better options.

Consider Opportunity Costs. Imagine that you are considering buying a new mobile phone. If you just consider buying the phone or not buying the phone, you are more likely to buy the phone, regardless of whether it is the best decision. If you consider whether to buy the phone or keep the money for something else, you are more likely to keep your money. Just thinking about what else you could do with the money makes a significant difference in your choice.

Use Vanishing Options. Another way to widen your frame of reference is to tell yourself that you cannot choose any of the options you are considering. In other words, this exercise forces you to think of other alternatives. **When you imagine that you cannot have an option, you free your mind to shift your focus to new ideas and strategies.**

Multitrack. Multitracking means approaching a problem as *NY Times* bestselling author Jim Collins (*Good to Great, Built to Last*) calls the "genius of the AND versus the tyranny of the OR." If you consider different options at the same time you are less likely to become personally invested in a particular choice.

Listening to feedback on multiple options is easier than hearing feedback on a single option, probably because you are less likely to see the feedback as personal. So, if you are considering artwork for your home, bring home three or four paintings or other types of art that you really like. Consider how each looks in the room and get feedback from more than one person.

Find Someone Who's Solved Your Problem. An SFG favorite! One way to generate new options is to find someone who has already solved your problem. For example, how have other people over 40 successfully changed careers?

II. REALITY TEST YOUR ASSUMPTIONS

We tend to give more weight to information that is consistent with our beliefs and discount information that contradicts the choice we favor. Because of this bias, we may misjudge the data even when we think we are being objective. This is commonly referred to as "confirmation bias." The following ideas can help overcome this type of cognitive prejudice.

Consider the Opposite. Pay special attention to people who don't agree with the option you are considering. Listen carefully to their logic. If you are only listening to people who agree with you, you may be missing important information.

Consider what would have to be true for each option to become the best choice. This will challenge you to imagine conditions in which you would choose a different option.

Ask for Specific Information. For example, if you are interviewing for a job and value time with your family, don't ask if the firm values work-life balance. Ask for more specific information such as how many times last week the interviewer had dinner with his family before 8:00 pm.

Assume Positive Intent. Instead of thinking that others are disrespectful of your time or don't care about your friendship, assume that they do! Then re-consider their intent in light of their behavior.

Consider the "Outside" View in Addition to the "Inside" View. The inside view draws from your own impressions and assessments of the situation you are in – often based on your personal life experiences. The outside view ignores your view of the situation and instead considers the bigger picture – such as how other people have experienced a certain solution to that situation. For example, you might be sold on a certain weight loss program. That would be the inside view. The outside view would be the opinion of other people who have tried that plan.

Ooch-ing is one of SFG's favorites. Predicting the future is difficult. Even with our scenario expertise, we constantly look for ways of improving our batting average on decision-making. When we make an investment decision, we often take small steps whenever possible and assess the results of each step. In a similar vein, you might consider running small experiments, one step at a time, to test your ideas. For example, before launching a website to sell cars, try selling one or two cars on the internet. In other words, ooch your ideas before going "all in."

III. ATTAIN DISTANCE BEFORE DECIDING

Attaining distance means you should consider the long-term impact of your decisions before proceeding rather than making snap decisions based on short-term emotions. One way to do this is to **consider the 10/10/10 rule**. Ask yourself how you think you will feel about this decision in 10 minutes, 10 months and 10 years. You can also ask yourself what you would tell your best friend to do in this situation.

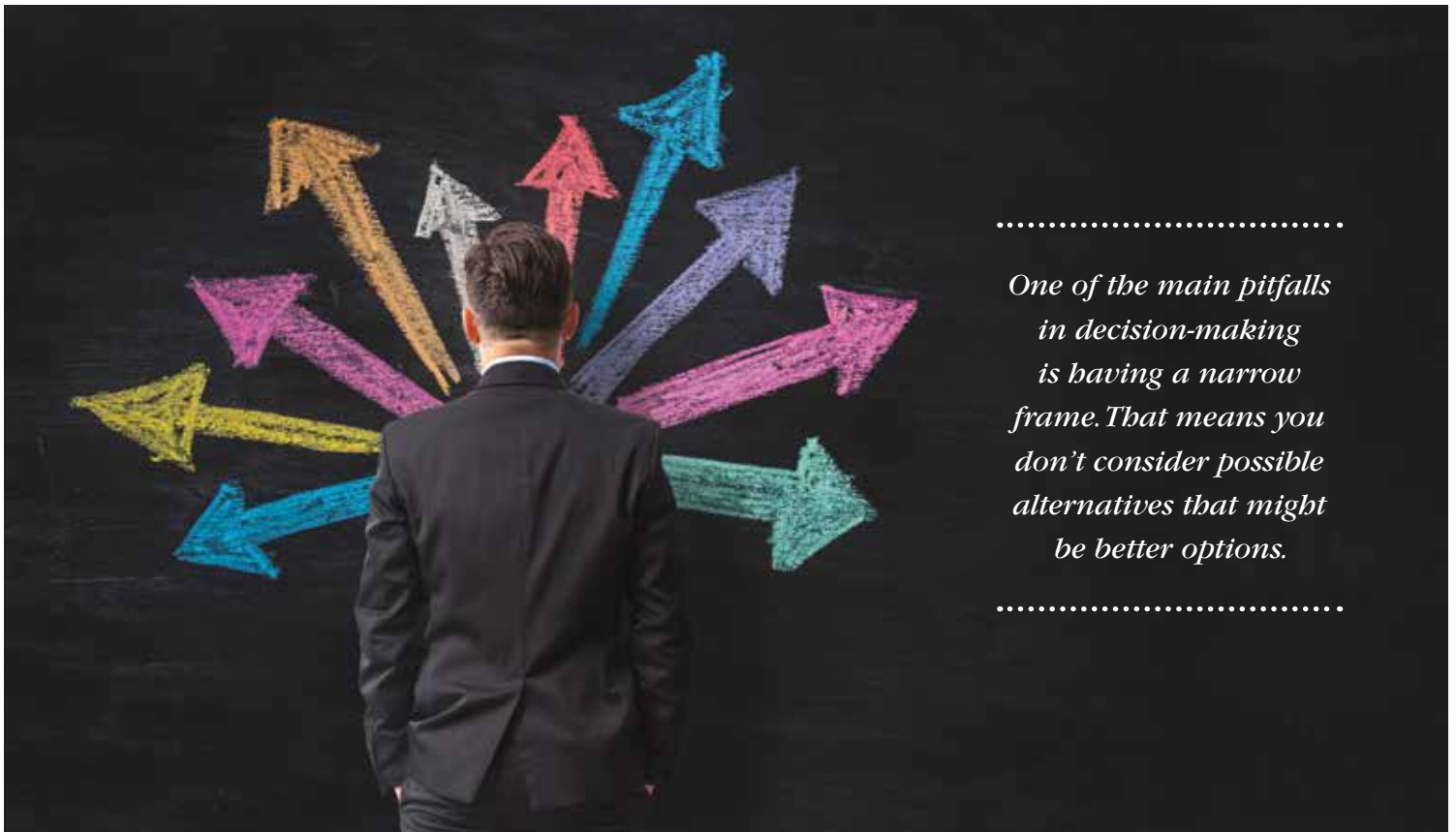
Honor Your Core Priorities by paying attention to your values and your long-term goals and aspirations. By identifying your core priorities, you make it easier to resolve present and future dilemmas.

VI. PREPARE TO BE WRONG

When you've made a decision, anticipate and prepare for both adversity and success. Add in extra time for unforeseen difficulties. Anticipate problems and identify ways of coping. Set a tripwire.

A famous rock band once put a clause deep in their contract asking for M&Ms in their dressing room, but with all the brown ones removed. If they found brown M&Ms when they arrived for a concert, they knew their contract probably hadn't been read and they needed to triple check the complex sound system and visual set up they needed for their performances. Their tripwire was the existence of brown M&Ms in their dressing room.

SFG's goal is that everyone we touch has a better chance of making better decisions and moving in a positive direction in their life, no matter what trials and tribulations beset them.



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One of the main pitfalls in decision-making is having a narrow frame. That means you don't consider possible alternatives that might be better options.

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Stearns Financial IN THE NEWS



Stearns Financial Group was selected to be part of New York's RIA Citywire's 2019 Future 50, which recognizes the 50 registered investment advisor (RIA) firms that best represent Citywire's vision of the future of the RIA community with strong forward-looking innovation while maintaining high human touch with its workforce and clients.

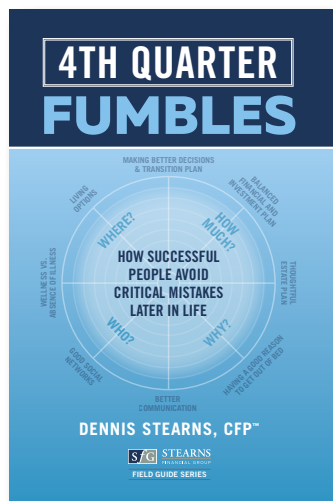
SFG was specifically nominated as a result of our extensive Intelligent Aging Initiative, Super Trend research and Scenario Planning expertise. In addition, our Financial Focus for Women and Emerging Affluent practice units were noted. From RIA Citywire: **In an extremely dynamic part of the wealth management market characterized by its constant evolution, we want to recognize 50 of the firms that best represent the future of the industry.**

For additional information on Citywire's Future 50, please see the disclosures below.

Forbes interviews Haleh Moddasser, CPA on Financial Stage of Life Planning

Haleh, SFG's lead partner in the triangle office, was interviewed by Forbes on key considerations for planning for people at every age and stage of life. Unfortunately, most of the "rules" are arbitrary. Haleh says it's hard to rely on these benchmarks, since everyone's situation is so different. "In this day and age where people are being displaced by technology, the most important thing you can do is invest in yourself" she says. "If that means foregoing a contribution to your IRA so you can go to grad school, I'd say absolutely you should do that."

Full article on [Forbes.com](https://www.forbes.com)



Chicago Tribune: How to avoid critical mistakes later in life

Dennis Stearns, CFP® has focused for a decade on problems that almost all couples face in retirement and the factors that are needed for successful aging. The Chicago Tribune highlighted these items from Dennis' book *Fourth Quarter Fumbles*:

- Health is your No. 1 asset in life. Focus more on the pursuit of wellness, not just the absence of illness.
- Explore your "why," your reason to get out of bed every morning.
- Nurture your "who" in order to face the challenges of the fourth quarter. You need a team of friends, family and advisers to help you avoid or recover from fumbles.
- Consciously work on better decision-making. [Editor's note: One of the goals of this Trends newsletter!]
- Sharpen your bounce-back skills. Resiliency is a top predictor of fourth quarter success, and it can be improved.

Dennis is the author of *Fourth Quarter Fumbles: How Successful People Avoid Critical Mistakes Later in Life*.

Full article at [ChicagoTribune.com](https://www.chicagotribune.com)

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The Future 50 list is not indicative of future performance. This award does not evaluate the quality of services provided to clients. Individual account experience may vary from other client accounts. The Future 50 is an independent survey produced by Citywire to recognize 50 of the RIA firms that best represent Citywire's vision of the future of the industry. The firms are measured in terms of their degree of independent ownership; AUM growth; percentage of fee-based business; approaches to sustainability, including green and diversity initiatives; processes in place for attracting and maintaining talent; succession plan; staff credentials; investment offerings and capabilities; client education and charitable work; and firm service offerings. The list's focus is firms with between \$250 million and \$2 billion of assets. Neither the RIA firms nor their employees pay a fee to Citywire in exchange for inclusion in the Citywire Future 50. SFG-19-129