WHAT'S WRONG WITH WALL STREET WISDOM?

BY DOUG GERLACH
AUGUST 2026
GERLACH@ICLUB.COM

DISCLAIMER

The information in this presentation is for educational purposes only and is not intended to be a recommendation to purchase or sell any of the stocks, mutual funds, or other securities that may be referenced. The securities of companies referenced or featured in the seminar materials are for illustrative purposes only and are not to be considered endorsed or recommended for purchase or sale by BetterInvesting™ / National Association of Investors™. The views expressed are those of the instructors, commentators, guests and participants, as the case may be, and do not necessarily represent those of BetterInvesting. Investors should conduct their own review and analysis of any company of interest before making an investment decision.

Securities discussed may be held by the instructors in their own personal portfolios or in those of their clients. BetterInvesting presenters and volunteers are held to a strict code of conduct that precludes benefitting financially from educational presentations or public activities via any BetterInvesting programs, events and/or educational sessions in which they participate. Any violation is strictly prohibited and should be reported to the CEO of BetterInvesting or the Director of Chapter Relations.

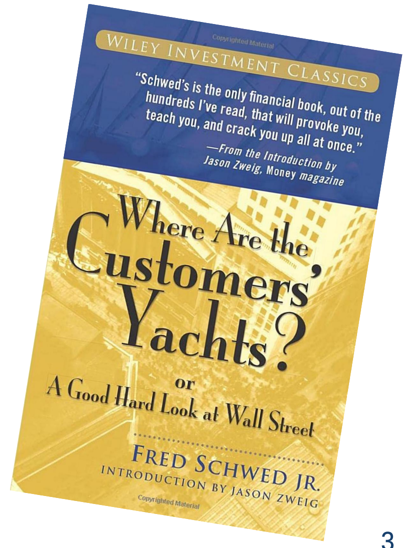
This presentation may contain images of websites and products or services not endorsed by BetterInvesting. The presenter is not endorsing or promoting the use of these websites, products or services.

We may be recording this session for our future use.

2

WHERE ARE THE CUSTOMER'S YACHTS?

- 1940 Wall Street classic.
- Title comes from visitor to New York City who was proudly shown yachts of bankers & brokers, & then naively asked "where are the customers' yachts?"
- Satirizes world where brokers get rich while customers go broke.



3

WALL STREET'S IMAGE VS. REALITY

- Media often portrays Wall Street as sophisticated, requiring expertise, with fast money to be made, intimidating to beginners.
- Likewise, average individuals portrayed as rubes, not smart enough to choose & manage investments.
- Underlying motive is profit generation -- but for industry itself, not for customers.
- Who is "Wall Street Wisdom" designed to serve?
  - *(Hint: Frequently not individual investors.)*

4

ARE STREET'S RULES IN YOUR INTEREST?

- Or are they instilling fear & doubt in minds of investors?
- Often they support products that cost more than they're worth:
  - Actively managed funds.
  - Complex structured products.
  - Market timing strategies.
  - Frequent trading platforms.
- Or are meant to hide conflicts of interest behind "expert" stock tips & media hype.

5

WALL STREET WISDOM TRANSLATED

- Let's debunk some myths & talk about alternatives.
- Note that some Wall Street advice is specific to particular approaches or investing styles & may not be applicable to your objectives.

6

INVEST IN WHAT YOU KNOW

WHAT IT MEANS TO DO:

Offer confidence that personal observations & experience about products & services can aid in research & analysis.

WHY IT'S A PROBLEM:

Individuals are susceptible to cognitive biases that make them overly-confident & support over-inflated sense of expertise about familiar things.

WHAT YOU SHOULD CONSIDER INSTEAD:

Know what you're investing in – take necessary time to research & fully understand security before buying or selling.

7

NO ONE GOES BROKE TAKING PROFITS

WHAT IT MEANS TO DO:

Provide reassurance that portfolio & securities always have *some* profits recorded.

WHY IT'S A PROBLEM:

Selling merely to "lock in profits" can lock out all future profits & leave portfolio made up of only losers.

WHAT YOU SHOULD CONSIDER INSTEAD:

Let your winners ride & focus on pruning your losers. Manage downsides with TSLOs or other strategies.

8

BUY THE RUMOR, SELL THE NEWS

WHAT IT MEANS TO DO:
Speculators often "price in" positive catalysts (rumors), then sell when official announcements are made to take profits.

WHY IT'S A PROBLEM:
Encourages investors to sell due to short-term noise, potentially generating more tax liability & getting rid of companies with superior long-term potential.

WHAT YOU SHOULD CONSIDER INSTEAD:
Focus on business quality & long-term valuation, don't try to capture relatively small market moves.

9

FOLLOW THE SMART MONEY

WHAT IT MEANS TO DO:
Leverage institutional investor decisions to identify opportunities for personal portfolio.

WHY IT'S A PROBLEM:
Institutions report on delayed basis so holdings may not represent recent activity. Time frames may differ from your approach. Most large investors can't/don't invest in small & midsized companies that are opportunities for individuals.

WHAT YOU SHOULD CONSIDER INSTEAD:
Create your own smart money research. Take advantage of opportunities where institutions can't.

10

DON'T FIGHT THE FED

WHAT IT MEANS TO DO:

Signal whether to be aggressive or conservative in portfolio: Buy when rates are being cut. Move to cash or turn defensive when Fed is raising rates.

WHY IT'S A PROBLEM:

Macro policy lags business fundamentals, & exceptional companies can perform well during tightening cycle. Rate moves are thus not good predictors for many companies.

WHAT YOU SHOULD CONSIDER INSTEAD:

Use Fed policy to understand broader economic environment, let fundamental analysis, corporate balance sheets, & individual valuations drive stock selection.

11

BUY FROM A SUCKER, SELL TO A SUCKER

WHAT IT MEANS TO DO:

Purchases & sells are made from/to others who don't know security's true worth.

WHY IT'S A PROBLEM:

Engenders overconfidence. Few investors have real edge that puts them on "smarter" side of trade decisions. Long-term success doesn't come from "outsmarting" others.

WHAT YOU SHOULD CONSIDER INSTEAD:

Focus on investments that offer chances for long-term compounding focusing on business fundamentals (earnings power, balance sheet health, competitive moats).

12

PIGS GET FAT, HOGS GET SLAUGHTERED

WHAT IT MEANS TO DO:
Keep individuals from getting too “greedy” or holding/doubling down on overextended securities.

WHY IT’S A PROBLEM:
Encourages selling winners too soon, eliminates future gains, triggers potentially higher taxes, introduces reinvestment risk.

WHAT YOU SHOULD CONSIDER INSTEAD:
Holding superior companies is almost always rational, focus on fundamental valuation characteristics to determine reasonable sell strategies.

13

UNDERSTAND YOUR OWN BIASES

- Revisit key behavioral biases that make you susceptible to “Wall Street Wisdom.”
- Self-awareness is your best defense.
- *Discipline* is more important than conviction.
- Having “feeling” that stock will perform well is different than employing disciplined approach – and sticking to it.

14

QUESTIONS?

GERLACH@ICLUB.COM