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FRIDAY – NOVEMBER 13, 2026

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Hello and welcome to this week's Dividend Cafe. I am your host, David Bahnsen, and what an incredibly crazy week it has been. I am going to talk today about a topic that I think represents one of the great mistakes, perhaps the great mistake that investors make that is particularly appropriate to discuss right now in the aftermath of the midterm elections. We're gonna get a little historical. We're gonna do a really important refresh on cogent investor behavior. And I am going to take advantage of next week's Dividend Cafe to talk about what the drama of this week has been, because I was tempted to do a Dividend Cafe about CEO scandals and the history of some of those things, some of which can be juicy and salacious, some of which could be tragic, some of which could be comical, all of which I think have various historical lessons for investors. And in the aftermath of the news this week that has really dominated financial media all week, understandably in a lot of ways, the Nvidia CEO scandal, I wanna use that to kinda make a bigger point next week in the Dividend Cafe. One of the reasons I'm waiting is 'cause I already had my topic for this week. But the other reason is, for all I know, by the time I write this piece next week, there'll be two or three or four new developments in this particular scandal. But no, we wanna do a kinda more of an evergreen look at the history of various dynamics with CEOs and allow it to be instructive to us in the way we think about portfolio construction and portfolio modification.

But this week is about mistakes people make in portfolio modification related to those moments at which people wanna hit a panic button, either anticipating something or reacting to something. And I mentioned the midterm elections as a catalyst to this topic. And it is true that over the last 15, maybe even 20 years, it's become a little bit more common for something political to catalyze some of this folly. And in the aftermath of the midterms, it caused me to pull out some old files and some I don't wanna say I had to go dig deep 'cause I have these pretty well archived as a refresher and as a sort of instructive moment, and I did narrow it down to one, two, three, four, five, I think, maybe six that I pulled out of you don't even wanna know how many. But let's understand that we're talking about this 'cause it's important to everybody. It's a big deal because it speaks to a reality: human nature. It is not a criticism of the way people think or the way people are wired. It's a criticism or a concern around how we may respond to some of the thinking, some of the emotions that, that come to be.

Let me read a couple things here, word for word. This is November 9th, 2012, which was, I believe, two or if not three days after President Barack Obama had been reelected. Word-for-word email from a real-life client. "After the results of the election a few nights ago, it is very

clear to me that the market is about to be throttled in a way that will make 2008 look like a picnic. It's time to get me and," blank the spouse, "out and plot a different course for how we survive what is to come." On July 12th, 2016, a client emailed, "In the event," this is in the summer about, what would that be? Four or five months before the presidential election. "In the event Hillary Clinton does win the presidency, I want it known that I would like my portfolio to be in all cash immediately. I believe it will mean the destruction of our way of life, and I have worked too hard for my money to watch what her presidency would do to it." Then on November 10th, 2016, which was a couple days after the election in which President Trump had won, we had a different client who had emailed, "It looks like the markets have decided that tax cuts are more important than what this idiot is gonna do to the economy.

Can we please discuss why I should feel safe with a Trump presidency when it comes to our portfolio?" On September 15th, 2020, a couple of months before that election, I got an email from a client that said, "I do believe Donald Trump is gonna end up winning reelection, but if he does not, based on the 70% tax rates that President Biden would surely impose, not to mention the other radical left-wing proposals he has in mind, it will be time to get the," blank, "out of stocks. I imagine you agree, and I wanna make sure we're on the same page here." On January 21st, 2025, which was a couple days after the inauguration of the election, the one that President Trump did end up winning four years later, Grover Cleveland style, got an email from a client that said, "Watching the inauguration yesterday just reminded me what a pitiful state of affairs we face as a nation. I do not believe markets can handle four more years of this guy. Do you really not believe he's gonna bring down the market and the world economy?" And then a couple months ago, an email from a client that said, "I wanna take a break from the market to see how this political situation plays out. I see a period of much greater risk approaching in the political world with the upcoming election, Middle East conflict. Both of these could result in 2008-style market disruptions." These aren't paraphrased. They're not fictitious. They're not illustrative. Literal, exact communications that I mentioned are a drop in the bucket of various things we deal with. Now, I do first wanna say In the vast majority of these cases, we talked people off the ledge.

We did our job, explained a point of view, and saved people from what would've been potentially fatal and certainly very disruptive decision-making. You can imagine in all of these cases, if I wanted to do the cute little thing where I put a chart of where the market was when someone said these things and where the market was at the point of election, where things have gone, you would see tens of thousands of points as markets go and do their thing. Now, it's funny. I don't have the records of emails I would've gotten in 2000, 2009. There were some then in these presidential electoral moments, but they were much less political. The very heavy intensity and I would argue tribalism that causes people to associate a portfolio outcome with a political outcome they don't like really, I think, went into hyperdrive. Now, look, my business is a

lot larger now, so maybe there's just more opportunities to see it versus when the size of the business was smaller 25 years ago or something. But there were plenty of people that didn't like President Bush, plenty of people that were afraid of the McCain-Obama election one way or the other. But it just wasn't the same frequency. And even on a smaller scale in my business, it wasn't the same ratio of fear about that and those threatening to do, you know, drastic things relative to the overall size. And I think that that is just simply that the, the political tribalization fears and whatnot have intensified over the years.

But I also would say that it's interesting because you actually did have real massive disruptions in the tech implosion at the beginning of the 2000–2009 decade and then the credit and housing bubble burst at the end of it. And it's almost like people have more tolerance. It was the opposite. They were upset if you weren't in a bubble. Like, it was okay to own pets.com at $10 billion valuation, but if XYZ is gonna become president, that, we can't have that, you know? And so, I think it speaks to certain elements of human nature and not necessarily the best parts of human nature. In most of those cases, as I mentioned, we did our job and in some cases, we have to part ways. We have to tell a client, "We can't take a fee from you for our advice if you're not following the advice. And our job is to give the best advice, unvarnished truth, and your job is to trust us. Our job is to be trustworthy, and we would not be trustworthy if we were telling you to go jump out because of an election result or whatnot." And I should be clear, the election thing is an example and a, a more frequent one, but there were plenty of people that made pretty life-altering decisions in advance of that Y2K silliness.

The, there's been other incidents. I guess you could say this one's sort of a little bit political, but not really. I, I recall one client saying that he needed to get out of the market 'cause he had inside information that North Korea was about to attack a, a nuclear attack like Alaska or something. I don't really know what, what ended up happening there. But, you know, there's other issues that could be wreaking havoc. First of all, wreaking havoc on a client's emotions and whatnot and could cause someone to wanna go sell everything, move to cash, I have people send me all the time, like a TikTok reel or a social media post or a newsletter article or, this rich guy said this thing that sounds dramatic. Another rich guy said a different thing that sounds dramatic. What do we do? It simply speaks to the way people are wired, okay? I don't wanna criticize human nature, but I want to get into what matters here. Now, on the political front, one of the things that is so troubling is that when I explain why I don't believe people should be trying to get all the way out of a really good investment portfolio in anticipation of an election or in response to an election or what have you, usually people go, "Oh, well, so you're saying that so and so isn't gonna do this?"

Or, "You're saying that XYZ policy doesn't matter?" And there's a kind of logical fallacy at play where I can obviously agree with a premise and not agree with a conclusion. But by the way, when it comes to markets, it's more than that. History's abundantly clear. People do get

premises wrong all the time. People do get the conclusions wrong from an accurate premise all the time. People get the market response wrong even when a premise is right and a conclusion is right all the time. So there are all sorts of reasons where this is an irrational response that doesn't require you to deny that there is significance and importance in certain matters of public policy and certain political figures and cultural developments and all of those things.

The problem with that I wanna get out and I'll come back in when things settle down or when we see what's gonna happen here or what happens there is first of all obviously being wrong about it. That's the easy part, believe it or not. I think of someone had said in anticipation of the midterms, let's get out of a really good dividend growth portfolio, and then you had the five best weeks for dividend growth on record. And the midterm results that this particular person or other people like this, you know, I'm just thinking kind of at a high level abstract. The midterm results did not go the way that a lot of people wanted, and you would've missed out on not just like it didn't go badly the way you thought, it was as good as it's ever been in this particular period of time we're talking about. But that isn't the worst part. It is then the re-entry decision, whereby, as I've written about over and over again, regret takes over and it becomes very, very difficult to do the right thing. And your fear, first of all, is an embarrassment, but a fear of making a second mistake almost guarantees that a second mistake will get made. Nobody I know, most certainly not me talking to you right now in the Dividend Cafe, is advocating, is claiming that there's no market fears out there, that there's no potential for drawdown and volatility.

I'm saying the exact opposite. I'm saying that I assure you there will be market-disrupting events, and that that is a very good thing as far as a source of risk premia goes, that the market efficiency being what it is, we utilize the fact that markets require you to go through various volatile events to rationalize a higher expected rate of return. And that if everything was a picnic and we were, we lived in a society devoid of political setbacks, market setbacks, interest rate setbacks, military setbacks, if none of these things ever happened, our expected rates of return to risk asset classes would efficiently be much lower. This is just all basic truisms. However, what I am saying is that when a portfolio is properly constructed, the fact of the matter is that only discipline and prudence can carry you across the finish line. That making decisions like, "I wanna get all out, go all back in," not only subjects you to the fallibility of premises, the fallibility of conclusions, the fallibility of market response to the above, the fallibility of timing, the fallibility of re-entry, the reality of regret, but it also ignores the fact that your plan already allowed for those things and counted on those things and understood those things to begin with. They're baked in if the portfolio and the plan are properly constructed. Market timing in that way is a fatal mistake for many people. This mentality we advocate here is an incredible immunity against the reality of one of the most failed investors we've ever come across. That failed investor is human nature.

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Thanks for listening. Thanks for watching. And thank you for reading The Dividend Cafe. I will see you Monday in The Dividend Cafe. Have a wonderful weekend.