# Why geezers give the best investment advice

## You're not just getting older, you really are getting better

By Jonathan Burton, MarketWatch , Oct. 5, 2011, 1:18 p.m. EDT

SAN FRANCISCO (MarketWatch) — Don't trust anyone over 30. That was a rallying cry for the counterculture 1960s. But nowadays, people seeking investment advice probably should be suspicious of anyone under 50.

A study titled "The Age of Reason" concludes that middle-aged people make fewer mistakes with finances than those who are younger or older. The research even pegged the optimal point in life for handling money-related decisions: 53, give or take a few calendar pages.

In the study, published in 2009 by the Brookings Institution, researchers looked at the ability of different age groups to manage financial transactions including credit-card-balance transfer offers, home-equity loans, car loans and mortgage loans. The testers found that 53.3 years, to be exact, is the mean age at which financial missteps occur least often.

### 'Sweet spot'

Based on the evidence found in the research, anyone between 43 and 63 "is really in their cognitive sweet spot," said David Laibson, a Harvard University professor and, at 45, the oldest of the study's four authors. Read the complete "Age of Reason" paper.

While the paper advocates the need for policies to protect the elderly from costly errors, it also echoes scientific work on cognitive function that paints middle age as something of a golden age. Not only financial judgment but social skills and general well-being reach a zenith as people cross the half-century mark.

It's true that the ability to analyze, process and retain new information—what scientists call "fluid intelligence" — peaks around age 20. But another type of smarts, "crystallized intelligence"— otherwise known as experience and knowledge — actually builds with age. Right around our early 50s, these two divergent trajectories intersect.

### Earn cash as a mystery shopper

MarketWatch columnist Jeanette Pavini talks to Stacey Delo about "moonlighting money" -- ways to earn extra cash as a mystery shopper or by participating in product focus groups.

Just look at the 20-something day traders and mutual-fund managers during the late 1990s dot-com boom who argued that "this time it's different." Meanwhile, famed value-stock investor Warren Buffett, then pushing 70, was dismissed as hopelessly out of touch for not buying the technology hype. Where are those Internet-stock fund managers now and, moreover, their high-octane funds? Not in Buffett's league, for sure.

So the next time you talk with a financial adviser or broker, instead of inquiring about investment performance, you might want to ask, “How old are you?”

“The older you get, the smarter you get,” said Harold Evensky, a 69-year-old financial adviser based in Coral Gables, Fla. “I think I am a significantly better practitioner than I was 10 or 20 years ago. That comes from experience and from the fact that I continue to read [financial] journals, talk to people and teach a graduate course.” (Evensky is an adjunct professor at Texas Tech University in Lubbock, Texas.)

“I really wouldn’t want to go to a wealth adviser who is 25 or 30,” said Laura Carstensen, director of the Stanford Center on Longevity at Stanford University, who is 57. “That’s an area where you want experience. You want someone who’s seen things go well, and not so well.”

## Bear necessities

It’s not uncommon to find professionals like Evensky going strong well into their 60s and 70s — and proud of it.

“This is no market for young men,” said Jeremy Grantham, the 72-year-old chairman of Boston-based investment manager GMO LLC, about the volatile investment climate that investors have faced this year.

Grantham says the bear market of 1973-74, when the Dow Jones Industrial Average (DJI:DJIA) lost almost half of its value, was a painful but powerful education that he was able to tap in the 2007-09 downturn — and again this year.

Added Laibson, the Harvard professor: “Age brings us the ability to contextualize, the ability to find the right analogy, to see what worked in the past and what didn’t. People with decades of experience in the financial markets are in the best position to get it right.”