



The Economic Club of New York

119th Year
861st Meeting

David Booth
Founder and Chairman
Dimensional Fund Advisors

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In-Person/Hybrid Event

Moderator: Jill Schlesinger
CBS News Business Analyst
Host, Jill on Money

Introduction

President Barbara Van Allen

Good morning, or actually good afternoon, everyone. Welcome. It's a delight to be here. This is the 861st meeting of The Economic Club of New York. I'm Barbara Van Allen, President and CEO of the Club. And I want to extend a warm welcome to students joining us virtually from the Weatherhead School of Business at Case Western and to recognize members of the 2026 Class of Fellows – a select group of diverse, rising, next-gen business leaders who are with us today.

The Economic Club of New York is proud to stand as the nation's leading nonpartisan platform for discussions on social, economic, and political matters. We've been doing this for more than a century, and actually next year we will celebrate our 120th anniversary. During that time, we've hosted over 1,000 preeminent guest speakers contributing to a true tradition of excellence. And that tradition continues up to and includes today when we welcome our guest, David Booth.

For more than 50 years, David has been at the center of a monumental transformation in personal finance collaborating with five Nobel Laureates in Economics along the way. As founder of Dimensional Fund Advisors, an investment manager and trusted with \$1 trillion in assets, David was part of a revolution that transformed investing from a game

of speculation into a discipline grounded in evidence and long-term thinking.

As part of the Club's Author Series, David is here to discuss his latest book, which you should all have, *Stay Calm*, where he shares the lessons, mindset, and stories behind that revolution and shows readers how to apply them in their own lives. Today's program will feature a fireside chat moderated by Jill Schlesinger. Jill is the CBS News Business Analyst and host of Jill on Money. We will have time for questions from the audience toward the end so please have some questions ready.

The program is going to begin just in a second, but please know as always, we'll end promptly at 1:00. And as a reminder, the discussion is on the record, and we do have media both in the room and online. We also have a significant online audience of members and guests. Without further ado, please welcome to the stage, David and Jill.

Conversation with David Booth

JILL SCHLESINGER: All right, thank you all for joining us today. How exciting! You know, I always love when they do these introductions for you because you sound like this very highfalutin guy, and I'm like, nah, he's just David, a kid from Kansas. Made good, now a *New York Times* bestseller.

DAVID BOOTH: Who knew?

JILL SCHLESINGER: What are you doing for your sequel? Are you going to write another book? People will start asking you now. Oh, gosh, let's talk about you. A lot of the people in this room, I don't know if you're familiar with Mr. Booth, maybe you know him best because you're in the investing world or you're familiar with the Booth School of Business at the University of Chicago. But what you may not know is that this man is a Kansas Jayhawk through and through.

DAVID BOOTH: Rock Chalk...

JILL SCHLESINGER: There you go. I had to learn what that meant after meeting David, so that was fun. Let's, you start the book and I think it's a good way to start a little bit today, which is talking about your childhood in Kansas and tell us a little bit about how you grew up. You know, we're sitting in Midtown Manhattan, maybe a lot of the people here might think you're a product of Wall Street. Far from it. So let's talk about what was going on in Kansas when you were growing up?

DAVID BOOTH: Well, you know, people who live in New York City, and Midtown particularly, I think sometimes think this is the center of the world. And it probably is. When you grow up in Kansas, you're not confused. You realize you're not in the center of the universe. But I grew up with a great family environment, and my parents who were Depression-Era folks, fought through World War II, and came back and had a

tough career and way too short a retirement, and I learned so much from them.

JILL SCHLESINGER: And they may not have been huge risk takers and taught you a lot about financial risk, but they took a huge risk because they moved you from this teeny-tiny small town into the booming metropolis of Lawrence. And that was, why, why did they make that change?

DAVID BOOTH: Well, they knew they didn't have enough money to send, there were three kids and they knew they didn't have enough money to send us all the way to school. And if they could move to Lawrence where the University of Kansas is, we could go to school and live at home. And in those days, living cost was the big part of the education, so they made that happen.

JILL SCHLESINGER: What did you study at Kansas, besides basketball and football?

DAVID BOOTH: Well, I mean, you know, as a teenage boy – I guess I shouldn't cover all of that – it was economics and math.

JILL SCHLESINGER: What was it that drew you to those two disciplines? Because I'm sure there are a lot of people in this room and who are watching who, they have friends and they're like, eww, math? So what was it about math and economics that was

interesting to you?

DAVID BOOTH: Well, part of the interest in math was, and this is kind of surprising that I ever did a book, because one of the reasons I started taking a lot of math was I didn't have to do term papers. So now I have a book, you know, go figure. And economics, that's really what life is about, is making choices under uncertainty.

JILL SCHLESINGER: And uncertainty is a big theme throughout the book. So, you know, I was thinking about this, you know, you were at Kansas, you thought you were kind of stay there forever, what led you to the University of Chicago? I mean that's sort of an uncertain and risky choice to make at that point.

DAVID BOOTH: Well, I was in, and stayed for a year of graduate school at Kansas, and I took a course on finance and fell in love with it, and I decided I wanted to be a professor. I liked the idea of helping students out. So my finance professor told me, well, if you want to study finance, you've got to go to the University of Chicago. Of course, that's where he got his PhD so it was a little bit of a conflict of interest.

JILL SCHLESINGER: That's all right, it was disclosed.

DAVID BOOTH: So I went there and it was just an incredible time. It's one of those rare

moments in time where a lot of things came together in academic circles and the field of finance was really rapidly changing. See, before 1960 there really wasn't data for academics to really research much of anything. So in the 60s all of a sudden they had data and big enough computers and they could start, you know, testing out all kinds of things. And that's really what led, investing in some ways became a science, because to have a science you have to have testable hypotheses. And that was all of a sudden available and there was an explosion of papers and research.

JILL SCHLESINGER: And so you get to the University of Chicago, and as we heard in the introduction you end up encountering very important people in your life, and five of them who turned out to be Nobel winners. But tell me about what these people had in common. What drew you to this group of people like, and you know, Gene Fama let's say. Like what is it that you could relate to with these guys?

DAVID BOOTH: Well, they were just amazing. But clearly if you're a leading academic, it's really about the pursuit of truth as we know it, and our understanding of what that is was really evolving. And Chicago was really kind of one of the epicenters of this new way of thinking.

JILL SCHLESINGER: But none of you were, how can I put this? You weren't of a mold of Wall Street people. And we think a lot, I think that many of us in the room and

watching, that you might think of, like you're going to Booth, well, you know, you went to work for an investment bank and now you're going to get your MBA and then you're going to do this thing. But that was not this group.

DAVID BOOTH: No, it was a bunch of...and to kind of tie, parallels growing up, my parents kind of viewed themselves as outsiders and that insiders made all the money, and would just take advantage of them. So they never really invested in public markets. And they had a tougher retirement as a result. Well, I mean these academics at Chicago, I mean they were challenging the orthodoxy. You know, challenging Wall Street, if you will. These ideas were coming out and really caused the whole industry to really change.

JILL SCHLESINGER: I was struck by the fact that, you know, some of the stories, you are from a small town in Kansas and Gene was from Boston, that you all had this outsider mindset. But there was also a competitiveness of you guys, of them, and being, I think sometimes we imagine, like these super-duper Nobel Laureates being these gentile men who think. But they were not that.

DAVID BOOTH: That doesn't describe the people at Chicago. In fact, it took me about 20 years when somebody said, oh, you know, that person is very collegial. I thought it meant they were trying to punch you in the nose. So it was a different experience. No,

these were, for example, Fama is about the most competitive person I ever met. I mean we have Senator Bradley here. He was a pretty competitive guy. But you don't think of these academics as being all that competitive, but they really were.

JILL SCHLESINGER: And they were willing to question the orthodoxy at the time because as you said you didn't have the data before then. But up until that point, the idea was that there were folks on Wall Street who said we can pick the companies that are going to do best and then you should give us your money and pay us a commission and we're really smart and good luck. And what was the experience of having the data and crunching the data? What was actually happening?

DAVID BOOTH: Well, I mean they've been doing these studies for 60 years now and comparing, evaluating the performance of professionally-managed portfolios, and it turns out professional money managers have a rough time beating the market. I mean, in fact, most of them don't do as well as the market. And that's really important for people like my parents who viewed themselves as outsiders because I said, look, because today, unlike when my parents were starting to become of investment age, today you can buy market, the stock market, very easily.

So when you say professional investors couldn't beat the market, well, you can buy the market pretty cheaply now. Access to everybody. And even the smallest amounts of

money, you can buy the market. So if my parents were around, I'd say, look, don't give me that "I'm an outsider" nonsense. You can do as well as the pros. That's really uplifting.

JILL SCHLESINGER: And as you write in the book, I think the other part of this is that if you're challenging the orthodoxy, it's hard to do that from the inside. Like as an outsider, it's like that was going to be the necessary ingredient. Yes, you needed the data. Yes, you needed to crunch the data. And then you also had to be open to the idea that maybe whatever the conventional wisdom was prior to that, was not right. So as you went through this program and you're pursuing your PhD, as you might all realize, there's no doctor in front of his name, right? So what happened?

DAVID BOOTH: Well, eventually I realized the world would be better served if Gene Fama and Mertin Miller and Myron Scholes did the research and people like me could go out and apply the ideas. I mean you're sitting in front of this wealth of knowledge that I'm afraid little of which has seeped into the outside world, I go, this is really important stuff. You can really help people. And if you really want to help people, apply these ideas. And that was what drove me and eventually led to the basis of the firm. You know, we can really help people out.

JILL SCHLESINGER: I think that it's kind of, I keep describing to my wife, when I first

met you, I'm like, he's like the nicest guy. This guy Booth is so nice. And I think that many of us who grew up around the industry, we don't often hear the message "I could really help people." I hear messages of we can make money for you. That's the way it's going to be. But you are grounded in this, if I put the person and the help first, then I can build a business. So before we get to the beginning of Dimensional, I just want to take a quick foray to the West Coast, because you left the program and then what led you out to, this is Wells Fargo, right?

DAVID BOOTH: Yes, so this, in my second year in the program I was working for Gene Fama as his research assistant. You know, knocking myself out. He was knocking himself out too, but he loved it. That was the difference. I go, this is a pain for me. It was pleasure for him. So I had done this paper for Milton Friedman and Milton was kind of ho-hum about it. I go, man, I worked like crazy on this thing. I got a ho-hum.

So I walked into Fama's office the next day and I go, hey, I'm out of here. I don't want to be a professor anymore. So he said, well, I have this guy out in San Francisco, it turns out Mac McQuown, and he was one of my students. I'll give him a call. So he did. Mac came to visit me in Chicago and we hit it off.

And I went to join him at Wells Fargo, which was maybe, if people have read the history of the development of finance will, you know, appreciate things like the Samsonite

Account and so forth. Wells was trying to apply these new ideas in a big way. And they had two departments at Wells. One was a Trust Department that actually managed the money. And then we had the kind of another group that I was involved in who was trying to figure out how can you beat the market without outguessing the market.

See, once the evidence started accumulating that professional money management, when it's directed to trying to outguess the market, it wasn't worth the cost. And people would go, well, what are you supposed to do? And so that led to two different points of view within the bank.

The Trust Department eventually settled on the idea of an S&P 500 Index Fund. And it started off slowly and then they helped, they communicated with Vanguard, and they eventually got index funds going. And that Trust Department, it got sold a couple of times and eventually now it's housed at BlackRock. The antecedent to BlackRock really is this Trust Department. And so the idea really took off spectacularly well long term.

JILL SCHLESINGER: So you have the idea of the Index Fund and passive investing. And you know all the research; you're part of it in some respects. So how did you have the guts to start your own company, right here in New York, by the way? What happened?

DAVID BOOTH: Well, not only New York, good old Brooklyn. Anybody here from

Brooklyn? That's another story, how you, in 1981, starting up a company in Brooklyn. Nobody was expecting...

JILL SCHLESINGER: In Brooklyn Heights, I wish you had that building...

DAVID BOOTH: Brooklyn Heights, yes. I remember when we started out, I worked out of my apartment, and so I had an address in Brooklyn. Our sales people would go, you can't have Brooklyn on...I'd go, why? I love it. So anyway, that's a different story.

But the foundation, though, it really ties back to the Wells Fargo days. Really these two groups, the S&P group, the other group that I worked in, and we used, by the way, two chief outside consultants. We used Fischer Black and Myron Scholes. And while they were working on this project at Wells, they developed the Black-Scholes option pricing model. And this was the Wild West; I mean ideas were changing rapidly and landmark papers were coming out every month. So it was quite a different environment than today.

So they shut us down and it was basically a few years later, I had the idea for Dimensional to spring up. And by that time, I kind of huddled together with a lot of these academics and said, look, how can we really apply these ideas? How can we be of most help to people in applying the ideas? And that's what drew people like Gene

Fama, he was one of the founders of the firm. And Martin Miller and Myron became independent directors and as forth.

JILL SCHLESINGER: I mean it's kind of amazing; you said that you obviously had to put everything on the line, although how much, you didn't have that much on the line at that point?

DAVID BOOTH: It was 100%, 150% of everything I had.

JILL SCHLESINGER: Exactly right. But you did, you said you believed in the potential of these ideas to change the world. But I thought it was interesting, look, people think about, like Black-Scholes, Martin and these guys, and they think it's a science, right? But you say it's science-based hope, that human ingenuity is at the core of your investment policy. What do you mean by that?

DAVID BOOTH: Well, first off, I think part of the motivation for writing the book is just to help people feel more optimistic about investing in public markets and feel more confident that they can have a good long-term experience. And that's such a, kind of a rare voice these days.

But the optimism isn't just Pollyanna optimism. I mean it's based on the science. I mean

really these ideas, we thought they could change the world and they have. You know, a lot of the time people say why do these ideas last? It's because they worked. I mean if you look at the experience for a typical investor today versus 1971 when I came out of school, it's much better today. Fees are a lot lower, a lot better designed portfolios. In fact, that was really the biggest shift from thinking about picking individual stocks to thinking about portfolios. That's kind of part of the story. So we knew at the level of fees that people were paying that if you come up with a sensible portfolio that has low turnover, low fees, and sensitive to taxes, that you probably can help people out.

JILL SCHLESINGER: You know, I came to know David and Dimensional because in my previous life before being a media talking head, I was actually an investment advisor and I knew about Dimensional. And it was actually through that knowledge that it kind of convinced me, I think I grew up around traders and people who really were stock pickers and they thought they could beat the market.

And then as I got to know Dimensional, I was like, oh, wait a minute, this passive thing. This is (a) easier, and (b) a lot, it makes a lot more sense to me. When you chose to begin the experience of Dimensional through ordinary investors or retail investors, you chose to distribute through fiduciaries, through financial planners, not through everyone. Why was that important to you?

DAVID BOOTH: Well, what we were interested in was avoiding commission-based delivery. We wanted a fee-only advisors that we work with. I mean some of my best friends are brokers.

JILL SCHLESINGER: Understood.

DAVID BOOTH: It's just, it's better when everybody is working on the same team. And, you know, the idea, this was just fortuitous, we had an advisor that wanted access to our funds. We started out, all of our clients initially were big institutions. You know, IBM, Boeing, and so forth. And so we had very low-cost funds. And that was ideal for an independent advisor to get access to. So we started down that path and now that's the bigger part of our business.

JILL SCHLESINGER: But it's interesting because one of the things you point out in the book is also that people need to, of course, they need to invest, but they also need to attend to all the other parts of their financial lives. And so I think that that makes sense to me because it's a way to say, one of David's mantras, control what you can control, manage what you can't. And if you can control, like your financial planning and the investment management, you kind of let it do its thing, you're likely to be on a pretty good path, right?

DAVID BOOTH: Right. I mean it was a great setup. So we start off, you know, with all this evidence, and there are two parts that are really critical. One is professional money managers can't seem to beat the market. You can buy the market pretty cheaply. And the third part is over the long-haul stocks and bonds behave the way we hoped they would. I mean we now have 100 years of research data. And over that time period, stocks have done better than bonds, and stocks have done about 10% a year. You know, fixed income, 4, 4½. So you have this risk premium of about 5½ or 6%, which is, to an economist, like people here, that's a huge number, a 6% risk premium.

How do you explain that? And, you know, we spend a lot of time talking about it. There's no clear-cut answer and academics have researched this. But for me, a big part of it is straightforward. It has to do with human ingenuity. And by that I mean people, my one basic assumption in life is that people want to improve their lives and firms want to improve their firms. And when something bad happens to people, you don't sit there and take it. You figure out how to get back on track. The same way with a firm, when you have bad news come in, you figure out how to try to make things better.

This came up a lot during the pandemic. You know, when the pandemic hit the first quarter of 2020, you know, people were pulling their hair out. What's going to happen? I go, you know, I don't know what's going to happen, but here's what I believe. Firms aren't just going to sit there and take it. They'll figure out how to develop new things and

adapt and mitigate the problems, and we're likely to get back on track a lot faster than you might think, which is what happened.

The recession that happened the first quarter of '20 was one-quarter long. What kind of deal was that? And that ties into one of the sources of sadness of the business. The things that I can't really shake over the years, which is, so going back to the first quarter of 2020, the market's down 30%, 25%, whatever. The people are going I can't take it anymore; I've got to get out. Well, the market ended up 20% for the year. So the last nine months, so people that got out the first quarter, you know, lost, let's say 20%. They lost out on the 50% run.

You don't get any do-overs in this business. There are no Mulligans. That's a permanent loss. And that's why we're trying, part of these ideas of helping people out, part of it is helping them stay invested. You say, what would the second book be? If I wrote a second book, which I doubt, it'll be Stay Invested.

JILL SCHLESINGER: Well, I mean I think that that brings up, like one of the critical emotions that can lead us astray and, you know, that fear and uncertainty is what, like it kind of pushes you to act. Like I don't know what to do but I can't take this pain anymore. But you actually write that people, investors, need to embrace uncertainty. Why?

DAVID BOOTH: Well, it's the uncertainty that creates the opportunity in life and in investing. A lot of the book, I tried to draw parallels between investing and life experiences because in both cases you're dealing with uncertainty in life and investing. And, you know, in life if there were no uncertainty, you wouldn't be able to progress. You would have been stuck doing something. I'd be farming wheat or something, I don't know. Uncertainty creates the opportunity.

And investing is the same way. If there are no uncertainties, if everything were certain, then there would be no risk and all investments would have the riskless rate of return. So it's uncertainty that creates the opportunity. So it's about managing the uncertainty, not totally eliminating it. You eliminate what you can and manage what you can't. Control what you can control and manage what you can't.

JILL SCHLESINGER: FYI, I've stolen this and I've said this on the air, and people think I'm such a genius. I have to probably start citing you, as David Booth says...

DAVID BOOTH: No, no, I don't think I was original on that.

JILL SCHLESINGER: But it's good, it is good. There was a documentary film made about Dimensional and you were part of it, and it was called Tune Out the Noise. And it feels like there's a lot of noise right now, David. Like people are worried, you know, AI is

going to eat us up. That things are going to happen; things are happening so fast. We are inundated with information and products and ideas. What should we focus on and what should we tune out?

DAVID BOOTH: Well, first of all, focus on how the market works. The stock market in the U.S. is where buyers and sellers come together and both sides have similar information and there's a lot of trading volume, a lot of price discovery. In that kind of environment, what happens? And are prices going to settle to fair levels? You know, you have big institutions buying and selling and people don't trade unless they think they got a good deal.

So both the buyer and the seller have to feel like they got a good deal or they don't trade. And it's that energy that comes from that and the fact that people don't have access to, well, inside information. You're not supposed to trade on inside information anyway. So what comes out are fair prices. And that's true every day of every year, the way to approach – in my view – the way to approach each day. I don't know what's going to happen.

But as long as market mechanisms are working, you know there's this competition going on that I can probably accept prices as being fairly set, so let the market work for you rather than trying to outguess the market. Accept that prices are going to be fair and

then focus on, number one, on how much should you invest in stocks at all. I mean that's the first thing you have to decide. And most people would benefit tremendously from having an advisor helping them do that. It's complicated.

JILL SCHLESINGER: When you think about tuning out the noise, oftentimes, you know, I'm sure there are a lot of people here and they read financial press, they watch people go on TV. You recently did a lovely interview on many outlets that are financial outlets. Is that noise or is that entertainment? Is that useful? Should people try to tune out that kind of information?

DAVID BOOTH: Well, you're right. There's been an explosion in all kinds of data. We're inundated with data all the time. It's not clear to me that we have more meaningful information than we ever had. So it puts a burden on being able to think critically. You know, what happens in the world may affect, if you're a shop owner, it may affect your decisions there. But in terms of investing in the market, you do want to pay attention and control what you can. And then the next part of the story is be flexible. It depends on what happens, adapt.

I look at the Federal Reserve. They don't try to predict what's going to happen. They come together, a lot of different opinions, and somehow come to a consensus about what they ought to do. And then they pay attention to what goes on and they adapt, and

that's the way to deal with uncertainty, in your own life and in investing. So don't try to predict the unpredictable.

JILL SCHLESINGER: Do you think that, oftentimes when I'll talk to somebody about passive versus active, and you know, I have a lot of friends in the industry and they still believe that there's a man behind the booth that, you know, the Wizard of Wall Street, I guess, or that there's somebody who knows better. There is a hedge fund. There is a private equity. There's a this, there's a that. And it's almost like the simplicity and the beauty of the evidence is anathema to them. Why is this, we do we still have an industry where so many people say I can beat the market?

DAVID BOOTH: Well, you know, maybe they can. I mean the point is you don't have to do that sort of thing to be able to have a good investment experience. There are plenty of places you can buy a market portfolio very inexpensively. So you don't have to pull your hair out. I think part of the book deals with true wealth or true worth. You know, what's really important to you?

In my case, my parents, family was everything to them. You know, here again Depression-era folks. I mean just having three meals a day was a big deal for them. In fact, I describe my parents as being wealthy. They just didn't have much money because they focused on what was really important. So having a straightforward

investment approach that frees up your time to, when you come home at night, play with the kids more than worry about what you think the markets are going to do is probably a pretty good idea.

JILL SCHLESINGER: I think so too. I want to talk a little bit about, we'll have time for questions, I promise, but I have five pages of notes, I want to talk a little bit about how you have put philanthropy at the center of your life. You come from humble beginnings. Obviously, we talked about the Booth School of Business. You've been incredibly generous with the University of Kansas. So what motivates you to make these kinds of gifts?

DAVID BOOTH: Well, you know, in some ways there's a parallel between that and the idea behind wanting to leave the PhD program and help people out and learn about markets and how they work. In some sense, that's philanthropy. Philanthropy doesn't have to be always about money. And these ideas that changed the world, the people who helped bring them out, I think, were philanthropic. So some people like to help others. Some people don't. So, for me, the idea of being able to give back and help out, it's just part of the DNA, I guess.

JILL SCHLESINGER: Yes, it's kind of beautiful. There has been a lot of talk, I think, as people write books like this. They talk about, oh, I failed at this, I didn't do this right. And

you said that acknowledging your own fallibility is a crucial step towards not repeating past mistakes. So how does an investor, an ordinary retirement investor acknowledge fallibility. Like what is it that can help regular old 401K participant? What do they need to know?

DAVID BOOTH: Well, first off, let me just, part of dealing with uncertainty is, you know, sometimes we get a bad draw. That's why it's called uncertainty. If you always had a good outcome, then things wouldn't be uncertain, right? So what happens, what you're getting at, what happens when you get a bad draw, you had a bad experience? Well, I think, as we talk about in the book, you know, you want to judge yourself by the quality of the decisions and not the outcome. The outcomes are obviously important but things that have uncertainty, a lot of that is outside your control. So if you feel like you made a good choice and it just didn't work out, then don't beat yourself up.

In fact, that's kind of, as we say in the introduction of the book, the book is not about how to invest, it's how to think about investing. So you come up with what you think and maybe working with an advisor, you come up with a solution that you think is, that you can stick with, and then execute on that. It's kind of like, I don't like to do sports analogies, you know, because I'm a guy and...

JILL SCHLESINGER: Yeah, all right, whatever, we have a professional basketball

player in the house, but okay.

DAVID BOOTH: Well, you know, you're at the end of the game and you're wide open, you're down two and you're wide open for a three-point shot, you gotta take it.

Sometimes it goes in, sometimes it doesn't.

JILL SCHLESINGER: Or you gotta run the play as executed. I think that there are a lot of people who think because, that mathematics and finance, or finance, have become seemingly like within a 0.001% of like probability, etc., that there's no human touch to it all and they want to run it all to a formula. But sometimes, like you can meet somebody, where you met somebody who says, you know, the fact that my pension was invested and made money and didn't do it without blowing the house down with risk, it allowed me to retire comfortably.

So there's something to be said for the intersection of the math, the science, and the human being who is actually going to read this book and say, oh, yeah, now I kind of get that. Like I'm a person first and I'm using this other thing called investing to kind of get to a goal. It's not going to be smooth sailing, but I'm going to get there. So what do you say to people who, you know, the read the book and they still feel a little bit like, it feels like it's a rigged game and those people who are yelling on CNBC are crazy and I don't want to get involved. What do you want them to know about this process in this book?

DAVID BOOTH: Well, they should feel comfortable investing in public markets, that they are getting a fair deal. I mean that's all you can ask for. I think people sometimes want to have an unfair deal. I want to have an unfair deal working in my favor. You know, the stock and bond markets, just kind of relax, pay attention to details. It's a process. It's not a one-time decision. You know, you try something and it works for you or it doesn't, then you adapt. And if you do this throughout your life, then at the end you're likely to have a very good final experience.

JILL SCHLESINGER: You talk about, getting back to Kansas, that when your parents had passed away, you kind of realized what they had and what they maybe could have had. How does that shape you?

DAVID BOOTH: Well, I mean one of the big factors in investing and in life is this notion of compounding, and I think everybody here is familiar with the magic of compounding. If you have a 10% return your money doubles every seven years. People sometimes don't realize that's what life is like too. You know, every year is not a fresh start for you. You start every year at the end of last year, what did you end the year with last year? And you don't get a new set of kids this year. I mean whatever it is you're working through.

And it's about making good decisions and dealing with uncertainty. What you're trying to

do is come up with a best set of decisions. And with uncertainty, frequently there's no such thing as an optimal answer. There are only tradeoffs. And people are looking for, first off, they're looking for certainty. Well, can't do that. Then the next thing is, well, if things are uncertain, what's the optimal thing to do? Well, you don't really know. It depends on your situation and your values and so forth. So, anyway, that's kind of...

JILL SCHLESINGER: I like that in a world filled with pessimists and permabears, I understand, by the way, when you went on CNBC, I believe that you followed Jeremy Grantham who seems to be very dour about the prospects of the universe. And he represents a strand, okay, I get it, I had a dad who was like that. Whatever you said, he would take the opposite. He would be like, oh, no, it's not that. But there is a world filled with pessimism and you're quite optimistic. Why is that?

DAVID BOOTH: Well, you know, I go back to how the stock market works and bond markets. You know, these are very sophisticated investors coming in investing every day. They're not going to come in unless they think they can get a fair return. I mean, and there are mistakes that can happen for sure. But I rely on these, instead of on the hubris that I know what things are going to happen, I'll rely on the fact that you get the best and brightest people out there duking it out with each other. I'll accept the outcome.

JILL SCHLESINGER: You also say that you can't make the market rise and fall, that

you can control how much risk you take. But you also say that you have to really manage how you react when the market gets bumpy. You mentioned 2020 as an example of that. Is there too much emphasis on these month-to-month, quarter-to-quarter performance metrics? Would we be better off if we just, like how often should we look at our statements? If you're like the typical *Stay Calm* reader, like what should we be doing? Should we not focus on this so much?

DAVID BOOTH: Well, personally I don't spend much time looking at statements.

JILL SCHLESINGER: Well, if I had your statement, I wouldn't look at it either.

DAVID BOOTH: Fair enough. You know, you want to pay attention to what's going on because you can never tell. If you go back to 2020, most people probably should have stayed the course and maybe even invest, take some of the money and invest in equities because the equity commitment had dropped quite a bit. But for other people, you know, they were deeply impacted by the pandemic and their businesses, and maybe they have to rethink their investment approach. So it's complicated.

JILL SCHLESINGER: But that flexibility part is really, that flexibility and adaptability. I think, not to say that you should be adapting to what's going on in the market, you should be adapting to what's going on in your life is what you're saying.

DAVID BOOTH: Yes, from time to time you'll have to make changes in your investment mix, but it shouldn't be based on trying to time short-term movements in the market. It ought to be based on, you know, I've decided to retire, we have a couple more kids, you know, whatever, you want to buy a vacation home, whatever it is where your circumstance changes, maybe you want to rethink your long-term plan. But it ought to be changes to my long-term goal, not trying to time short-term movements.

JILL SCHLESINGER: So we have some time for questions. If someone wants to ask a question, that's fine. And hold on, here comes microphone, running microphone. I used an analogy at work, oh, it's like Sally Jessy Raphael running up, or Phil Donahue, and no one knew what I was talking about at work. So there we have someone running up who has a question. So say your name, and let's see, who is your favorite basketball team?

QUESTION: Oh, my God, I have to come up with one. My name is Maggie Wong, and I really appreciate your interview with excellent questions. Thank you, David, for sharing. AI, you mentioned, is driving a lot of growth, and there's a lot of talk about AI's impact on humanity. I want to ask you a trillion-dollar question. What do you think is AI's impact on investment management business? And if we can go a little more specific, the allocation between bond and equity markets, because AI is driving growth...

JILL SCHLESINGER: Yes, this is a great question, David, because I don't know if everybody heard that, like the impact of AI on investment management. I got a question on my Podcast where someone said I ran this through Claude and here's what my allocation should be. So what do you think this is going to do to investment management?

DAVID BOOTH: Well, it'll make it more efficient. We use almost all areas of the firm we use AI to speed things up, make it more efficient. What it probably will not help with is trying to outguess the market because, you know, it's not going to help unless your AI is better and faster than everybody else's AI. And so it gets back into the problem of why people can't beat the market in the first place. So, if anything, my guess is it'll make things more efficient.

Now, in talking to people, here's a concern I have about people's fascination with AI, look, it's going to be huge. It's going to change everything. But I don't think people should bet their life savings on their ability to figure out which company is going to win, be the big winner here. You know, I'm kind of reminded always about the Gold Rush in California in 1849.

JILL SCHLESINGER: I remember that well. We were there, sure.

DAVID BOOTH: I think that was the last time the Knicks won the championship.

JILL SCHLESINGER: Oh, my God, Bill, do you see what he's doing to me?

DAVID BOOTH: But, no, I mean who are the big winners? I don't know. Maybe there's some gold miners that made some money. Clearly Levi Strauss made a lot of money. So it's not clear. AI is going to have a huge impact on business, on the economy. I hope we survive. But it's not clear who the winners will be.

JILL SCHLESINGER: Will it put an advisor out of business?

DAVID BOOTH: No, I don't think so. I think it'll make an advisor more efficient. But you want to be able to eliminate some of the dodo advisors. Here, Claude comes out with an answer, do I really believe that?

JILL SCHLESINGER: Well, the Claude doesn't do nuance, that's the thing. I mean you have to prompt it properly, but it doesn't know certain things. So we did a little experiment at work where I went on and I loaded in, like I'm 40 years old, I have this, when can I retire? And it was interesting, we did it with five different models, and we got somewhat different answers, but it was very generic.

And, of course, AI is not prompting you to say, like someone said to me, well, I went into Claude and it said I should take Social Security at age 62. I said, but did they know that your parents lived until their 90s, that you have longevity, that maybe you should wait to take Social Security. So there's all sorts of things that it is not doing yet. Maybe it will eventually.

DAVID BOOTH: Well, yes, it ties in with the comment I made earlier, which is there's no optimal solution to this. Okay, so Claude came up with one, and maybe that's a reasonable choice. But it's all about tradeoffs. And, you know, Claude doesn't know about a lot of your personal life and what's going to be happening to you, what you're thinking about doing. So it can't know all of those things.

You know, this may sound strange coming from someone who relied so heavily on data and quantitative methods, but I think we've trained a generation of kids coming out of school that rely too heavily on quantitative methods. At the end of the day, you know, you've got to, there's an art to all this stuff. You have to make a judgement as to what you think, all things considered, this is the way I'm going to go.

JILL SCHLESINGER: You know, when I first got into financial planning, I had this sort of, this older planner said something to me and it made me laugh, because he said, you know, it's sort of like it's half math and half art. And if you get the math right, you only

have half a chance of screwing up your client's life. And there's something to be said for that. Do we have another question in the room?

QUESTION: My name is Max Kozak. I know I have to answer a basketball team, the University of Kansas Jayhawks.

JILL SCHLESINGER: There you go.

DAVID BOOTH: I knew I liked this guy.

QUESTION: I'm from Leavenworth, Kansas, I went to KU and I want to say thanks to all that you and your family have done for the school. My question is you talked a lot about equity and bonds. I'm curious how you think about private markets – as they create new vehicles and more people have access – how they play a role in an average person's portfolio?

DAVID BOOTH: Well, the whole idea of private markets, I mean I think private markets are fine. All we do is public markets so that's why, I mean the number one investment you need to make is in yourself, right? Human capital, starting out K-12 and then college can make a huge investment. You know, one of the nice things about getting old is I can occasionally be a fuddy-duddy.

So in answer to your question, a lot of what we're trying to do is just to get people to invest at all. There's still a lot of people that haven't invested or under-invest and aren't saving enough for retirement. That's the market I'm trying to talk to. And enjoy the beauty of the public markets, and again you can come up with a sensible portfolio that you can be confident over the long haul, that you're likely to have a good investment experience.

So now you say, okay, well, for this person that just entered the public markets with trepidation, now let's get rid of that and go into private stuff, let's create a lot of opacity and huge fees and all of that. There's nothing wrong with it, but in terms of public policy, I wouldn't, I don't think people need it to have a good experience.

JILL SCHLESINGER: So we don't need private equity inside of 401K plans?

DAVID BOOTH: That's what I'm getting at.

JILL SCHLESINGER: Thank you very much, I get to say that. Another question...

DAVID BOOTH: I think we're probably going to offend everyone at some point.

JILL SCHLESINGER: Of course. Welcome to my world.

QUESTION: Thank you. I'm Sylvie Bello with the Cameroon American Council. And you have been quoted to say that the KU Gateway District is the prototype of future stadiums. And I'm thinking about the former governor of Kansas, Sam Brownback, whom I've worked with in the Senate, a little bit behind Senator Bradley's term, around Pascal Siakam who was at KU. What do you think of the Chiefs moving from Kansas City, Missouri to Kansas City, Kansas?

JILL SCHLESINGER: Wow, okay, now we're getting to it. That's the question.

QUESTION: Because we've not heard your thoughts on that.

DAVID BOOTH: Well, we just lost half the audience. I think it's, you know, I'm a big Kansas fan. You know Mizzou was our big rival. So when you get people to move from Missouri to Kansas, I'm all for that.

JILL SCHLESINGER: Any other questions in the audience here? Well, I just want to thank David, as always, and thanks to The Economic Club of New York, and thanks to all of you.

PRESIDENT BARBARA VAN ALLEN: Well, thank you both. That was terrific, really fun. I'm pleased to announce that we have a robust lineup of speakers on the calendar this fall. If you turn over your programs at your seat, you can see that we have quite a few. And, by the way, we are adding every day to these.

So I also just want to thank members of the Centennial Society for joining us today as their contributions provide the backbone of support financially for the work that we do. So for everyone joining us virtually, we're going to say goodbye, see you next time. And for those in the room, please enjoy your lunch. Thank you.