

The Carnegie Counselor

THE CARNEGIE INVESTMENT COUNSEL NEWSLETTER

FIRST QUARTER 2014

10,000 Hours

For more than a generation, psychologists around the world have debated the issue of whether talent is innate or not. The easy answer is yes; the best musicians, athletes, physicists, teachers and surgeons are born with a particular superior talent.

Confounding this easy conclusion is the evidence that the closer psychologists look at the careers of the gifted, the smaller the role innate talent appears to play and the bigger the role experience seems to play. In this world of instant gratification, there is no shortcut to gaining experience. The benefits of making tough investment decisions in past market cycles bear fruit during the next one. Carnegie has nine advisors with more than 25 years investment experience and we think they are just hitting their stride.

A study was done in Berlin's elite Academy of Music to determine what made the difference between the world-class violinists and those who eventually became violin teachers. They learned that the violin students all started playing around the age of five, they all practiced about the same amount when they were young, but when they turned eight, real differences started to emerge. The students who would become the best of the best all practiced more than anyone else. By the time they were twenty, they were all playing the violin more than thirty hours a week. At this age, the best students had all practiced more than 10,000 hours. By contrast, the merely good students had totaled less than 8,000 hours and the below-average players had logged less than 4,000 hours of practice in total.

Astonishingly, in the study they couldn't find any students who were "naturals," musicians who rose to the top while practicing very little. This same study has been proven with pianists, guitarists and all musicians. The difference between a great talent and a good talent was the amount of hours spent honing their craft. The idea that excellence at performing a particular skill requires a critical minimum level of practice is proven in studies of expertise. From the book *Outliers* by Malcolm Gladwell, researchers have settled on what they believe is the magic number for true expertise: 10,000 hours.

In 1964 the Beatles came to the U.S. and started the British Invasion putting out hit records by the dozens. Were they an overnight sensation? John Lennon and Paul McCartney started playing together in 1957; eventually they landed a gig in Hamburg, Germany, and made five different trips. One trip they played for 106 consecutive nights, five or more hours a night. On another trip they played 92 straight nights sometimes as long as eight hours per night. All told they performed 270 nights in just over a year-and-a-half. They had performed live an estimated 1,200 times before landing in the United States. Philip Norman who wrote the Beatles biography *Shout!* claims, "They weren't disciplined onstage

Carnegie
40 YEARS
1974-2014

NON-PROFITS AND ENDOWMENTS

Carnegie continues to work with more non-profits, endowments and foundations. We manage nearly \$30 Million for these organizations, usually as a result of an existing client who sits on a board or acts as a trustee. Many of these accounts have been historically handled by local banks and wire houses but are underserved as a result of their size or have been sold proprietary products with high fees and poor performance.

Carnegie can help. Our custom, disciplined investment approach coupled with a shared fiduciary responsibility make these clients and ideal fit for our service. If you sit on a board or are involved with a non-profit, Carnegie can provide a second opinion of the fund at no charge.

Call us for additional information.

Carnegie
INVESTMENT COUNSEL
since 1974

before Hamburg, but when they returned they sounded like no one else; it was the making of them.” When the Beatles released the White Album, arguably the artistic pinnacle of their careers, it is estimated they had played together for over 10,000 hours. Few groups today attain 1,000 hours of performing before fading away.

Does it take significant experience to be great in other fields? Consider the success of Bill Gates. It might appear his life as a Harvard drop-out and founder of Microsoft led an easy path to billionaire status. However, in 1968 when most seventh grade boys are chasing baseballs, young Bill learned of a computer terminal in his school that was linked to a mainframe computer in downtown Seattle. Gates lived in the computer room along with several friends teaching themselves on this new device. Eventually Gates and his friends started hanging out at the University of Washington which agreed to let them have free computer time in exchange for working on a piece of software that could be used to automate payrolls. In a seven-month period in 1971, Gates ran up 1,575 hours of computer time on the mainframe, which averages out to eight hours a day, seven days a week. He and his friend Paul Allen learned that at night the computer labs were open but were never being used, so at the ages of 15 and 16 they left home after midnight and toiled away at their craft. According to Gates, “I’ve always been generous to the University of Washington since I stole so much computer time from them.” By the time he had co-founded Microsoft, Bill Gates was one of the few people on the planet that had logged over 10,000 hours of computer programming.

Most of the clients we serve have their own story of toiling a lot more than 10,000 hours before perfecting their respected skill. We have the pleasure

of serving many professionals who spent years rising to the top of their profession putting in their time. Our experience is spent managing the fruits reaped from those who excelled in their chosen endeavor. Managing a lifetime of accumulated assets should not be left to a rookie. While the E-Trade baby and Jim Cramer might make investing look easy, it isn’t. Charles Schwab, Fidelity and TD Ameritrade will give you all the free information necessary to make investment decisions, but not the experience. When important decisions need to be made for you, be it your architect, attorney, pilot or cardiologist, experience is paramount.

Managing a lifetime of accumulated assets should not be left to a rookie.

In our 40th year we’d like to honor our advisors who have put in their thousands of hours to be the best in their business. May you continue to reap the benefits of their experience:

40,000+ Hours

George Mateyo, CFA
Jim Pease, CFA
Ensign Cowell, CFA
Ted McMillan
Tom Carroll, CFP
Sam Hurley III

25,000+ Hours

Richard Alt
William Anderson
Bob Carroll, CPA, CFP, CDFA
Winnie Coleman
Linda Fousek, CFA
Pat Kennedy
Gary Wagner



Did you know...

Here’s some news you likely didn’t hear on the six o’clock news:

- U.S. oil production grew more last year than in any year of domestic production which began in 1856.
- Four in ten girls born in 2013 are expected to live to age 100.
- Credit card debt in the U.S. as a percentage of GDP is now lower than 20 years ago.
- There are less than 16 people left alive who were born before 1900. A dollar invested in the U.S. stock market at the time of their birth with all dividends being reinvested would now represent in excess of \$34,000.

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