

Songs of Experience: Reminiscences of a Strategist

Charles Schwab · Liz Ann Sonders · 2026-09-03 · English original

Key takeaways

- I've often been asked about the influences that have shaped me and my career and there are many, including the iconic investors for whom I've worked, the memorable books and research I've pored over, and the most valuable lessons they've imparted along the way.
- The lessons from my 40 years on Wall Street include that market cycles and investor behavior often repeat, making discipline, patience, and awareness of emotional biases important parts of long-term investing.
- I remind investors that markets can shift quickly, and they should consider their financial goals, risk tolerance, and time horizon before making portfolio decisions.

It was 40 years ago that I began my career on Wall Street. I initially penned this five years ago, but felt it was timely to share an update. In thinking about these four decades on "Wall Street" I ask readers again to shift tack with today's report and indulge me as I ruminate about what I've learned during this time. I am often asked about the influences that have shaped me and my career, and they take many forms—including the iconic investors for whom I've worked, the memorable books and research I've pored over countless times, and the most valuable lessons they've imparted along the way.

My favorite quip ever said about the stock market was by Sir John Templeton. I had the great pleasure of meeting John many years ago when he appeared as a guest on Wall \$treet Week with Louis Rukeyser (more on that below), on which I was a regular panelist. He perfectly summed up what really drives the stock market—notably not using a single word that isn't directly tied to investors' emotional state:

"Bull markets are born on pessimism, they grow on skepticism, they mature on optimism and they die on euphoria."

Some of the messages embedded in Templeton's most famous quote—as well as in those below—are even more important to ponder given today's lofty valuations and signs there still exists some investor complacency. There is nothing wrong with rejoicing in bull markets; but as recent volatility reminded investors, markets don't rise in a straight line. As such, we should always heed the messages from some of the greats of finance.

It was 1986 ...

Thanks to admittedly heavy doses of luck and right-place-right-time, I started my career working for the late-great Marty Zweig and his partner Ned Babbitt at Avatar Associates. Within my first week on the job—as a "portfolio assistant" (aka, grunt)—Marty gave me a book that I still have, and still recommend every time someone asks me about my favorite investing books. It's a must read for anyone, like me, who understands that it's psychology that best defines market behavior.

Reminiscences of a Stock Operator was written by Edwin LeFèvre and was first published in 1923. It is a

fictionalized biography of Jesse Livermore, an actual legendary trader and speculator of that era. Below are some of the most memorable passages from that dog-eared book sitting on my shelf:

Edwin LeFèvre

"Fear and hope remain the same; therefore the study of the psychology of speculators is as valuable as it ever was. Weapons change, but strategy remains strategy, on the New York Stock Exchange as on the battlefield."

"The sucker has always tried to get something for nothing, and the appeal in all booms is always frankly to the gambling instinct aroused by cupidity and spurred by a pervasive prosperity. People who look for easy money invariably pay for the privilege of proving conclusively that it cannot be found on this sordid earth."

"Speculators buy the trend; investors are in for the long haul; 'they are a different breed of cats.' One reason that people lose money today is that they have lost sight of this distinction; they profess to have the long term in mind and yet cannot resist following where the hot money has led."

"Never try to sell at the top. It isn't wise. Sell after a reaction if there is no rally."

"...there is nothing new in Wall Street. There can't be because speculation is as old as the hills. Whatever happens in the stock market today has happened before and will happen again."

Marty Zweig

When Marty sadly passed away in 2013, I wrote a tribute to him as one of my bi-weekly missives, which long-time readers may remember.

Marty may be most famous for perfectly calling the Crash of '87 on precisely the Friday night before that fateful Monday, October 19, 1987 ("Black Monday"). He did so on the legendary PBS show Wall Street Week with Louis Rukeyser—a show I would join as a regular panelist 10 years later. Some readers (let's just say of the more "seasoned" variety) might remember that prescient conversation between Marty and Lou; and thanks to YouTube, anyone can watch it.

Marty is also famous for coining two phrases that have become ingrained in many investors' minds: "Don't fight the Fed" and "Never fight the tape." Here's what he had to say about both; some of which were in his bestselling 1986 book *Winning on Wall Street*:

"In the stock market, as with horse racing, money makes the mare go."

"Big money is made in the stock market by being on the right side of major moves. I don't believe in swimming against the tide. The idea is to get in harmony with the market. It's suicidal to fight trends. They have a higher probability of continuing than not."

"It's OK to be wrong; it's unforgivable to stay wrong."

"I measure what's going on, and I adapt to it. I try to get my ego out of the way. The market is smarter than I am, so I bend."

"Patience is one of the most valuable attributes in investing."

Louis Rukeyser

I miss Marty every day. I also miss Lou Rukeyser, who not only single-handedly introduced me to the world of financial media; but gave me some of the sagest advice I've ever received. During the preamble to the very first interview I did with Lou in 1997, he asked about my parents and whether they were "financial folks," to which I responded no. He then took my hands in his and said, "when you come out on set in 15 minutes to have our interview, get them to understand what you're talking about." I try to live those words every single day in my role at Schwab.

Lou was also known for his humorous monologues every Friday night, including some of his most memorable quips:

"In Wall Street, the only thing that's hard to explain is next week."

"I never make a prediction that can be proved wrong within 24 hours."

"The best way to keep money in perspective is to have some."

But the one I'll never forget is what Lou said on the Friday immediately following the Crash of '87:

"It's just your money. It's not your life. The figures on a broker's report mean little compared to that. The people who loved you a week ago still love you today."

Quintessential investing books

Throughout those early years in my career, I read many a classic investing tome written by true legends. I try to pick each of them up from time to time to separate myself from the often-manic noise of the day-to-day reading and research with which we're all bombarded. Though not an exhaustive list, they include:

- A Random Walk Down Wall Street by Burton G. Malkiel, first published in 1973
- The Intelligent Investor by Benjamin Graham, first published in 1949
- The Money Game by Adam Smith (pseudonym for George Goodman), first published in 1976
- Extraordinary Popular Delusions and the Madness of Crowds by Charles Mackay, first published in 1841
- Against the Gods by Peter L. Bernstein, first published in 1996

I could fill dozens of pages with memorable quotes from these spectacular books; but in keeping with the themes around speculation, here are some of my favorites:

Burton G. Malkiel

"Forecasts are difficult to make—particularly those about the future."

"It's not hard to make money in the market. What is hard to avoid is the alluring temptation to throw your money away on short, get-rich-quick speculative binges. It is an obvious lesson, but one frequently ignored."

"...there are four factors that create irrational market behavior: overconfidence, biased judgments, herd mentality, and loss aversion."

"Human nature likes order; people find it hard to accept the notion of randomness. No matter what the laws of chance might tell us, we search for patterns among random events wherever they might occur—

not only in the stock market but even in interpreting sporting phenomena."

Benjamin Graham

"Those who do not remember the past are condemned to repeat it."

"Abnormally good or abnormally bad conditions do not last forever."

"You will be much more in control, if you realize how much you are not in control."

"The investor's chief problem—and even his worst enemy—is likely to be himself."

"...while enthusiasm may be necessary for great accomplishments elsewhere, on Wall Street it almost invariably leads to disaster."

"An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative."

"If the reason people invest is to make money, then in seeking advice they are asking others to tell them how to make money. That idea has some element of naivete."

Adam Smith (George Goodman)

"If you don't know who you are, this is an expensive place to find out."

"The first thing you have to know is yourself. A man who knows himself can step outside himself and watch his own reactions like an observer."

"When the Rothschilds got the word about the battle of Waterloo—in the movie it was by carrier pigeon—they didn't rush down and buy British consols, the government bonds. They rushed in and sold, and then, in the panic, they bought."

"The irony is that this is a money game and money is the way we keep score. But the real object of the Game is not money, but it is the playing of the Game itself. For the true players, you could take all the trophies away and substitute plastic beads or whales' teeth; as long as there is a way to keep score, they will play."

Charles Mackay

"Men, it has been well said, think in herds. It will be seen that they go mad in herds, while they only recover their senses slowly, and one by one."

"Let us not, in the pride of our superior knowledge, turn with contempt from the follies of our predecessors. The study of the errors into which great minds have fallen in the pursuit of truth can never be uninstructional."

Peter L. Bernstein

"Risk and time are opposite sides of the same coin, for if there were no tomorrow there would be no risk. Time transforms risk, and the nature of risk is shaped by the time horizon: the future is the playing field."

"Time matters most when decisions are irreversible. And yet many irreversible decisions must be made on the basis of incomplete information."

"We are prisoners of the future because we will be ensnared by our past."

"The information you have is not the information you want. The information you want is not the information you need. The information you need is not the information you can obtain. The information you can obtain costs more than you want to pay."

"Vast ills have followed a belief in certainty."

Bob Farrell

During my 13 years at Zweig/Avatar, I was on the "buy side" managing money; and was the recipient of most of traditional Wall Street's vast amount of "sell side" research. I was an admirer of many seasoned investment strategists during that time; and it planted the seed that would eventually grow into the role I've had at Schwab for more than a quarter century. In addition to Marty giving me *Reminiscences of a Stock Operator* to read, he also pointed me to the work of Bob Farrell, who was Merrill Lynch's chief stock market analyst and senior investment advisor for 45 years; having studied fundamental analysis under (Benjamin) Graham and (David L.) Dodd.

Bob is immortalized by his rules of investing—still quoted widely by investment professionals and ringing as true today as ever:

- Markets tend to return to the mean over time.
- Excesses in one direction will lead to an opposite excess in the other direction.
- There are no new eras—excesses are never permanent.
- Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways.
- The public buys the most at the top and the least at the bottom.
- Fear and greed are stronger than long-term resolve.
- Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names.
- Bear markets have three stages—sharp down, reflexive rebound, and a drawn-out fundamental downtrend.
- When all the experts and forecasts agree—something else is going to happen.
- Bull markets are more fun than bear markets.

Charles Schwab, the company

I left Zweig/Avatar in mid-1999 to join U.S. Trust, which was acquired by Charles Schwab a short 10 months later. That acquisition was part of the evolution of Schwab from its discount brokerage heritage to its expansion into a wealth management and brokerage powerhouse. With that acquisition, as I often say, I was figuratively adopted by the parent company, and my role was born.

Chuck Schwab, the man

Chuck has had an extraordinary influence on me personally, and my career. His optimism is infectious, and his character unrivaled in our business.

I have worked under Chuck's spirit of approval and encouragement for more than a quarter century—half the years Schwab has been a company—for which I'll be eternally grateful.

Seven years ago, Chuck wrote a deeply personal memoir. In *Invested* Chuck tells a "remarkable story of a company succeeding by challenging norms and conventions through decades of change." I had the great honor of hitting the road with Chuck on his book tour after it was published. During those conversations on stages around the country—as well as our many conversations over the past 25 years—there are facets to his character and beliefs that have always guided me as I've traversed my path at Schwab.

More recently, there was "Chuck." It's a documentary by Oscar-winning director Ben Proudfoot.

I highly encourage giving it a watch on YouTube (yes, I'm a biased reviewer). It is a true masterclass—and then some—on the value of hard work, pioneering courage, entrepreneurialism, innovation, and business ethics. You can find out where it all started for Schwab (the man and the company), how Chuck went from dyslexic student to Wall Street disruptor, and how the company went from start-up to industry leader.

One of the beliefs I share with Chuck is the inability to time markets with any precision. Too many investors believe the key to success is knowing what's going to happen in the market and then positioning accordingly. But the reality is that it's not what we know that makes us successful investors; it's what we do. In *Invested*, Chuck wrote:

"If I had learned anything after years in the business, it was how little I could ever know about what the market would do tomorrow."

I especially loved how Chuck closed the final chapter of *Invested*:

"Business is a creative process. You move forward into the unknowable future, try new things, make discoveries along the way, and repeat. It's all about learning and growth. It is why I love it and the free market of ideas that enables it and makes so many great new things possible. I like to say business is organic, like life itself, ever changing. It is the human spirit of curiosity and creativity brought to life, and why I am ever optimistic about the future."

Relevance

Investors have often been reminded that volatility can surge at a moment's notice, and that market leadership can also turn on a dime.

Heed the risk/reward benefits of diversification (across and within asset classes) and rebalancing. Try to divine whether there is a gap between your financial risk tolerance and your emotional risk tolerance. Those gaps can be surprisingly wide and often only discovered during tumultuous market periods.

"Those who do not remember the past are condemned to repeat it."

Explore more topics

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