

“Stop, Drop & Roll”

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During time of market turmoil, opportunity can be at hand.

Those of you who just hate these large market fluctuations and especially those close or in retirement, these periods will always be most challenging. Opportunity is the last thing on your mind. As always, the media and human nature will play a big part in fueling emotions especially fear.

It is the same story and you only have to go back a short time to watch an old episode. Only a few years ago, many investors were clamoring to increase international, gold, oil and commodities exposure in their portfolios. Then it moved to increasing the S&P exposure. Followed by “something has to be done with the bond portfolio” fearing the increase in interest rates. Many looked to move out of bonds, coupled with the search for higher interest rates, investing in more risky investments (dividend paying stock, high yield bonds, REITs etc.) They began overlooking the added risk of underlying investments to capture the short term increase in interest rates. Recently, they started to yearn to sell the gold, oil, commodities, international and high yield bonds. Wall Street was ready to buy/sell it to them and they had the media to fuel the fire. It is easy to look back and realize investors are simply playing with fire and we all know how that ends.

Trying to invest for the long haul, escaping the media, and turning off your internal chatter can be accomplished with the same rules they taught us about fire when we were kids...

STOP...DROP...ROLL!

Stop...

...thinking that anyone knows what is going to happen in an hour—never mind next week, next year or 5 years from now in the market

...feeling like you have to “do something”

...trying to make short term maneuvers to outsmart the market

...to make sure you have a well-diversified portfolio matching your risk tolerance and time frame (boring and I am sure you are tired of hearing this from me)

Drop...

...your “long term focus anchor” (again, if need be) that steadies your overall investment strategies through troubled waters

...the fear of buying something that is going down in value. Consider rebalancing the portfolio during these large gyrations. Not easy to do for you are buying into the very assets classes that are going down and selling the investments that are doing well. It seems counter intuitive...but...exactly what you should be doing.

Roll...

...on with your investments and life. Historically (and that is all we have to go on) it has worked out if one stayed with a well-diversified and thought-out investment strategy. You have already planned for these time periods so you can just move on through.

...with investing new capital into your portfolio if (and only if!!) you have additional capital not earmarked for any short term needs/goals

Those who do not stop drop and roll...well... will most likely get burned.

No investment strategy can guarantee a profit or protect against loss. All investments carry some level of risk including the potential loss of principal invested.

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