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Stock-market lemmings too often lose money

Investment discipline is easier in good times, but it gains in importance in bad times.

By **NATE WENNER**

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Everyone from the next-door neighbor to the so-called expert has advice to offer on how investors should deal with the tidal waves of the economy right now. And the tips are as varied as those giving them. Most people say to hold tight. A few say you should walk away from the market right now, take your losses and go home.

My advice? Be careful of such blanket advice.

It's important to recognize that the best answers for an individual investor are often not obtained from your neighbor or in the mass media but with help from your financial planner.

Reaping the rewards of the financial markets takes patience. It doesn't happen in a few months, or often even in a few years. History points to a lack of success if an investor tries to ride each wave individually. From 1988 to 2007, the U.S. stock market gained nearly 12 percent annually (granted: a great investment period) -- but the average investor gained only 4.5 percent. In less-

favorable markets, the outcomes are very discouraging. Diagnosed culprit: a lack of guidance, discipline and humility.

An investor first needs to understand that the best guidance he or she will receive is from someone who knows every facet of his or her lifestyle, goals and capacity for risk.

Some investors are tempted to pull out of the market after it has declined. This is normal human nature. But, more likely than not, those same investors end up buying again when prices rise. They lose the potential profitability that attracted them to the market in the first place. They perhaps didn't appreciate that those long-term average returns come in fits and starts. Or they were swayed by constant reports of horrible markets. Sometimes, a good adviser will help you avoid those impulses that are hazardous to your wealth.

More important, financial planners help give their clients an appropriate perspective as to how investment returns -- and many other variables that can't be predicted with certainty -- could affect their individual dreams and financial security. It is only when the investor's larger financial and life picture is considered that smart, appropriate investment decisions are made.

We can't know the future. Certainly in hindsight, any investor who knew with certainty when the market would dive the way it did recently would

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have avoided it and returned right at "the bottom." But that kind of foresight is not realistic. A good planner guides with the humility of that understanding.

Not everyone should invest in the stock market. This has been a year that has frightened off many -- some of whom likely shouldn't have been so aggressive in the first place.

Some of us really are savers who want a "good night's sleep" and who really have little appetite for market disruptions. Others are long-term investors who search for higher rewards. During a storm, they will "batten down the hatches" and hold fast because they recognize the storm's intensity and duration are unknown. But they want to catch the important, fleeting tide as the storm lifts. Many of us are somewhere in between and should find appropriate middle ground.

Most investors aiming for a long-term goal like retirement should have a diversified portfolio including stocks (even now), because this represents the best opportunity to grow a nest egg able to keep up with inflation throughout their golden years. They shouldn't fall prey to hindsight-thinking, "chasing" market falls and rebounds or waiting for an imaginary announcement from the lifeguard of when it's safe to get back in.

Investment decisions should not be made based on what everyone else is doing. Like so many


other facets of life, the right decisions for you are not necessarily right for others. Work with an expert you trust and who knows you and your goals. Commit to an investment approach with which you are truly comfortable. Discipline, like so many things, can be learned over time.

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