

Investment Insight: Turn Market Volatility to Your Advantage



Market pullbacks often present opportunities to purchase high-quality stocks at cheap prices. Everything's on sale.

Has the recent market volatility made you wonder how to invest now? If so, you're not alone. When markets turn shaky, even the most experienced individual investors take time to consider carefully the best moves to make in light of the changing investment landscape. That said, here are some strategies that you can employ today:

MAKE SURE YOU'RE ADEQUATELY DIVERSIFIED.

At the end of a lengthy period of rising stock prices, many investors often have too much money invested in one investment type (e.g. small cap stocks) or sector (energy).

The main reasons: Those investments or sectors have performed significantly better than their other holdings, and, encouraged by this good performance, individuals have sought to boost the return of their portfolio by increasing their exposure to these investments over time.

That said, now's a good time to make sure you are not heavily weighted in those investments. Stocks that have widely outperformed the market for a long time tend to be vulnerable to underperformance during a period of market uncertainty.

LOOK FOR VALUE AMONG SOLID COMPANIES SELLING AT DEFLATED PRICES.

How often have you said, "I wished I owned a certain stock when it was selling at a particular price?" The good news is that market pullbacks often present numerous opportunities to purchase high-quality stocks at cheap prices.

For example, at the bottom of the bear market that ended in October 2002, you could have bought many blue chips at more than half their current value. While a bear market does not appear imminent, now's a good time to research some of those blue chips to determine prices that make them good long-term investments.

USE FIXED-INCOME SECURITIES TO HELP LIMIT RISK IN YOUR PORTFOLIO.

Fixed-income securities, such as corporate, municipal and government bonds, generate a steady stream of income that can help to offset any depreciation among your equity holdings.

The percentage of your portfolio that you should allocate to fixed-income securities now depends on several factors, such as your goals, time horizon and risk tolerance level. I can help recommend the percentage to invest in fixed-income securities for your unique needs.

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The complexities of building, preserving and passing along wealth have never been greater. Affluent investors are increasingly seeking guidance and comprehensive solutions that consider their unique circumstances and long-term goals. It's my pleasure to work with such individuals to offer insight, advice and solutions in helping them reach their goals.

AVOID THE TENDENCY TO TIME THE MARKET.

When markets are volatile, many investors mistakenly believe they can jump in and out of stocks to bolster returns. But this strategy is about as reliable as trying to pick the Super Bowl winner before the regular season has been played. What's more, it can be costly because you wind up chasing performance -- buying stocks after they've had a strong run and no longer sell at attractive valuations. And when you buy any stock mainly because it's rising, you have less conviction to hold it when it falls, making you vulnerable to selling at a loss.

VERIFY BEFORE YOU BUY.

Even when all the public information about a company is compelling, and the reasons to buy it are difficult to ignore, don't get too enthusiastic about investing right away. Do the research to help ensure that all the hype is worth the investment.

By the time the good news about a particular investment reaches the ears of the public and makes its way around the cocktail party circuit, much, if not all, of that information may already be reflected in its valuation -- which leads us to the final strategy and arguably the most important.

DEPEND ON PROFESSIONAL MANAGEMENT.

During periods of heightened market volatility, security selection becomes significantly important in adding value to any portfolio. Unfortunately, many individuals become so unnerved by market swings they make decisions based on emotion instead of fundamentals.

Experienced investment professionals are prepared to handle this all-important responsibility of stock selection based on facts, not fiction. They methodically and unemotionally monitor the markets and economy daily, looking for trends to increase returns and insulate your assets from undue risk; and that's where I come in.

A FINAL WORD

No one can accurately predict how long the current pullback will last. However, even if the market continues to fall, take heart in the fact that, while past performance is no guarantee of future results, the major large-cap indexes -- the Dow Jones Industrial Average and the Standard & Poor's 500 Composite, have rebounded from every major market downturn in history.

For more information on how you may further capitalize on current market conditions and add safeguards to your portfolio, please call me. As always, I will take the time to meet your individual needs.

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