

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

lead to regret. We strongly encourage clients to take time to think about the news before acting on their impulses.

Jul. 09, 2020



For those who have been enthusiastic about the stock market, eagerly awaiting the arrival of their monthly statements to see how much their investments have grown, the past few months have been an epiphany of sorts. Yes, markets can be unpredictable. Yes, what goes up can temporarily come down. While the effect of the coronavirus pandemic on the market and the economy has been nothing short of dramatic, it is also not a time for investors to panic. Spur-of-the-moment decisions need to be avoided.

The biggest mistake an investor can make is an impulsive one, which all too often

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

The analogy of buying your favorite item on sale at the department store (or Amazon), might encourage you to invest at the lower price as opposed to selling. Figuring out when an investment is no longer good is tough to do, however, which is why we do not recommend individual stocks to our clients. We also encourage ongoing communication to discuss what, if anything, has materially changed, before shifting strategies. So, what should you do at a time like this? It can be instructive to look at some of the frequently asked questions we get from clients and the answers we give them. "I just read that many economists are predicting a recession. Should I make any changes to my portfolio based on these predictions?" The simple answer is "No."

Most economic predictions that make the news are not relevant to long-term investing. The news media tends to report on specific events at that particular time. Financial news channels, expert pundits, and Wall Street talking heads make projections about the future constantly. However, most news offers little insight into the performance of your actual investments. Many times, their answers are nuanced and may be said for reasons other than your financial situation. The best advice is to speak with your financial advisor and discuss what you read or heard.

"Warren Buffet just said on television that he sold all of his Airline stocks. He is a smart guy. If he said this, then he must know something about what will happen to the market. Correct?" Not necessarily. When "gurus" like Mr. Buffet speak, they usually are talking about issues impacting their own investments. Your portfolio and asset allocation may be very distinct from the issue being discussed. There is nothing wrong with listening, but ask yourself, "Does this impact me?" If so, contact your financial advisor to discuss further.

"I'm nervous about everything that is going on these days with the stock market. What should we do so I can worry less?" Clients who are experiencing anxiety due to

recent events may want to try to identify the context under which their nervousness

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

events occur, they may alter the original goals you specified when building and implementing your long-term investment portfolio. Should you incur one of these events, or something which you feel is a material change, contact your advisor so they can analyze what changes might be needed. Talking it through with someone else can bring perspective that cannot be obtained through self-reflection.

“My son is just starting to invest for his future. But me, I am about to retire. Shouldn't my portfolio look different than his?” One of the most important questions we ask clients is to identify their time horizon for needing money from their portfolio. If you are newly retired at 65, we assume that your life expectancy and thus investment time horizon is still 20 plus years. Longevity in today's world is a lot different than it was 25 years ago. A younger investor has an even longer time horizon. Still, many of the same core assumptions used to build and implement a 65-year-old's portfolio is applicable to the younger investor as well. Stocks are needed to beat inflation and bonds are needed to provide diversification and a cushion for when the stock market declines.

“I read that someone my age needs \$1 million dollars to retire. My portfolio recently dropped below that amount. Now I'm worried that I can't retire. What do you think?” We recently had a situation where the value of a client's portfolio had dropped below an arbitrary number in the client's head. The client's fear of dropping below that number was beginning to impede their decision making. To mitigate that, we went back to the client's financial plan. We discussed their cash flow needs and how their plan, even without reaching the mystical number, would still be successful. After reviewing that together, they remained invested and stayed the course, which will ultimately provide them the best path to meeting their and their family's goals.

Understandably, these times are fraught with concern, as the market fell

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

in Roseland, NJ.

Accounting • Payroll

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved