# NO FEAR *investing*

Mark Twain once said, and I paraphrase, "October is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February."

Investing does not have to be dangerous, but it does require a common-sense approach, whereby you diversify your assets based on your financial goals and develop patience and a long-term perspective above all else.

Don't look for excitement in your investment portfolio. If you are looking for excitement, Kennywood has some really interesting roller coaster rides. And you won't make any big mistakes with your investment portfolio.

A relatively new branch of economics called behavioral finance tries to explain why people make irrational financial decisions. This psychology is well beyond the scope of this article, but poor behavior on the part of investors has caused underperformance and, in many cases, real loss.

Dalbar publishes a study showing that the S&P 500 index has returned 8.5% per year over the last 10 years; whereas, the average mutual fund investor has only averaged 4.88% per year. Much of this difference can be attributed to investors selling out of fear when the market falls and becoming overly optimistic when the market is high. Conversely, Warren Buffett, the famous investor, recommends buying when others are fearful and selling when others are greedy.

Sometimes (actually a lot of the time) investors make poor investment decisions at the wrong time. Most of the time, they know better, but emotion gets in the way.

The S&P 500 was down about 37% in 2008. If you sold these core equities on March 9, 2009, you probably lost about that much. However, if you didn't sell, you didn't lose. As a matter of fact, the S&P 500 is up almost 280% (index value) since that dismal day.

Often the fact is, if you don't sell, you don't lose.

Once, when asked "What is the most important aspect of golf?" Arnold Palmer quipped, "The most important is the six inches between your ears." If you are a golfer, you know this to be true. If you are at the tee and see trouble on your right, you think, "Don't hit it right...don't hit it right!" And what do you do? Hit it right, of course. You have to overcome those negative thoughts and have no fear.

The same is true with investing. As wealth managers, we focus on asset allocation, withdrawal strategies, tax efficiency, and goals-based advice. However, I think one of the greatest values an investment advisor can provide for clients is to help them manage their expectations and emotions.

Using our experience with the ups and downs of the stock market, we have been able to talk clients back off the ledge during major market downturns on a number of occasions. This has saved them, in some cases, hundreds of thousands of dollars and it's something I feel really good about.

Wealth management and investing is best thought of as a marathon—not a sprint. Rarely does anyone hit a home run when they invest, and the tortoise usually beats the hare in the long run.

As you approach retirement, these investment thoughts become more than academic. Investment drawdown decisions are critical to your long-term financial success. Trading in a regular paycheck and depending on your assets to generate income for the rest of your life is a scary proposition in some cases. There are many variables such as having to retire earlier than expected, living too long, investment underperformance, volatility of investment returns, and unplanned needs for cash, to name just a few.

On the other hand, a well-thought-out financial and retirement plan can help to alleviate that stress. A qualified wealth manager can help you establish reasonable goals, quantify objectives, and track and monitor progress—making whatever adjustments are needed along the way. We at H Financial can help, with a no-fear approach, and not just in October.

This **Industry Insight** was written by Garrett S. Hoge.

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