

# Take control of investments; don't blame the market

Gregory M. Curry, CPA/PFS, CFA

**I**t is amazing the lack of perspective most people have about their personal finances. Whenever the subject comes up, the focus is always on what is happening in “the market.” So everyone blames the market for their troubles.

But why? I'm not trying to dismiss the current state of our (and the world's) stock markets. However, what the market does on any single day is basically irrelevant. True financial planning is something that should be a long-term approach.

Unfortunately, our society trains us to focus on the current state of affairs and the effect on our lives today. It's always about what happened “today” that grabs our focus. And the stock market is an easy target because there is always news.

Yet is this truly the right focus for something like the stock market? Despite the fact that the market value has dropped dramatically over the past 3 years (the first three-year consecutive decline in over 60 years), investing in the U.S. stock market remains the best and most efficient way to benefit from the long-term future growth of our economy. Our country's economy has grown steadily over its entire 230 years of history.

So if the market is the best way to benefit from this future growth, why are so many people allowing it to negatively affect their lives? It's because too many people not only take a short view of the stock market, they compound this error by failing to have a coherent investment and financial strategy.

Too many people just have a hodgepodge of investment products purchased through the years based on recommendations from family, friends, salespeople, etc.

Little or no thought was put into how these products might interact with each other to achieve long-term goals. And all too few have a coherent financial plan into which these investments fit logically. People in this situation tend to react to current events (such as our current market environment), rather than managing their situation with the long term in mind.

Smart investment decisions cannot be made without a clearly defined investment strategy. And this strategy can't be created unless it's based on a comprehensive financial plan. And while this sounds like a lot of work, the payoff is well worth the effort.

Financial planning is the conscious decision to be proactive and long-term. It's no accident that people who plan their lives are more successful than those who react. A good financial plan is carefully structured so that we know with a high level of confidence that regardless of what goes on in the world around us every day we are on track to meet our financial goals.

Although a plan is no guarantee of success, and reality can throw our plan off, the plan provides for a solid footing for our adjustments in investments (and other financial activities) that we must make along the way. And we have had some pretty scary periods in our history that have had a significantly adverse affect on our market.

For example, let's look at the 1973-74 bear market. From January 1973 to September 1974, the S&P 500 Index lost 43% of its value. Contrast that with the recent period where 44% was lost from March 2000 to September 2002. Yet people with solid and thoughtful financial plans, and professional help in managing those plans, survived the 73-74 market just fine. And similarly prepared people will survive the current bear market just as well. It is the nature and history of the stock market to naturally rise and fall. But in the long term, the stock market always rises.

The final element that is truly necessary for a successful approach to a long-term process is discipline; discipline to stay focused on the plan and not meddle unnecessarily.

Discipline to maintain your goals and discipline to resist the pressures of daily reactions to "how's the market doing."

Discipline means being prepared to stay the course, focused on your goals and dedicated to the financial roadmap that is your plan.

There's no easy answer here. You can make investment decisions the easy way, by reacting, and continue to be whipsawed by every event along the way. Or, you can plan and manage your finances so that you are confident the outcome will actually achieve your objectives.

It's your choice: keep blaming the market or start taking control of your presence in the market.

(Published in *Business First of Louisville; Money*, page 38; February 14, 2003)