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Financially Speaking by Fred Dunbar

WHO SAYS GREED IS GOOD?

Over the years, your parents and grandparents might have told you to practice patience. When you were young, patience might have been waiting for the end of the school year or perhaps for Santa Claus to come. Now that you are older, be patient when it comes to your investments.

Stroll back with me if you would to Nov. 4, 2016, just before the Nov. 8 presidential election. The news media and the pollsters were all trying to predict the outcome of the election. Besides helping you regurgitate one of your daily meals, it certainly had an effect on the stock market.

There is no doubt that one half of you are happy and one half of you are upset with the outcome of the election, but this is not about politics. This is about how the stock market has gone up based on the hopes and aspirations of what this administration might accomplish. The Standard & Poor's 500 stock market is up more than 16 percent since Nov. 4. Year-to-date, Jan. 1 through June 5, the market is up 8.8 percent, which would be a nice rate of return for one year but is really good for a little more than five months.

Now is the perfect time to look at your investments to see how far your portfolio, based on your risk tolerance, has shifted. If you work with a financial adviser, chances are your portfolio has already been rebalanced. If you manage your own money, now is the perfect time to review your investments and rebalance your portfolio based on how much risk you are comfortable taking to meet your goals.

When markets are up or when they are getting hammered, it's amazing how many people do not open their monthly statements. We tell our clients that we do not want to work with ostriches. By that I mean we want our clients to open up their monthly investment statements when they receive them regardless of how the stock market is doing. As you review your statements, call the investment company with any questions. I know most of you have access to your investments online. Do not become obsessed with the daily change in the market. You are either a trader (or think you are) or an investor. A trader might feel happy or sad depending how the market behaves that particular day. An investor is in it for the long term and does not pay much attention to the daily noise of market fluctuation.

I have never met anyone who can predict the future with 100 percent accuracy, but perhaps you have. Some things are certain: The sun will come up tomorrow, and if you don't turn another year older you're dead. What goes up generally will come down. With accuracy, I can tell you that the markets will correct (go down 10 percent or more), but unfortunately I cannot tell you the day and time it will happen.

Over the past several months I've attended conferences where people look into their crystal ball to see when and how long it will be that the stock market goes down. The consensus is that no one sees a bursting bubble in our economy like 2007-08 (housing) or 2000 (dotcom). Most are in agreement that the markets will correct, maybe not now but perhaps the next 12 to 18 months.

This is why it is the perfect time to rebalance your portfolio. As you head down to the shore, bring down the folder with all of your investment statements or your laptop to access all of your accounts. What better place to review your investments than while you relax with your spouse or partner. Make sure you are comfortable with the risk within all of your investments. It's not always perfect weather down the shore, although it is always perfect to be at the shore.

Do you remember Gordon Gekko, played by Michael Douglas in the 1987 movie "Wall Street," saying "The point is, ladies and gentleman, that greed, for lack of a better work, is good"?

Not necessarily when it comes to your investments, your nest egg.

If you are a moderate risk taker, chances are your portfolio is 60 percent stocks and 40 percent bonds and cash. If you haven't rebalanced your portfolio, since the election you might have approximately 70 percent stocks based on the market run-up. Don't be greedy, it's time to rebalance your portfolio and take profit on the investments that are up. If you are more conservative and built your portfolio with 40 percent stocks and 60 percent bonds and cash, then chances are your stock portfolio is now over 46 percent.

There is no right or wrong answer on what type of an investor you are. We have younger investors who, like their parents, are overly conservative. We just completed a client review where our client asked if his oldest son could sit in on the meeting. Our client values his adult son's opinion. We explained how that portfolio was designed based on his parents' risk tolerance. His son felt that his father should take substantially more risk to take advantage of this stock market run-up. Our client was comfortable with about 45 percent of his portfolio in stocks but would call our office any time there was a geopolitical event or negative political news (when isn't there?). We would talk him off the ledge and say that his portfolio was well positioned. Eventually over the years, the client would want to take some risk off the table and move to 35 percent equities. His son felt that mom and dad should be invested in 65 or 70 percent stocks, as they could easily ride out any volatility in the market. This is where psychology comes into play. You have a couple in their late 60s who are living on fixed income and their son who is still working is age 37. The son is looking at his parents' portfolio based on his risk tolerance.

This conversation was reminiscent of the pre-2008 market adjustments we now call the great recession. Children who helped their parents with investment advice almost always tilted toward their own investment bias. The son, age 37 and earning a great income, can easily withstand market volatility since he is at least 23 years until retirement. Mom and dad living on a fixed income cannot.

For those seeking advice from their children or having them invest your money, always make sure that the risk taken meets your risk comfort zone, not theirs. Remember greed is not good. We always talk about having a SWAN (sleep well at night) portfolio. If you stay true to the amount of risk you are comfortable taking, then you should be OK regardless of what news you hear. The markets will go up and down. Take the time to rebalance your portfolio and focus on your own long-term objectives. There will always be many volatile geopolitical events, from acts of terrorism to political upheavals. These geopolitical events cannot be forecasted or controlled.

If you want a second opinion on your investment portfolio, feel free to contact me. Now that you have your investments back in focus, go enjoy all that summer has to offer.

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