Perspectives

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Staying the Course in a Fluctuating Market

By Michelle Melton, Communications Specialist at 1st Global

“Buy low, sell high” is often the first piece of investment advice we receive and the first sage wisdom we ignore when anxiety-inducing headlines like “Dow Plunges 1,175 — Worst Point Decline in History” appear in bold red letters across our television screens. With TV personalities and financial news outlets reporting daily market fluctuations in terms like "boom" or "bust," it can be difficult for even the most seasoned investors not to get swept up in the hype of market changes. Consider this scenario: if you stepped into an elevator and found just two buttons labeled “soar” and “plunge,” how would you react?

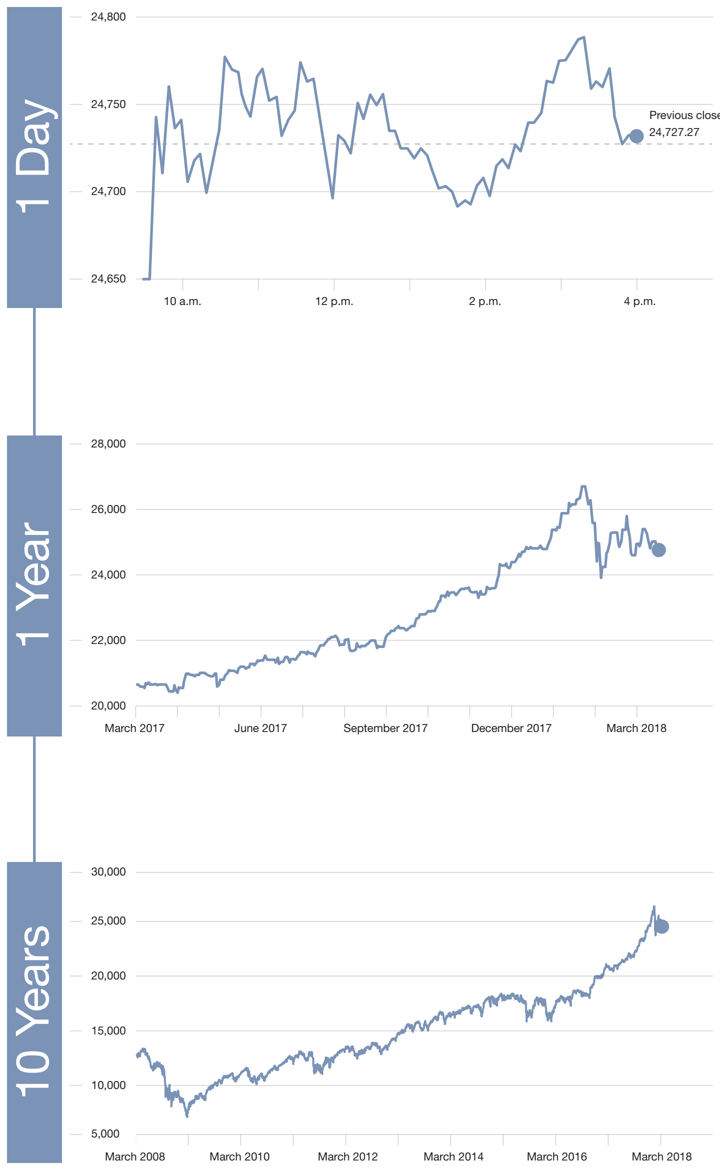
In times like these, it’s important not to listen to the loudest voice, but the most trusted. **Your financial advisor is not motivated by ratings, viewership or advertising revenue, but has a single purpose in mind — to help you achieve your wealth management goals.** While sound financial advice lacks the “sizzle” of the 24-hour news cycle, it’s also void of the unhealthy emotional triggers that steal your focus from your long-term goals.

While the market fluctuates on a daily basis, individual indexes and stocks are historically less volatile over longer periods.* Take, for example, the performance of the Dow Jones Industrial Average pictured to the right. It is important to routinely meet with your advisor to measure investment performance; however, following investment performance too closely could make you lose sight of the bigger picture.

As an example, consider a personal weight loss goal. Doctors, trainers and dieticians would not recommend tracking your day-to-day weight fluctuations as you work to lose 20 pounds over a year. As you see the numbers on the scale move up and down, you may feel inclined to make frequent, and even unnecessary, changes to your diet and exercise plan. Instead, you may decide to weigh in weekly or monthly, tracking your weight loss at longer intervals to get a more accurate measure of your progress.

In the same vein, no financial advisor would recommend obsessing over the daily fluctuations of your portfolio. However, it is important to routinely meet with your advisor on a quarterly or annual basis to measure investment performance against your personal goals, and revisit your risk tolerance if you’ve experienced a life-changing event.

Unless life circumstances have changed, it’s important to ignore the herd and “stay the course.” During times of market fluctuation and uncertainty, remember to engage with your most trusted source — your financial advisor.



The above graphs show fluctuation of the Dow — an index comprised of a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

Past performance is no guarantee of future results.

A Recipe for Achieving Your Goals

By Shelley Schexnayder, Communications, Senior Advisor at 1st Global

Does thinking about investing leave a bad taste in your mouth? With all the jargon that gets tossed around — headwinds/tailwinds; beta versus smart beta; portfolio under- and over-weightings; Brexit, Grexit and even Texit — investors are often left feeling like they have egg on their face when they try to make sense of it all.

Here's some food for thought: think of your investments like ingredients for a recipe. Just as there are seemingly endless ingredient choices (meats, vegetables, spices, etc.), there are seemingly endless investment options (stocks, bonds, mutual funds, etc.). Your dietary needs and the time you have to make a meal may determine whether you consume a pre-packaged meal, such as an IMS Select Portfolio, or make everything from scratch; similarly, your financial needs and time horizon may determine the level of customization your investment plan needs.

Although there is no shortage of companies promising to deliver culinary perfection to your door, well-trained executive chefs know how to create flavors that you just can't get on auto-ship. Likewise, your financial advisor is specially trained to serve as your maître d', sommelier and financial connoisseur.

Just like in fine dining, it's wise to stick with what works when it comes to investing rather than chase the latest trends.

1. **Allocation, diversification and rebalancing.** Diversification allows you to reduce business-specific risk by abiding by the "don't put all of your eggs in one basket" adage. Asset allocation builds on the notion of diversification by looking at security or investment risks in the context of a broad portfolio rather than in isolation. As markets move, the asset allocation can shift; rebalancing gets the investment strategy back on track.
2. **Buy low, sell high.** It sounds intuitive in theory, but in practice it may mean buying an underperforming asset and selling an asset that's performing well. However, underperforming markets are actually the best time to invest: lower prices mean you can acquire more of an asset, which better positions you for when the market goes back up. We have an innate emotional tendency to buy high (when markets are good) and sell low (when markets are bad), but working with your advisor can help you overcome this.
3. **Stay focused on your long-term goals, not short-term market fluctuations.** You can't predict or control market movements, but it's also important to not let it control you. Don't let short-term market fluctuations deter you from achieving your long-term goals.

ODDS OF WINNING A $1.5 BILLION LOTTO

238,000,000 TO 1

10,000,000 TO 1

ODDS OF BECOMING PRESIDENT

ODDS OF GETTING STRUCK BY LIGHTNING

2,300,000 TO 1

\+ \+ **5,474,000,000,000,000,000,000 TO 1**

TIMING THE MARKET CORRECTLY ALL OF THE TIME

436,995,000,379,530,157,833,417,243,656,657,048,552,373,217,153,259,871,269,138,796,909,938,433,085,380,913,465,507,132,479,448,015,883,195,081,953,386,879,496,050, 373,637,280,253,240,350,702,471,648,092,121,342,848,928,599,692,783,774,830,110,546,188,252,114,826,379,482,874,974,375,705,664,989,057,426,692,886,949,349,701,185,004 TO 1

Sources: "The Odds Are Against You: Things More Likely Than Winning The Powerball," Neil Herndon , 2016. "Stock Market Extremes and Portfolio Performance," Nejat Seyhun, 1994. "A Nonparametric Test of Market Timing, "Wei Jang, 8/01. "Sequential Optimal Portfolio Performance: Market and Volatility Timing," Michael Johannes, Nicholas Polson, Jon Stroud, 2/02.

Now You're Cooking

Working with a financial advisor to create and follow a disciplined investment process that incorporates these tried and true principles has carried investors through countless fads and market meltdowns.

Contact your advisor to create or update your own personal recipe for success to ensure you stay focused on achieving your long-term goals. Bon appétit!

Neither asset allocation nor diversification assures a profit or protects against a loss in declining markets.

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