

Your Investment Portfolio — What Next? Let's Move From Crisis to Confidence



As of October 9, 2007. The S&P 500 was at its high. You had an investment strategy in place. You felt ready for your retirement years.

March, 2009. The market tested a low. Your portfolio had year end losses in the double digits. Your retirement dreams seemed in jeopardy.

Today. The market has had a nice run up. You vacillate between feeling cautiously optimistic and fear. You don't know what to do.

If this sounds like you, you are certainly not alone. The last two years have created concern about the present and uncertainty about the future. Uncertainty can create fear and anxiety.

First, take a breath – the way you react to a financial crisis may determine your long-term success or failure as an investor. As with any crisis, anxiety usually leads to poor decisions, because you temporarily lose sight of why you invested in the first place.

Now is a good time to review your portfolio and consider making some adjustments. As you do, please keep in mind the following:

Work with a wealth advisor. Before you begin making adjustments to your portfolio, sit down with an advisor to develop or review your overall plan. When do you want to retire (*if you haven't already*)? What does your ideal retirement look like? How much annual income will you need during retirement to feel comfortable? How much risk are you willing to take? Only after you've taken a good look at the big-picture topics are you able to make informed decisions about what your portfolio should look like.

Understand the importance of dynamic planning. Whether you are deciding the amount of mortgage you can afford, or how much to allocate to stocks, bonds and cash, it is important to have a long term strategic plan designed to survive changes in the economy, the housing market, or the financial markets. At the same time, the plan needs to be dynamic enough to stay relevant as changes occur in your life.

Diversification is critical. No investment can outperform indefinitely, and, as we've been taught since youth, if something sounds too good to be true, it probably is. Whether it is tech stocks, real estate, gold, energy stocks, or whatever tomorrow's "hot" investment may be, the winning streak will eventually end. Prudent investing calls for diversification across many different types of investments—even across financial products (mutual funds, variable annuities, fixed annuities, etc.) Your advisor can help you make sure your entire financial picture is well-diversified.

Don't give in to media vision. To be a successful investor, you need to distinguish between news and noise. The media tends to dwell on the negative. By the time the media finally begins reporting about a turnaround in the financial markets, much of the gains will likely have already occurred. In every bull market from January 1, 1929 through December 31, 2007, the average gain in the first half of the bull market was 43.4% — versus just 16.8% in the second half. If you wait until the media begins consistently reporting good news, your portfolio may suffer as a result.

First American Wealth Management Group has Wealth Advisors who would be happy to sit down with you to review your current portfolio and help you evaluate whether adjustments are appropriate. They are eager to help you move from crisis to confidence.

FIRST AMERICAN
WEALTH MANAGEMENT GROUP

NOT
FDIC
INSURED | No bank guarantee
May lose value