



Recession got you off-balance?

Stay the course.

“Most people,” says legendary investor Warren Buffett, “get interested in stocks when everyone else is. The time to get interested is when no one else is.”

That’s sage advice, based on Buffett’s decades of experience and his firm belief that a willingness to run against the herd is critical to long-term success as an investor.

Nonetheless, it can be difficult for an individual investor to stay calm, and committed to his or her investment strategy, when the financial markets are roiled by recession – resulting in unemployment, foreclosures, bankruptcies, excruciatingly tight credit and often, though not always, plunging stock prices. (The technical indicator of a recession is two consecutive quarters of negative economic growth, as measured by gross domestic product.)

Beyond the economic consequences, recessions have the ability to simply frighten people into making mistakes. Since World War II, there have been 10 such periods of severe economic contraction, each between 6 and 18 months. And the longer a recession lasts, the more likely it will induce investors to make ill-advised decisions.

Check your pulse, then check your portfolio

What can you do to protect your investments from recessions? For one thing, don’t allow economic and market activity – which you can’t control, anyway – to dictate your investment decisions.

Most Crystal Balls Are Foggy

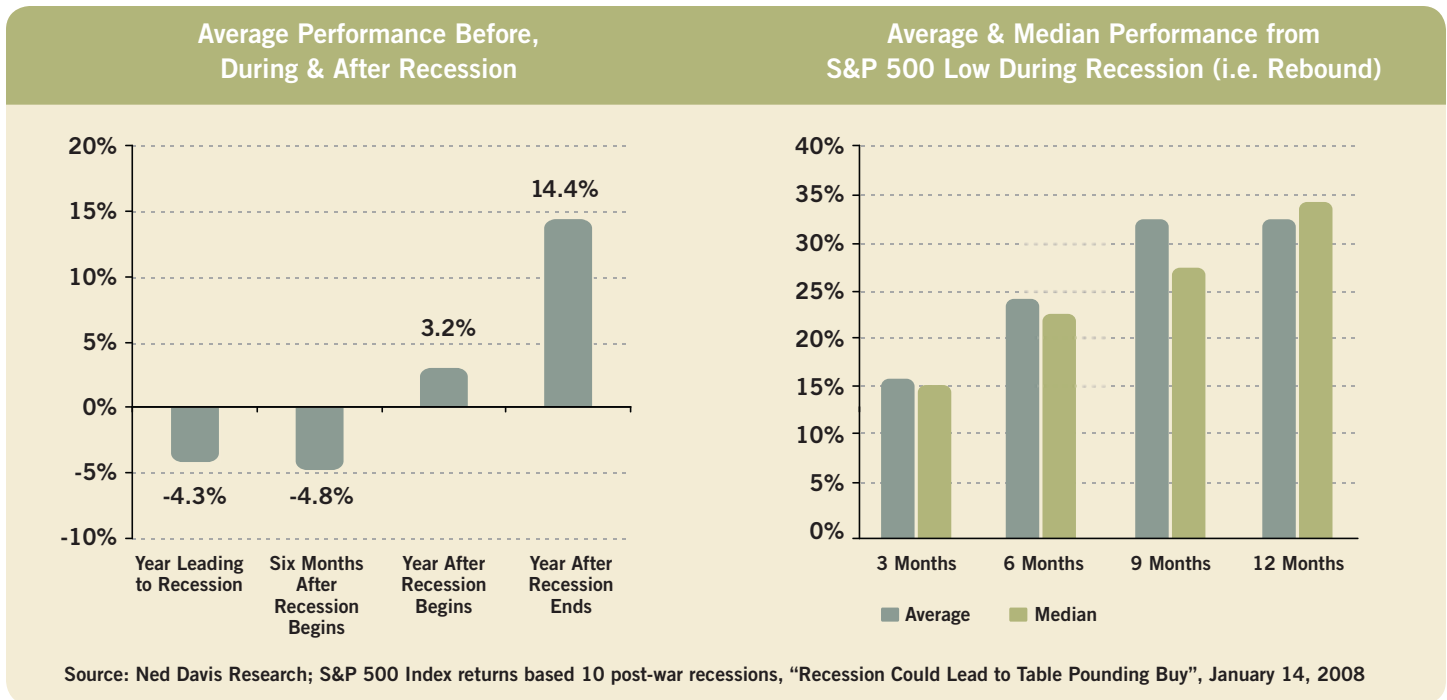
When faced with a recession, should you give into temptation, pull your money out of the market, and wait until the economy regains its balance?

In truth, recessions are a tricky call – they’re not even officially confirmed until months after they begin. If you can’t tell when a recession has started, how can you be sure when it has ended?

It’s equally difficult to predict volatile, short-term performance in the financial markets. Many experts would say that consistently identifying market peaks and troughs is virtually impossible.

Stock prices have a tendency to move explosively. If you’re sitting on the sidelines when the market starts to rally – and you probably won’t recognize a major rebound until long after it’s gotten underway – you could miss a significant opportunity.

The chart below shows average stock-market performance before, during and after 10 recessions. Historically, recessions are normal, though unpredictable, episodes that can lead to above-average market performance.



A better choice could be to stick with time-tested, investing fundamentals, such as:

Diversification. One way to potentially reduce the risk of short-term volatility is to diversify your portfolio – in other words, not put all your investment eggs in one basket.

Asset allocation. You can achieve a high level of diversification through asset allocation – spreading your money among stocks, bonds and money market instruments. When one asset class hits a rough spot, the other asset classes might rise in value, which could help smooth out volatility.

Rebalancing. Rebalancing involves periodically adjusting your investments to keep them aligned with your investment objectives and your personal style.

And finally, ask yourself this question: Do you believe the markets will be higher in 10 years? If you said yes, why wouldn't you want to be fully invested now?

As a financial advisor, I understand the value of...

- Maintaining a strict focus on your critical goals in all market conditions
- Executing your customized investment strategy to pursue long-term growth while managing short-term volatility
- Making adjustments to your portfolio as often as circumstances warrant

Together we will create your personalized investment strategy – with an emphasis on managing risk in times of recession, while aiming to produce relatively consistent and predictable results in all market environments.

Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged; an investor cannot invest directly in an index. Past performance does not guarantee future results.

Stocks are represented by the Standard & Poor's 500® Index, which is an unmanaged group of securities and considered to be representative of the stock market in general. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.