

NOBLE WEALTH ADVISORY GROUP
OF JANNEY MONTGOMERY SCOTT LLC
FINANCIAL PLANNING PERSPECTIVES

Integrating Financial Planning with your Investment Strategy

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2011 was a year in which investors seemed quite unsettled. The U.S. economy muddled along and the uncertainty clouding the outcome of the situation in Europe impacted investors' level of confidence. Many investors felt that "this time is different" and were hesitant to embrace equities and employ long term investment strategies. In response to this, Ken Fisher published a new book titled "Markets Never Forget, But People Do". This book is highly recommended reading; it provides credence to maintaining a long term strategy backed by historical economic and market data. Fisher has culled historical data, in some instances going back as far as 1790. Patterns and trends are evident, although we can't rely on the data to predict the future, it is comforting to see that we have experienced similar events in the past and have moved forward¹.

As we begin 2012, the same concerns are still impairing investor confidence. The situation in Europe continues to be worrisome and the high level of debt in the U.S. is a concern and will be a contentious issue for the upcoming election. These concerns infuse uncertainty that may create some volatility in "the market" going forward. However, it is quite difficult to predict the direction of "the market" and quite impossible to time it. Keep in mind that "the market" is not an investment; the terminology reflects the movements of companies within indexes, many of which are comprised of several companies (500 in the S&P 500, but only 30 in the Dow Jones Industrial Average). The uncertainties that may drive "the market" lower as a whole may not be representative of the prospects for some of the underlying companies or for those not included in the index. This is where opportunities arise and investors can purchase financially sound and viable companies at lower levels.

This is not to say you should employ a firm "buy and hold" strategy. Your portfolio should be managed, making adjustments to increase weightings where appropriate and trimming positions when they become too large a percentage or if concerns arise. Charles often uses gardening as a metaphor as like a garden, a portfolio needs to be tended, pruning positions that have been overgrown. No matter how well the garden has been cultivated and mulched, some weeding will be necessary. This in turn will make room in the garden, providing opportunities for new plantings that may fare better considering changes that may occur in the soil or in the weather patterns.

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It is important to continue to maintain a diversified portfolio with exposure to equities (both U.S. and global) and your investment strategy should coincide with your financial plan – taking into consideration such factors as your stage of life, available resources, your level of comfort and the spending needed to take care of your family. Having a plan in place helps to keep from emotionally reacting to short term market movements in which you don't have control. The plan can help to determine whether your anticipated level of spending is sustainable given your income and portfolio and provide you with strategies to make changes in areas that you can control to achieve your goals over the long term.

With a portfolio that is constructed with your objectives in mind as well as being well-diversified without taking any undue risk you should have the confidence to invest for the long term. Knowing what you own and why you own it is paramount to being able to stay calm when uncertainty is impacting the markets. Although it is impossible to predict the future with accuracy, we can at least look back over the lessons of the past to understand that the economy does recover after recessions, investing globally is important and that equities are less volatile when held over the long term².

¹"Markets never forget (but people do): how your memory is costing you money and why this time isn't different" by Ken Fisher with Laura Hoffman – 1st ed. ISBN 978-1-118-09154-8

²"Historical Returns by Holding Period" JPMorgan Market Insights p.57

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