What's Your Take On That?

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July 2, 2010

Every day it comes at you. News of oil spills, healthcare reform, European debt woes, housing crisis, commercial real estate issues, unemployment, and the upcoming election. If you keep the television or news radio on all day, it could take you to the brink of insanity. Bad news sells much better than good news. That's why it is a majority of what is reported. When was the last time you heard a news commentator say, "I'm sure they will solve that problem soon and put things back in order"? You never hear on the financial channel, "Just ignore all of this noise and stick to your long term plans." The advertisers wouldn't get much mileage out of that would they?

Often I am asked the question by a client, "What is your take on that?" The only way to answer that question is to put it in their plans perspective. For example, the retired client asks about the recent oil spill. My response is, "Fifteen years from now when you are half way through retirement, will that be a material issue for us to discuss?" For the person that is 20 years away from retirement is a different answer. I would say, "Based upon your time frame and the fact you are in your peak earning years, I have no way of seeing how this is an important issue with respect to your retirement planning, your children's college funding, or how we will minimize your tax liability in 2010."

Investors tend to make emotional decisions at the worst possible times in history. Past money flows indicate money pouring into stocks at market tops or high points and being yanked out at market bottoms or troughs. The same is happening with real estate right now. Five years ago people couldn't buy enough and today many are selling their properties to get out from under the debt they took on to acquire those same properties in the first place. In the early 1980s it was the same with silver and gold. There doesn't seem to be an end to this pattern either. Each generation gets a fresh crack at repeating the family tradition.

How an investor reacts to the news and markets has a huge impact on their returns obviously. Going back to your comprehensive financial plan is your take on the news. Believe it or not, your plan is usually the biggest news of the day. So viewing the news in terms of your plan's time horizon, and your own family dynamics is the best way to have a viewpoint. In fact it is the only viewpoint that is personalized to your own situation that matters. So if the markets are bad and your account statement comes in the mail, put it in the drawer for viewing when we are back in an upward trend. If you have the right diversification, level of risk appropriate for your time frame, and a process for hiring and firing your investment components, you are on the right track to a portfolio you can live with. You just need a thicker skin to avoid the news du jour.

Since most people make big mistakes at market tops and bottoms, it is not a good idea to follow the herd. Your friends and neighbors also have different circumstances and financial responsibilities than your own situation. So if they recommend "a hot investment" or "a popular investment", just smile and say, "Sounds Good"! If you listen carefully, you will see the trends and patterns and take notice. Oil, gold, commodities, currency futures, china, healthcare, rising taxes, . . . What's your take on that?

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