CONSERVATIVE
FINANCIAL SOLUTIONS

Stay The Course

As a financial advisor for over 30 years, I have been asked many questions revolving around the stock market. One of the questions that I'm often asked is about timing. "Is it a good time to buy?" Which is typically accompanied with, "I want to wait until I can get a good price." Many people are shocked when I tell them for the long-term investor, it's not about market timing. It's about patience. I understand wanting to get a good price, we all want to get a good deal, but for the long-term investor just being in the market is the most important, not getting the best price. Allow me to explain by giving you a few examples of why this is the case.

First, I like to separate the market into two categories, short-term investing and long-term investing. I'll begin explaining the difference between the two by drawing a line in the sand at 18 months. Anything before 18 months is short-term, after 18 months is long-term.

The short-term market is driven by emotions. As I mentioned in a previous article, the stock market is an emotional beast. Fear, panic, greed, and overreacting are all drivers of the short-term market. It's pure emotion that is unpredictable. The good news for long-term investors is that unlike emotions, fundamentals drive the long-term market. These fundamentals include revenues, profits, cash flow, a competitive landscape, innovation, and the overall direction of the economy. Despite all of the venom the fear mongers are spewing, our economy is actually growing steadily. On a global scale, no one is as competitive as the United States of America. We are the world's largest economy without a close second. As a long-term investor, you should be concerned with the long-term direction of the market. A novel idea, I know. However, many people don't think this way and they get caught up in the short-term ups and downs. So the next time when something like Ebola hits the U.S. or the government shuts down, (both being distant memories that caused the market to drop) remember it is all just headline risk and you need to look at the fundamentals.

> "The short-term market is driven by emotions. … As a long-term investor, you should be concerned with the long-term direction of the market." — *Roger Ford*

Let's take the example of John for an explanation of why market timing doesn't matter as much as patience does to the long-term investor. John invested his money in the S&P 500 in July of 2011, which was consequently the worst possible time to invest since the financial crisis. Overnight, John lost 18% of his investments. This actually was the case for many in July of 2011. However, staying patient, he kept his investments in the market. Today, he is experiencing a gain over 70%. This is yet another example of why market timing is irrelevant to the long-term investor. Chief strategist for Global Financial Private Capital Mike Sorrentino brought this to light during a presentation he gave on long-term investing.

Markets fluctuate. Investors have to be able to accept this simple fact. Since the end of WWII, we have had 29 market corrections in the S&P 500. However, over the last 50 years, the S&P 500 is up over 11,000%. No, that is not a typo. Equities grow and compound over time, because economies grow over time. Staying invested allows you to take advantage of compounded returns. This is one of the most amazing ways to create generational wealth. Small boring gains turn into attractive long-term gains simply from compounding. Don't let volatility scare you out of the market. Stay strong, stay the course!

Site: http://compleatadvisor.com/index.php?option=com_content&view=article&id=1534:investing-long-term&catid=159&Itemid=874

Conservative Financial Solutions | Roger L. Ford
10403 Harrison Ave. | Harrison, OH 45030
513.367.1113 | ConservativeFinancialSolutions.com