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Perspective on the stock market - This too shall pass!

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There is no denying that we are receiving a daily diet of bad financial news. On Thursday, November 20th the Dow closed at 7552, a level not seen since 2003. Diminishing economic outlook, paired with the major layoffs at Citibank and the duress of the American auto industry have made for discouraging headlines.

It is important to realize that the stock market is one of the government's leading indicators of the economy—it reacts on news of expected future events. Because of that, the losses the stock market has suffered to date should have already discounted considerable economic pain to come. From a market perspective, this may mean that while the market will react to unexpected bad news, it may not react to every bad headline.

Yes, we as Americans—and indeed the whole world—will have to deal with this economic downturn which may be deeper and longer than anyone would like. It is a very difficult time to be an investor and losses have been steep for everyone. As an advisor, I feel this acutely every day for my clients, as well as for myself.

Nevertheless, I do know that even extended recessions end, that market drops will create selective buying opportunities, and that the economy will again cycle around to an economic expansion. This downturn could even lead to a healthier and wiser economy when it recovers by purging the excesses of the last 12 years.

Additionally, here are some questions to ask yourself:

1. Has this down market made you rethink your risk tolerance?
2. Have your goals or time horizon changed?
3. Do you have financial needs now or in the near future that you have not financially planned for?
4. Have you used market losses for income tax planning?

Contact your financial advisor to review your current situation and to discuss your concerns. You and your advisor can reassess your financial and life situation to see if you will need to modify your portfolio. You should also explore future income tax saving strategies such as tax loss harvesting, IRA conversion, and gift and estate planning opportunities.

This is a very difficult market but remember...this too shall pass!

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