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A Guessing Game

Investors popped champagne in early March as the Dow Jones Industrial Average rose to record heights. Only a few weeks before they were in despair as Congress was trying to avoid the fiscal cliff and the economy faltered. Neither elation nor dejection are good for your financial health or peace of mind. Many investors earn much less than they should from the stock market compared to overall returns, according to many studies, most notably from Dalbar Financial. People get nervous during a recession and bear market. They wait to buy stocks until the economy improves. By then the market has surged and they are late to the party. When the market drops, they wait until they can't bear it any more to sell. By then, often, the stock market is bottoming and the cycle begins anew. No one has proven the ability to predict accurately repeated market moves. Indulging your emotions and trying to outguess the market are two big reasons many investors are disappointed. Putting together a diversified portfolio, carefully adjusting your asset allocation and ignoring market swings have been widely shown to be more reliable than resting your hopes for the future on a financial guessing game.

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About Larry Luxenberg

Larry is a Chartered Financial Analyst with 28 years experience as an institutional investor and financial consultant. Larry specializes in retirement planning for Baby Boomers and strategies for maximizing benefits for Social Security. He has been widely quoted in newspapers and magazines and has appeared on CNBC and other television and radio programs.